

**EUGENE WATER & ELECTRIC BOARD  
WORK SESSION  
VIRTUAL MEETING  
June 16, 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:** Steve Mital, President; Mindy Schlossberg, Vice President; John Brown, Sonya Carlson, Dick Helgeson, Commissioners.

**Others Present:** Frank Lawson, General Manager; Rod Price, Chief Engineering & Operations Officer; Susan Ackerman, Chief Energy Officer; Deborah Hart, Chief Financial Officer; Mike McCann, Generation Manager; Patty Boyle, Generation Contract Supervisor; Mark Zinniker, Generation Engineering Supervisor; Adam Rue, Fiscal Services Supervisor; Amber Nyquist, EES Consulting Manager.

President Mital called the Work Session to order at 5:30 p.m.

**Agenda Check**

President Mital wanted to add an agenda item so that commissioners could give updates if they wanted to.

**Commissioner Updates**

Commissioner Brown thanked staff for all the work they had done with the Oregon Department of Fish and Wildlife (ODFW) to get water through the pumps so fish sorting could be done at the Leaburg dam.

**Leaburg/Waltermville Evaluation Project Update (Organizational Goal #7)**

Mr. McCann announced to the Board that they would be giving an update on the Leaburg/Waltermville evaluation project that had started earlier in the year. They were able to get some work done before the COVID-19 pandemic started. He stated that going forward they needed to think about the potential socio-economic and environmental impacts.

There were two scenarios they were looking at. The first one was for them to return the plants to service. That would entail repairing/rebuilding portions of the Canal. By doing that it would resolve seismic issues with the Canal and potentially the powerhouse. The second scenario was to convert to water conveyance. This would mean repairing/rebuilding parts of the Canal and establishing one or more paths for water conveyance to the river. Mr. McCann noted that this would also include resolution of seismic issues. He emphasized that there was no easy answer and both scenarios would take time and have high costs.

Mr. McCann said that the Leaburg Powerhouse was constructed in the 1920s and 1930s and was licensed through 2040. Seepage at the area had been chronic since its construction.

Mr. Zinniker mentioned that there were a couple of problem areas along the river. The Cogswell Creek Area had internal erosion and had been out of service since September 2018. The Ames area had similar issues and had been closed since April 2019. Both these issues, if left

untreated, would become worse. Investigations at the areas showed soft soil and seismic concerns.

Mr. Zinniker said that a desk review was completed on all available materials. The Canal was segmented based on physical features and underlying Geologic characteristics to help evaluate risk. They investigated the flooding potential, past incidents, and historical repair reports to evaluate each segment. He said that some segments were not showing issues, but they wanted to be thorough. He stated that the risk analysis would indicate planning for repairs at Ames and Cogswell. It would also indicate planning level scope of future repairs on other segments.

Ms. Boyle shared the financial analysis for the Leaburg plant with the plant running at its current condition. The power value costs were Low (\$31,000,000), Medium (\$36,000,000), and High (\$48,000,000). The twenty year out net present value (NPV) would have them losing money on the Low (\$8,000,000 loss) and Medium (\$5,000,000 loss) power values. Even the High-power value NPV only had EWEB gaining \$3,000,000 over twenty years. Ms. Boyle noted that the Leaburg plant was small and had a high running cost. It was a high hazard zone, had a lot of fish passages, and had aged infrastructure.

Ms. Boyle shared the financial analysis for the Walterville plant. She noted that it was a little better off than Leaburg. The Low, Medium, and High-power value costs were the same. The twenty-year NPV's differed. On the Low power value, they would lose \$1,000,000, On Medium they would make \$1,000,000, and on High they would make \$6,000,000 over twenty years. Ms. Boyle mentioned that Walterville probably had seismic issues as well since it was built the same year as Leaburg.

Mr. Zinniker informed the Board that there would be two full weeks of Semi Quantitative Risk Analysis (SQRA) workshops in July for EWEB staff. Also, they were looking at around two hundred potential failure modes in the risk analysis for the Leaburg plant. These modes would be plotted on the risk chart provided. He said that risk reduction measures might involve engineered solutions (taking the canal out of service, etc.) and that some areas might not have needs. They would figure out costs for these solutions and then do public outreach.

