

**EUGENE WATER & ELECTRIC BOARD  
REGULAR SESSION  
500 E 4<sup>th</sup> AVENUE  
July 7, 2020  
5:30 P.M.**

*Commissioners may pose questions to staff prior to the scheduled board meeting. To view Commissioners' pre-meeting questions and staff responses, visit <http://www.eweb.org/about-us/board-of-commissioners/2020board-agendas-and-minutes>.*

**Commissioners Present:** Mindy Schlossberg, Vice President; John Brown, Sonya Carlson, Dick Helgeson, Commissioners

**Commissioners Absent:** Steve Mital, President

**Others Present:** Frank Lawson, General Manager, Deborah Hart, Chief Financial Officer; Mike McCann, Generation Manager; Tyler Nice, Electric Operations Manager; Rod Price, Chief Engineering & Operations Officer; Adam Rue, Fiscal Services Supervisor; Alicia Voorhees, Senior Financial Analyst

Vice President Schlossberg called the Regular Session to order at 5:30 p.m.

**Agenda Check**

There were no changes or additions to the agenda.

**Items from Board Members and General Manager/COVID-19 Update**

Commissioner Carlson announced she had attended two virtual meetings with Lane Council of Governments (LCOG) recently.

Commissioner Helgeson expressed appreciation to EWEB staff, and the community at large for working to keep everyone safe during the COVID-19 pandemic. He reported he had received EWEB's Water Quality Report from last year. Commissioner Helgeson lauded the specificity, clarity, and completeness of said report.

Mr. Lawson offered that the postponement of the meeting between EWEB Commissioners and the Eugene City Council (ECC), was, to the best of his knowledge, temporary. He said he had spoken with the Eugene City Manager, and learned that ECC was currently inundated with a high number of different things stemming from both the COVID-19 pandemic, and the recent civil unrest. Among the topics that Mr. Lawson had discussed with the Eugene City Manager, was an agenda item scheduled for EWEB's August Board meeting, focusing on EWEB's headquarters building.

Mr. Lawson then offered the Board an update and PowerPoint presentation on EWEB's response to the COVID-19 pandemic.

Commissioner Carlson said she was worried about how EWEB ratepayers would be able to pay their electric and water bills once unemployment benefits dispensed at the beginning of the pandemic began to run out. She wondered if there were any examples to draw from within the industry.

Mr. Lawson said they were hearing that other utilities' number of past-due accounts was still on the rise. He added EWEB had been advocating at both the State and Federal levels for direct aid to help the utility and its ratepayers financially during this trying time.

Commissioner Helgeson opined that it would be premature for EWEB to take any further action vis-à-vis financial aid at this point, but he hoped Mr. Lawson and staff were monitoring the situation very closely.

Commissioner Brown wondered where EWEB's shutoff numbers were currently, compared to one year ago.

Mr. Lawson said they were significantly higher.

### **Public Input**

Written testimony provided by Mr. Webb Sussman, and Mr. William Rutherford will be provided as an attachment to the July 7, 2020 minutes

### **Approval of Consent Calendar – A MINUTES AND ROUTINE CONTRACTS**

#### **1. June 2, 2020 Regular Session Minutes**

**2. Associated Underwater Services, Inc.** - for on-call diving services. \$150,000 over 5 years.

**3. H&J Construction** - for East 19th Street water main replacement. \$323,825.

**4. Jones Drilling Company** - for south Eugene emergency water wells. \$246,600

**5. Osmose Utilities Services, Inc.** - for pole inspection, test & treat, and NESC and joint use inspections. \$560,000 (estimated over 5-year period).

***Commissioner Brown moved to approve Consent Calendar – A. The motion passed unanimously 4:0.***

### **Approval of Consent Calendar – B NON-ROUTINE CONTRACTS AND OTHER CONSENT ITEMS**

**6. Carte International (Carte)** - for three phase network transformers. \$1,300,000 (estimated over 5-year period).

**7. GPS Insight** - a cooperative contract through Sourcewell, for fleet GPS tracking and telematics. \$150,000 over two years.

**8. McKenzie Watershed Alliance** - for managing timber harvest for logging and related services at the Deer Creek transmission line. \$122,500 (resulting cumulative total \$376,500).

