



The following questions have been posed by Commissioners prior to the scheduled Board Meeting on June 2, 2020. Staff responses are included below and are sorted by Agenda topic.

Consent Calendar

CONTRACTS

McKenzie Watershed Alliance (MWA) – for managing timber harvest for logging and related services at the Deer Creek transmission line. – (PRICE) I looked up the McKenzie Watershed Alliance and it appears to be the former McKenzie Watershed Council. Is this correct, or is this a different organization?

Since this was a direct negotiation contract, I'm wondering what expertise this Alliance has in managing timber harvests.

Can you explain if the alliance is just passing through another logging contract and overseeing the logging contractor or something different? The amount of \$254,000 seems like a lot of money to just oversee another contractor.

Please confirm how this works. My assumption is that we contract with MWA to oversee the harvest and related activities, and they subcontract with a third party for all the actual work (i.e. the requested contract amount for MWA includes the cost of all related subcontracted services).

Who gets the revenue from any merchantable timber sold, and what is the estimated value (if any) of said timber?

RESPONSE: *EWEB is contracting with the McKenzie Watershed Alliance, the contracting arm of the McKenzie Watershed Council's parent organization. This contract will pay for the logging contract (\$210k) and management of that contract (\$43k) by the Watershed Alliance.*

This is not a timber harvest, rather a watershed management program. The MWA has experience managing these kinds of projects, most recently in the Smith Fork project 2018 and then in 2019 with the first phase of this Deer Creek project.

The MWA subcontracts with the logging company, BCI Contracting, to remove the timber from our new right-of-way alignment. Per our Carmen Smith Settlement Agreement, the timber all goes to a watershed restoration project being completed in Deer Creek by the Forest Service and the Watershed Council. The Forest Service is our partner in this project, including contractor selection. Because the timber is being used in the restoration project, no cash changes hands for its value.

RESOLUTIONS

Resolution No. 2020, Reserve Transfers – (HART) A question about planning for the budget; this is a main agenda item in July, but I was curious when looking over the information on reserves about how we are planning for Covid financial impacts. The obvious impact is a decline in revenue due to an increase in unpaid bills and a decrease in usage, but what other factors are there? If there's a huge downturn in the market, how

might that affect PERS? And is it possible that other costs will increase due to COVID (materials, other contracts, etc.)?

RESPONSE: *Adverse market conditions have the potential to greatly impact the PERS liability and it is something that we are watching closely. EWEB's current PERS rates (excluding the adjustment in November of 2019 for the side account deposit), went into effect on 7/1/2019 and will stay in effect until 2021. The rate schedule in 2021 will be based on the valuation for the year ended 12/31/2019. Due to timing, the impact of COVID-19 will not impact the rate calculation until 2023, giving the market about 18 months of recovery time. Finance will be keeping an eye on interim valuations and general market conditions to determine if EWEB should be planning for greater increases in the future.*

While there may be some specific situations that materials and other costs go up related to COVID, the general indication is that a depressed economy will moderate price increases of general supplies. Finance is fine tuning budget assumptions and will be bringing those in July.

It came to my attention that another public employer has deferred their PERS match contribution until the end of the year in anticipation of the market getting softer which will benefit their organization. Has EWEB already committed the funds or do we have that option to at least explore the pros and cons of delaying the transfer of the funds?

RESPONSE: *Making the payment early (EWEB made the deposit in November 2019) triggered the savings on the employer contribution rate and the funds are invested in OPERF, which applies earnings/losses at the **end** of each year. Because I am not clear on the precise mechanics on part year earnings, it is unclear how the county's decision to deposit later will ultimately affect their earnings/loss credit for the year and whether or not they can truly "buy low". There is also little consensus that markets will continue to fall (although most economists expect more volatility). It is likely the county's decision was more about the timing of cash receipts. EWEB had reserves and a stable, year-round cash flow, so we could make our payment at any time. OPERF has a better historical return than EWEB could otherwise get under our investment policy and it made sense at the time to begin to capture that, and the savings on our PERS bill. A month after our deposit was made EWEB's PERS rate went down 5%, but EWEB did earn an immediate 25% matching incentive from PERS.*

Staff's background memo indicates that the Water Capital Reserve was \$4.2 million above target at 2019 year-end, of which \$1.25 million was due to a delay in water meter installations for AMI. What is the reason for the additional \$3.0 million over target? Is this because other projects in the past have come in cumulatively under budget, or is it because other planned and budgeted work in prior year(s) was delayed or deferred? If due to the latter, is a portion of the surplus earmarked for those specific delayed/deferred projects, or is the surplus simply pushed forward and available for any and all future projects?

RESPONSE: *The excess in the capital reserve is from delays in rate funded work. Reimbursable work was higher than budget and remaining capacity for capital work in 2019 was directed toward bond funded projects, such as the Hayden Bridge disinfection system. The surplus is available for any and all future capital projects.*

CORRESPONDENCE

EWEB's 2019 Oregon Renewable Portfolio Standard (RPS) Report - (ACKERMAN) In the section of the report that discusses Oregon RPS Compliance Rules (middle paragraph) it says "Under EWEB's interpretation...". What is the significance of this statement? Are the rules unclear, ambiguous, or in dispute such that an EWEB interpretation is necessary?

RESPONSE: *While there is no dispute, this application of the rule is unclear. It is EWEB's interpretation that when applying the hydro exemption to our RPS obligation, it is unnecessary to retire our share of BPA Tier 1 RECs to "green up" a non-fossil, non-emitting resource. When asked, we communicated this interpretation to ODOE,*

indicating further that we would welcome a regional discussion on the subject. ODOE has not engaged or inquired further.

OTHER

City of Eugene/EWEB Quarterly Leadership Meeting – (LAWSON) I am curious about what's happening with the City and our efforts to collaborate. I know that Steve reached out to the Mayor after they cancelled our last meeting, but I'm not sure if we ever heard back. I understand that many things are up in the air due to Covid, but what would be the best way to make sure we'll still on track with them once things begin to settle down?

***RESPONSE:** The last quarterly meeting was postponed by the Mayor's office, with the next meeting scheduled for July 7th. Unless communicated directly to President Mital, the GM Office has received no additional response. The GM and City Manager have communicated since the last Quarterly meeting, mostly around COVID response and impact.*