Ms. Boyle stated that after the risk analysis was done, they would show the impacts of investments to the community and conduct an environmental review. Those solutions and impacts would come to the Board later.

Mr. McCann said that they benchmarked their costs against other plants in the nation. These plants were expensive because of all the things they did, which left them stuck and unable to decrease costs.

Commissioner Helgeson appreciated that they were in a place to start this conversation, since the project is a long-term consideration. He was not surprised that in respect to power values only the high value NPV would have a revenue as most of EWEB's power supply comes at a higher cost than what our market projections currently show simply because the market is depressed. Commissioner Helgeson believed that they were better off than buying from Bonneville. Ms. Ackerman reminded him that the Bonneville contract was not a good comparison to energy prices in the market because Bonneville's costs include all of the services EWEB receives from them whereas the energy prices in the market do not include the services necessary to provide a reliable product for our customers. If energy prices included all those things it would cost more than Bonneville.

Commissioner Helgeson asked what source of power would replace these projects if we ceased generation in the short, medium and long-term; he wondered if EWEB would buy from the market or use their surplus. Mr. McCann replied that they did not have that information yet but assumed they would use their surplus power and then supplement with the market. Ms. Boyle added that their surplus could cover everything but very low water peak usage periods.

Commissioner Brown asked if the NPV analysis included amortizing the licensing cost when they bought the plant twenty years ago. Ms. Boyle responded that that cost was not included. Commissioner Brown asked if there was still a recovery cost. Ms. Boyle replied that she would have to go back and look, but she believed that they did not have debt services associated with those previous investments. Going forward they still owed that money and would have to pay it.

Commissioner Brown asked if in the water conveyance scenario if they would have expenses indefinitely. Ms. Boyle said that was correct and it's possible the cost would be similar to the return to service costs. She added that they would need to do some analysis and have discussion with FERC dam safety before making a further decision.

Commissioner Carlson inquired if the benefits accounted for were just revenue or were other benefits given analysis. Ms. Boyle told her that the benefits included in the economics were just the power value. They had looked at the value of the ancillary benefits of the project; it is legacy hydro and it offsets EWEB's requirement for the RPS but that is not a significant value. She said that they still needed to look at community and environmental benefits.

Commissioner Carlson asked if the plants had black start capability. Ms. Boyle responded that they did not. Mr. McCann clarified that Leaburg did, but it has not been tested. Their current concern was that even though it had black start capability that the plant might have seismic issues, since it was built in the 1930s with masonry construction. Mr. Zinniker said that the site might be reliable otherwise. Mr. McCann said that the Walterville plant was made of sheet metal and asbestos siding and corrugated roof and therefore might be more likely to stand.

President Mital stated that he did not like either of the two scenarios. He asked if they could look into finding a buyer for the plants. Ms. Boyle told him that it would be hard to sell since the costs would be the same for whoever bought them. President Mital noted that it might fill a gap in a portfolio and that it would not hurt to look.

President Mital wondered why they would continue to pay for the dam, bridge, and lake if the power was decommissioned instead of creating a river. Mr. McCann replied that that was an option but talking about it was something they would do farther down the line. President Mital noted that if they found a natural course for the river it would have to cross the highway. He asked if the owner of the road would be obligated to help, or if EWEB would be. Mr. Zinniker assumed that it would be in EWEB's hands to deal with.

Mr. Lawson recognized that there were many issues moving forward with these projects. He noted that returning streams to their natural course might be more expensive than keeping them. Since EWEB originally created the plants they would have legal responsibility and would be in charge of all costs. Mr. Lawson emphasized that no option was going to be cheap and easy.

Commissioner Brown asked if the lake was returned to a free flowing river, would EWEB have a legal obligation with regard to supplying water to the hatcheries or for dam access to homes on the other side of the river. Mr. McCann indicated it is too early to address those issues. He

informed him of an incident a couple years ago where they drained the lake and were not in charge of providing water for the hatcheries. He stated that housing access is via an easement that runs into perpetuity and staff have not looked into that.