**9. Platt Electric, Inc.** - for turn-key replacement of seven (7) legacy variable frequency drives (VFD's) supplied by ABB. \$600,000 over 5 years.

**10. Xylem** - for a purchase order for water quality monitoring equipment. \$50,000 (resulting cumulative total \$187,315, including recent purchase and maintenance support agreement).

## **RESOLUTIONS**

**11. Resolution No. 2021** - Transfer of Business Growth & Retention Reserves.

***Commissioner Carlson moved to approve Consent Calendar – B minus item 8. The motion passed unanimously 4:0.***

### **Items removed from the Consent Calendar**

Commissioner Brown pulled item number 8. He wondered about the process involved in this consent calendar item, and he wondered if the Light Detection and Ranging (LiDAR) equipment being used on this terrain was reliable.

Mr. Lawson returned that EWEB did employ LiDAR, and after using it for this project—seeing its limitations—the utility might opt for a different method next time. He added that a walkthrough exclusively would probably be the best option when EWEB is faced with this situation again.

Finally, Commissioner Brown asked if the rootballs would be left on the trees the Forest Service puts in the river in an effort to mimic Nature and create viable fish habitat.

Mr. McCann said yes.

***Commissioner Brown moved to approve Consent Calendar – B, Item 8. The motion passed unanimously 4:0.***

### **Electric & Water Long-Term Financial Plan Update & 2021 Budget Assumptions**

Ms. Hart, Mr. Rue, and Ms. Voorhees offered the Board an update and PowerPoint presentation on EWEB's Electric & Water Long-Term Financial Plan (LTFP), and the 2021 budget assumptions.

Commissioner Brown asked about the Leaburg facility outage scheduled for 2021. He wondered if the financial plan assumed that Leaburg was scheduled to go back online in 2022.

Mr. Rue said that was correct.

Commissioner Brown asked what the current balance of the Rate Stabilization Fund was. He wondered if the \$19.5 million being used from that fund would effectively wipe the fund out.

Ms. Hart said no, that after the \$19.5 million was drawn from the Rate Stabilization Fund, the fund would be at its target, which was \$5 million.

Vice President Schlossberg wondered if there were any State or Federal aid monies that EWEB might take advantage of.

Mr. Lawson there were programs in the works at the Federal level that would aid utilities across the nation, however those monies would come with conditions; for example, whatever public utility took one of the offered grants or loans from the federal government, would have to agree to a moratorium on disconnects.

Commissioner Brown wondered, hypothetically, if EWEB were to raise its rates next year by 1 or 2%, would it prevent a more significant rate increase in 2022.

Mr. Lawson said there were a number of different models EWEB could run, including smoothing.

Commissioner Helgeson asked if the monies from the Rate Stabilization Fund would be used to mitigate EWEB's current debt issuance for Carmen Smith.

Mr. Lawson said yes.

### **Break**

Vice President Schlossberg called for a five-minute break.

### **Electric & Water Capital Improvement Plans**

Mr. Price, and Mr. Nice offered the Board a report and PowerPoint presentation on EWEB's Electric and Water Capital Improvement Plans (CIP).

Commissioner Brown wondered what, if anything at EWEB's Roosevelt Operations Center (ROC) was already worn out and/or in need of repair. He also thought the facility was built to an upgraded seismic code, but there were significant funds in the presentation earmarked for seismic upgrades.

Mr. Price offered the building's current seismic code is intended to protect occupants so they could walk away from the building after an event, but it is not such that they could

return to the building and reuse it. EWEB's Dispatch center, Trading Floor and critical IT assets are now housed at the ROC. The seismic upgrades at issue were necessary to prevent the total destruction of these as well as EWEB's warehouse, equipment and vehicles which are inside the physical building at the ROC.

Commissioner Brown offered that federal grants or other sources of income may be available to help with the costs.

Commissioner Helgeson asked if EWEB was still looking for opportunities to optimize the utilities' delivery system to reduce capital investment over time.

Mr. Price said EWEB's approach to delivery optimization had evolved, and now staff were looking more toward replacing and maintaining key components of the delivery system, in order to preserve EWEB's reliability.