Commissioner Carlson noted that the NPV low scenario was not where they were currently and that it would eventually trend farther down. Ms. Boyle mentioned that the range was only a power forecast. The price that day was lower than shown, however that could change. Ms. Ackerman added that the prospect of having a regional resources adequacy requirement might help create a value stream in the future. However, that would not be happening soon. Commissioner Carlson said her issues surrounded the ancillary benefits they could get from the project in terms of resiliency or other benefits that are hard to quantify. Mr. McCann mentioned the positive benefits of the project such as providing water to the hatchery, a lake for recreation, and canal banks for walking, although the power value was not very strong at that moment.

President Mital thought that making the economic decision was easier, but the social and environmental decisions made it hard. He was concerned that it was only of value to a small amount of people. Mr. McCann told him that their next step would be talking to the community. President Mital stated that they needed to have a clear view of the next twenty or thirty years. He thought they should figure out how to separate their involvement over time, if they were not always managing the power.

Commissioner Schlossberg said that they did not want to rely on the matrix for the bottom line like they usually did. There was a mess they had to fix, and they had to be responsible for it. President Mital mentioned that the cleanup was forced on them no matter what.

Mr. Lawson viewed this project as EWEB being able to provide value to their community. They would need to hear from the community and stakeholders before making a decision.

### **Electric Cost of Service Analysis for Upriver Service Territory**

Ms. Hart said that in May of last year the Board directed management to analyze the costs of service for the Upriver portion of EWEB's territory. Management came back to the Board sharing that there was a cost differential of about 10%-15%. EWEB then reached out to EES to incorporate the Upriver portion into their cost of service model. Ms. Hart introduced Amber Nyquist, an EES Consulting Manager.

Ms. Nyquist went through the customer classes from the electric cost of service analysis for the Upriver area. They wanted to group customers that had similar usage profiles and kWh/kW thresholds. Another reason to define a customer class would be new service; for example when Bonneville moved to a tiered rate methodology, EES conducted new large load studies to determine the marginal cost of taking on a new customer for utilities in the area, other factors include understanding the geographical area, knowing the utility programs available, as well as the dedicated facilities.

When they received money EWEB looked at the revenue requirements, decided which functionalization they wanted to put money into (production, transmission, distribution, customer services, or shared services), then the classification (demand, energy, or customer), and then figured out where to allocate that money for each class.

Ms. Nyquist went through EWEB's overall 2020 revenue requirement. They used current rates and 2019 load data for the cost allocation. EES had verified the rate revenues and power costs. She stated there was no rate increase overall for the revenue requirement study.

Next Ms. Nyquist wanted to show a comparison between Eugene area residents (78,841 accounts) and Upriver residents (2,477 accounts). Eugene had 7,487 small commercial accounts and Upriver had 130 accounts. Eugene also had 1,774 medium general service accounts and Upriver had 19 accounts. She noted the usage between the two areas was quite different. For example, residential and medium general service upriver customers had higher monthly usage than Eugene. Conversely, small commercial upriver customers used less.

Ms. Nyquist said that since their previous cost of service analysis (COSA) the allocation methodology was unchanged. EWEB uses a minimum system methodology for allocating costs, this method is commonly used by utilities in the northwest. She stated there are additional costs to serve upriver customers that aren't incurred for the rest of the Eugene area, for example the vegetation management cost for Upriver service was around \$650,000 a year. These costs were allocated to the classes based on customer which is consistent with the minimum system approach.

There were some COSA Upriver class observations that Ms. Nyquist wanted to share. The results showed Upriver customers need a 14-31% rate increase compared to what they are currently paying. The rate increase has two sides; the first is based on their usage, they are paying less per kWh than Eugene customers, the second piece is related to the additional costs to serve the Upriver area. For example, the presentation displayed at a residential level there was a 5% rate increase due to higher cost to serve, and 9% due to lower average rates. Small general service had a very low average use making assigned costs significant in \$/kWh terms. Also, in medium general services, there was higher current rates compared with Eugene services, however there was not enough to recover vegetation management. Ms. Nyquist said that the rate increases needed appeared to be significant (more than 10%). With that being said, Upriver customers' contribution to EWEB's overall revenue requirement is small; less than half of a percent; the presentation slide called out that under collection was less than .4% (\$0.8 million) of the total revenue requirement (\$215 million).

Mr. Rue said that they would include the feedback they got that night into the budget before coming back to the Board in the Fall.

Commissioner Carlson was curious about the base rate being spread out over more kWh. Because this caused a need for a high percentage increase in relation to the number of kWh used, she asked if they had looked at raising the base rate for the upriver customers instead. Ms. Nyquist replied that they did not look at rate design, but yes, they could raise the base rate. Commissioner Carlson asked how much they would have to raise it to even out the difference. Mr. Rue added that they could look into raising the rate more and then come back with information if the board wants to provide that direction.

President Mital stated that if people were being undercharged then they were also being subsidized at a rate that is higher than acceptable. He felt that they had to take action on that. President Mital asked, based on a gradualism approach, what the maximum amount they could increase each year to get to their goal in a relatively short time. Mr. Rue said that they could look at the range of bills and impacts and then make a plan. He thought a two or three year range seemed reasonable.

Commissioner Helgeson did not think this was an easy decision. He stated that with the number of customers and revenue requirement given it did not take much of a change to the allocation factors to result in the need for a high percentage increase to cover the additional costs. He

agreed with President Mital that they needed to limit subsidies. Commissioner Helgeson asked what had happened that brought about the idea of changing rates. He wanted to make sure that they were clear about their criteria.

Commissioner Brown shared that the delivery charge for EWEB was in the low twenties. Lane Electric was over \$30 for their delivery charge. He thought it was important to have this information when discussing rates.

Commissioner Schlossberg noted that the Upriver residential usage was much higher than in Eugene. She asked if EWEB kept data on customers who used any of the efficiency programs and if they were in town or Upriver. Commissioner Schlossberg acknowledged that today's Board inherited a disjointed geographic area and wanted to make sure that they did not unfairly penalize people for historical decisions made around what areas EWEB covered. She also wants to be sensitive to the needs of this community in general, also taking into consideration the canal issues.

Commissioner Helgeson thought no matter what decision they made they needed to be clear on what their criteria was. He said that it did not matter why those customers Upriver were in their service territory, because at the end of the day they were. A 10%-15% cost difference was not enough for him to make this change when similar cost differences in town have been ignored. Commissioner Helgeson stated that they needed to be consistent and clear about their determining characteristics and be prepared to apply that consideration appropriately and equally when there are other instances that have similar cost transfers.

Commissioner Carlson felt that they were looking at this issue since there was a subsidy issue and therefore things were unequal. They needed to make up for the lack of fairness between these areas. The rest of Eugene was subsidizing for that small group Upriver. She stated that they priced solar in a particular way to try to stop cross subsidizing. Commissioner Carlson stated that they needed to be consistent, fair, and look towards the future.

President Mital felt that they had a goal of eliminating subsidies if they got above 3%-5%. They had talked about implementing a demand charge, which would address those with solar power, but never did. He stated that when they had an opportunity to improve the system then they should.

Commissioner Brown reminded everyone that Upriver paid 6% to city funds and got no benefit from it.

Commissioner Helgeson clarified that he was not saying they should not change the system, but needed to be clear about the basis for the change and apply changes across the board. He understood that staff might disagree about the existence of cross-subsidies, but wanted to share his ideas. President Mital agreed that they need to be clear.

Commissioner Carlson believed it would be good to look at other cross subsidies and see where they can be shored up. Regarding CILT, if the basis is that EWEB is paying this in lieu of taxes, that property wouldn't be taxed by the City of Eugene. She wondered if the COSA handles that or not - as EWEB pays CILT on its total revenue.

President Mital said that the total amount of money had to be large if they were going to implement change. They would be saving around \$700,000, which exceed the amount for him.

Mr. Lawson stated that this was a complicated issue. He noted that it would be good to revisit the five principals they developed around rate design, one of which applied to subsidies. They would be revisiting all of this information in the Fall.

Ms. Hart recapped her understanding of the Board's direction. In general, she heard that staff should provide efficiency program usage for Upriver customers and further explore proposals using gradualism and perhaps some sort of division between the basic charge and the consumption charge.

Commissioner Carlson noted that COSA produced specific numbers rather than a range which made it tough to figure out. She asked what the difference would be if CILT was factored out. She said that they might not need to look at gradualism if that change would level things out. President Mital agreed that it would be a good idea to look into that. Commissioner Helgeson worried that would get the Board caught on a slippery slope since Upriver customers did not have the same level of service as those in town.