### **Correspondence & Board Agendas**

Mr. Lawson offered the Board a report on correspondence and Board agendas.

### **Board Wrap Up**

Vice President Schlossberg thanked EWEB's IT department for facilitating these virtual meetings. Her colleagues agreed.

### **Adjourn**

Vice President Schlossberg adjourned the Regular Session at 7:51 p.m.

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Assistant Secretary

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President

July 2, 2020

Subject: Internet Utility Service

Comments:

To Mr. Lawson and the Board,

The Springfield Utility Board is moving forward where EWEB is stuck back in the 1900s. An example: "Greetings Technology Association of Oregon in the Southern Willamette Valley, I'm Sally Bell, the new VP, and Executive Director. Please reach out, friend me, and let's have a virtual or socially distant beverage soon! AND..I have some hot off the press news to share about Fiber in Springfield! Net Neighborhoods and now live this week thanks to Springfield Utility Board and XS Media to increase community access to high-speed internet! XS Media is the first provider installing fiber in Springfield homes and businesses for this program. The Net Neighborhood concept is part of the Springfield InfiNet suite of telecommunications infrastructure tools and is the first of its kind in Oregon. Interested service providers and potential customers can find more info: [SpringfieldInfiNet.com](http://SpringfieldInfiNet.com) Here's to more partnerships and innovation in our neighborhoods!" ~ Technology Association of Oregon in cooperation with SUB and XS Media If you're interested in service like this, apparently you can either move yourself or your business (or both) to Springfield and join the 21st Century, or you can elect new EWEB Board members in the upcoming elections. If I sound a little frustrated it's because EWEB has been "discussing" this type of service for the past 25 years.

Sincerely,  
Webb Sussman

## WILLIAM G. RUTHERFORD

July 6, 2020

EWEB Commissioners:

Subject: Up-River COSA and rate adjustment considerations

First, let me acknowledge that as a business, EWEB must adopt an electric utility rate structure that allows for return on investment, operations, maintenance and provide for budget allowances for reserves, personnel costs, and other required financial constraints. I also understand that EWEB is concerned with fairness as it serves its customer population.

The question of cost of service for up-river electricity arose at your May 7, 2019 meeting when Commissioner Mital posed the question. The board agreed and GM Lawson accepted the proposal. The severe winter storm of 2019 was the stimulus for the matter. It should be noted that EWEB was compensated by FEMA for expenses associated with this storm.

On June 16, 2020 you heard a presentation regarding COSA for up-river EWEB electric services. As you considered what was delivered, you deliberated about the alleged imbalance between costs and revenues for our area. No decision was planned but the budget staff was asked to analyze what was debated and begin to incorporate a proposal that would impact the 2021 budget package. I anticipate they will return to the July 7 Commission meeting with figures for consideration. The matter is complicated and I appreciate GM Lawson's concern with "fairness" as one of the guiding principles.

The next public presentation of this topic is scheduled for September 22 at Leaburg. At the November meeting you may decide the 2021 electric budget which could finalize the decision regarding up-river rates. Staff recommendations will undoubtedly be delivered to you at your October 6 meeting. This leaves less than 14 days to consider any reactions at the Leaburg meeting. Is this "fair"?

Considering the above, I pose the following questions and concerns for the public record:

1. COSA is complex and is built on models that may or may not be accurate for any given situation.
  - a. Reading from your slide 26, it appears that the actual 2020 customer revenue shortfall is \$237,438. This equates to .11% (one-tenth of one percent) of total revenues for the combined customer classes. This is extremely insignificant considering that there is most probably much cross-subsidization in the Eugene resident class of service.

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b. Slide 27 identifies the number of Accounts in the Eugene Area versus up-river (78,841 versus 2,477 or 97% versus 3%). It would be good to know how classes were characterized for this comparison. If in fact the urban class includes multiple, high density, or residents with underground service then I assert that any comparative conclusions are not valid. It is hard to imagine that within nearly 80,000 customers there are no cross subsidies or economies of scale. I would hope that ONLY those served by aerial delivery facilities are compared to the up-river class.

c. Commissioner Schlossberg asked about comparative usage rates between Eugene Residential and up-river Residential. She was seeking to understand the difference and wondering if up-river residents were taking advantage of all of the EWEB benefits offered. The staff was asked to look into this. To this point, I suggest that EWEB include the following in its considerations:

- 1) Up-river residents all require individual, group, or water system water sources. EWEB does not provide this service. This means that electrical costs for water are borne by the up-river residents and businesses. Not so with urban residences.
- 2) Many up-river customers pump water from the river to irrigate property with approved water rights. Quite a number are now denied that opportunity with the dewatering of the Leaburg Canal. All residents must be aware of fire danger and most therefore water lawns, shrubs, and areas surrounding homes to minimize potential for disaster. Residential irrigation water adds to electric bills in the up-river area whereby Eugene residents buy their water from the EWEB water utility. I submit that Eugene figures would look considerably different if water revenues were included for comparison purposes.
- 3) By its own admission regarding lesser service reliability, EWEB supports and encourages residential acquisition and thereby the costs associated with emergency generators. EWEB stands ready to make \$2,000 - \$4,000 loans to residential customers at low or no interest as an incentive. Installed systems are often well in excess of the minimum loan amount. I submit you should consider the "amortization" cost of generators as a part of EWEB electrical rates.
- 4) In order to help with water source protection, EWEB offers monetary incentive for residents to clean, repair, or rebuild septic systems. This does not cover the total cost of these efforts, and while it could be considered normal "maintenance", homeowners do bear the difference between EWEB incentives and their out of pocket costs.
- 5) During periods of EWEB electric service interruption, residents are dependent on either batteries or generators to ensure a minimal level of safety and fire protection. Extended outages in the absence of generators also impairs or stops essential wireless communications.

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- 6) The presenter commented that residential usage up-river is greater than the Eugene component. She indicates it is “probably due to ???(can’t understand the assertion because wording is garbled)”. Did she say “heating bills”? If so, this may suggest that the customer classes are not similar and that the Eugene component includes higher density living units.
- 7) Again referring to slide 27, if the energy usage by up-river customers were equal to Eugene Residential usage as shown by the COSA, the shortfall gap would appear even greater. This supports the fact that up-river customers are carrying a larger burden than Eugene customers for demand electric service.
- 8) Apparently up-river customers are not the target for Automated Meter Installations. I believe Lane Electric customers do have this service. Manual meter reading in rural areas obviously adds to electric service costs.
- 9) As Commissioner Brown stated, up-river customer bills include a 6% Eugene revenue tax. This should be subtracted from up-river rates before calculations are made because this class does not benefit directly from this assessment. This fee should be considered a cross-subsidy in favor of Eugene residents.

### 2. Evaluation of Non-Quantifiable Issues

- a. As Commissioner Brown noted, up-river customers have been treated the same way since service started in the 1930s. That is, they have been considered the same as those residing within the Eugene service boundary with no differentiation. In my opinion, the amount of revenue shortfall by the COSA analysis is insignificant when all things are considered.
- b. Up-river customers are compelled to accept a slightly lower level of service reliability than Urban customers, simply because of the rural nature of EWEB facilities. Aerial infrastructure with vegetation issues makes this a fact. It is unreasonable to expect EWEB to attempt to clear potential vegetation impacts on private property. Ecological and social concerns do not allow for public rights-of-way to be devastated in the way that Bonneville cross-country lines are cleared. That should be the obligation of the public agency that owns the right-of-way, not a utility with a permit to place facilities within it.

### 3. Slides 28 & 29 “COSA Assumptions”:

- a. In discussing the COSA Minimum System Analysis, the speaker addresses the first 2 sub-bullets by explaining the “basic” (infrastructure) delivery charge and the “demand related” usage components. She notes that this COSA methodology results in a greater customer delivery charge which enables a lower usage related charge. I suggest that while this may be good marketing strategy, the total cost to the customer remains the same.
- b. The third sub-bullet seems confusing. The bullet states: “Shifts costs from large consumption customers to low average consumption customers”. Does this imply that the basic (infrastructure) facilities are less expensive for large consumption customers

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compared to “low average” consumption customers? If I understand this correctly, are up-river customers paying a subsidy for facilities for large consumption customers in Eugene? Because of the terminology used, there is high probability for misunderstanding of this line; indeed, I may have it wrong. I urge you Commissioners to be sure this is clarified if it need be.