### **Board Wrap Up**

Mr. Lawson thanked the Board for how they responded to everything that was put in front of them that night. He felt that they got a lot of good feedback.

President Mital thanked Commissioner Helgeson for asking big issue questions. Commissioner Helgeson said that it was important to deliberate on decisions, something they don't often have the opportunity to wade into.

Commissioner Schlossberg enjoyed the work session format for the meeting. She felt it made it easier to focus on the information and big issue topics.

Commissioner Carlson wondered if the choice to service Upriver would be from a water protection standpoint. She said that it would give them control over the powerlines and how they are situated around the river. Commissioner Carlson appreciated the discussion and said that it was good to not always agree and that they could learn a lot from each other.

President Mital said he always appreciated when Commissioner Helgeson spoke since he had a lot of experience. Commissioner Helgeson was glad that they talked and felt that it would help them land in a better place because of it.

### **Adjournment**

President Mital adjourned the Work Session at 7:26 p.m.

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Assistant Secretary

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President

**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.

## WILLIAM G. RUTHERFORD

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.

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### 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

## **EWEB Board Consent Calendar Request**

*For Contract Awards, Renewals, and Increases*

The Board is being asked to approve a construction contract with Pacific Excavation for a Water Main Replacement on Willagillespie Road.

Board Meeting Date: 8/4/2020

Project Name/Contract #: Willagillespie Water Main Replacement / ITB 20-133-PW

Primary Contact: Rod Price Ext. 7122

### **Contract Amount:**

Original Contract Amount: \$530,000.00

Additional \$ Previously Approved: \$0

Invoices over last approval: \$0

Percentage over last approval: 0%

Amount this Request: \$530,000.00

**Resulting Cumulative Total: \$530,000.00**

### **Contracting Method:**

Method of Solicitation: Formal Invitation to Bid

If applicable, basis for exemption: N/A

Term of Agreement: One Time Purchase (Construction)

Option to Renew? No

Approval for purchases "as needed" for the life of the Contract Yes ☐ No ☒

Proposals/Bids Received (Range): 5 Responses (\$526,230.00 – \$748,819.00)

Selection Basis: Lowest Responsible and Responsive Bidder

### **Narrative:**

#### Operational Requirement and Alignment with Strategic Plan

EWEB proactively addresses the aging water distribution system by replacing aging water pipelines. The goal of this program is to reduce risks associated with water main breaks and increase the reliability and performance of the overall distribution system. In accordance with recommendations in the Water Master Plan, a risk model is used to prioritize and identify pipelines for replacement. In addition, new pipelines are installed to current standards using materials and methods designed to improve the resiliency of the water system.

This project will replace approximately 3,000 lineal feet of existing 6-inch cast-iron water pipelines constructed in the 1960's with new 8-inch diameter, zinc coated, ductile iron pipe. The existing pipeline has been prioritized for replacement from the risk model. This existing pipeline and associated services are constructed of obsolete materials prone to breakage and have experienced a very high failure rate. The new pipeline, services, and hydrants will be more resilient and require less maintenance.

#### Contracted Goods or Services

Pacific Excavation and their subcontractors will provide construction services to complete the installation of the Willagillespie Water Main Replacement according to the project scope and design. The project is scheduled for completion in early 2021.

### Prior Contract Activities

EWEB Contract No.	Project Name (Description)	Board Approval Date	Project Duration (Notice to proceed to close out).	Original Contract Amount	Final Contract Amount
19-176	Lab and Backup Services Building	2/4/2020	2/7/2020-Present	\$2,418,000	NA
20-093	House Water Supply	NA	5/27/20-7/28/2020	\$93,900	\$93,900
002-2019	Carmen Smith Water System Improvements	3/5/2019	3/7/2019-9/28/2019	\$244,000	\$380,423
047-2018	Bertelsen Water Main Replacement	9/4/2018	9/4/2018-1/1/2019	\$542,618	\$528,645
031-2018	Hayden Bridge Disinfection System Improvement	8/8/2018	08/2018-Present	\$2,411,000	\$2,596,000
013-2018	Larkspur Loop Water Main Replacement	4/3/18	4/6/2018-6/15/2018	\$226,800	\$244,156
068-2017	Golden Gardens Water Main Replacement	2/6/2018	2/16/18-5/1/2018	\$265,880	\$265,880
038-2015	Shasta 1150 Pump Station	10/6/2015	02/2016 – 06/2017	\$ 661,308	\$ 721,356

Prior activities have been completed timely and with reasonable change orders.