### 3. Slide 29: I added several rows for discussion.

| Slide 29                                       | EUGENE        |                   |                 | UP RIVER       |                  |                |
|------------------------------------------------|---------------|-------------------|-----------------|----------------|------------------|----------------|
|                                                | Residential   | Small Gen Service | Med Gen Service | UR Residential | UR small Gen Svc | UR Med Gen Svc |
| Revenues - Present Rate                        | \$100,616,483 | \$19,656,013      | \$43,699,037    | \$5,178,325    | \$176,785        | \$280,244      |
| % of Total Revenue by Class                    | 95.11%        | 99.11%            | 99.36%          | 4.89%          | 0.89%            | 0.64%          |
| Less Allocated Revenue Requirement             | \$99,245,527  | \$19,060,732      | \$44,642,829    | \$5,878,305    | \$231,901        | \$324,487      |
| Difference                                     | \$1,370,956   | \$595,281         | (\$943,792)     | (\$699,980)    | (\$55,116)       | (\$44,243)     |
| % Increase Retail Rates to Equal Allocated Cos | -1.38%        | -3.12%            | 2.11%           | 11.91%         | 23.77%           | 13.63%         |
| Slide 29 Figures                               | -1.36%        | -3.03%            | 2.16%           | 14.00%         | 31.00%           | 16.00%         |
| Unit Cost: Present Rates (\$/kWh)              | \$0.1146      | \$0.1118          | \$0.0890        | \$0.1040       | \$0.1540         | \$0.1000       |
| COSA Rates (\$/kWh)                            | \$0.1130      | \$0.1107          | \$0.0906        | \$0.1180       | \$0.2060         | \$0.1150       |
| Average Monthly Use, kWh                       | 894           | 1,856             | 22,713          | 1,597          | 698              | 11,893         |

- a. Revenues – Present Rate: Again I question the definition of “customer class” for this statistic. I also emphasize that I believe the cost of water is a major contributor to the difference in revenue figures.
- b. Comparing residential service (\$100.6M:\$5.2M), up-river generates 4.89% of the total residential revenue. From Slide 27, UR represents 3% of the total customers. Reiterating: nearly 5% of the revenue is generated by 3% of the customers.
- c. I notice calculated numbers on the “% Increase” line that I believe should be questioned. I added a line to show my calculations if I understand the formulas as described by line titles “Allocated Revenue and Allocated Cost”. I believe the formula to be: Difference divided by Revenue. My calculation of the COSA/Consultant Rate Increase figures are significantly lower than slide 29 suggests when I use my methodology. Again, referring back to slide 27, up-river is currently generating 5% of the class revenue with 3% of the customers.
- d. Average Monthly kWh use by up-river Customers is clearly larger than that of the comparison class. I attribute this difference to water expenses and the fact that Eugene residential rates may have substantial cross-subsidization between high/medium density and single family dwellings.

## WILLIAM G. RUTHERFORD

### 4. Representation on the EWEB Board of Commissioners

As you are well aware, up-river EWEB customers are not directly represented on the EWEB Board. Traditionally this has been assumed to be part of the role of the Ad-hoc Commissioner. Commissioner Brown is also a staunch McKenzie River advocate, primarily from the source protection and game fish standpoint. All citizens can also address the Board at regular meetings. The EWEB Commissioners typically schedule one "Up-River" meeting at Leaburg to interact with area customers. Nonetheless, our citizenry does not consider itself represented by a voting Board member.

In conclusion, I urge EWEB Commissioners to thoroughly consider the matter of up-river electric rate issues prior to making any decision. Further, and more importantly, IF EWEB is to embark on "de-subsidizing" residential rates, it should be done on a planned basis for ALL residential customers. I would like to see that schedule. It does not seem fair to take action based on a situation that arises from a particular incident involving a unique situation. I also reiterate that holding an up-river meeting in late September that leads to an October-November decision is somewhat superfluous. Your staff recommendations will be well formulated by that time.

Thank you for considering my comments. I have done my best to interpret the information made available to the public, and indeed hope that my comments will be of value as you consider the matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Will Rutherford", with a stylized flourish at the end.

Will Rutherford