### Purchasing Process

Staff issued a formal Invitation to Bid in July 2020. Staff received 5 bids, the lowest responsive and responsible bid was received from Pacific Excavation of Eugene, Oregon.

Vendor Name	City, State	Offered Price
Pacific Excavation	Eugene, OR	\$526,230.00
Wildish	Eugene, OR	\$571,210.00
H & J Construction	Eugene, OR	\$672,860.00
The Saunders Company	Newberg, OR	\$684,950.00
Magna Construction	Milwaukie, OR	\$748,819.00

### **ACTION REQUESTED:**

Management requests the Board approve a Construction Contract with **Pacific Excavation** for the Willagillespie Water Main replacement. Approximately \$3.1M is allocated for main replacements, such as this contract, in the 2020 Water Capital budget of \$18 million. Variances will be managed within the budget process and Board policy.

## **EWEB Board Consent Calendar Request**

### *For Contract Awards, Renewals, and Increases*

The Board is being asked to approve a new price agreement with **WESCO Distribution Inc. (WESCO)** for **underground separable connectors**.

Board Meeting Date: 8/4/20  
Project Name/Contract #: ITB 20-110-G, Underground Separable Connectors  
Primary Contact: Rod Price Ext. 7122

#### **Contract Amount:**

Original Contract Amount: \$680,000 (Estimated over 5-year period)  
Additional \$ Previously Approved: \$0  
Invoices over last approval: \$0  
Percentage over last approval: %0  
Amount this Request: \$680,000 (Estimated over 5-year period)  
**Resulting Cumulative Total: \$680,000 (Estimated over 5-year period)**

#### **Contracting Method:**

Method of Solicitation: Formal Invitation to Bid  
If applicable, basis for exemption: N/A  
Term of Agreement: **Initial Term is 1 year**  
Option to Renew? Annually, up to 5 years  
Approval for purchases “as needed” for the life of the Contract Yes ☒ No ☐  
Proposals/Bids Received (Range): 5 bids in response to the ITB: 5 for Lot 1, and 2 for Lot 2.  
Lot 1 range: \$93,360.00 - \$143,689.40 (for 1 of 16 items);  
Lot 2 range: \$35,889.65 - \$37,511.00  
Selection Basis: Lowest Responsive and Responsible Bidder

#### **Narrative:**

##### Operational Requirement and Alignment with Strategic Plan

This price agreement is for the ongoing purchase of underground separable connectors for use in our electric distribution system. Lot 1 contains 200-amp load break and 600-amp deadbreak molded rubber elbows and tee bodies and associated equipment. Lot 2 contains 600 amp bolted insulated bus and cold shrink cable termination connector system equipment that are used in the downtown network to provide a reliable compact cable connection with the ability to ground the cable during maintenance activities to provide a safe work environment for the line crews.

##### Contracted Goods or Services

The goods to be purchased under this price agreement include a total of 39 various underground separable connector items all stocked and stored in our Warehouse for as-needed use in our electric distribution system.

Historical procurement data suggests that the total price agreement amount will be approximately \$680,000 (based on the unit prices) over the total five-year period. The actual total dollar amount, however, is unknown and may be more or less than that estimated volume. Purchases will be based on need and not on any specific annual quantity. The annual cost will be within the amount budgeted for that specific year.

#### Prior Contract Activities

EWEB currently purchases the following from WESCO:

- 15kV EPR insulated conductor under EWEB Contract 021-2018.
- 3-Phse Submersible Transformers under EWEB Contract 007-2018
- Transformer and Secondary connectors under EWEB Contract 034-2016
- 115kV Polymer Transmission Insulators under EWEB Contract 031-2015

EWEB also purchases a variety of stores materials from WESCO. WESCO has been a successful Contractor, meeting EWEB's product quality and service requirements.

#### Purchasing Process

In June 2020, EWEB issued a formal Invitation to Bid (ITB 20-110-G) for underground separable connectors with the option to bid on two Lots. This solicitation was advertised on ORPIN. No protests were received, and WESCO was deemed the lowest responsive and responsible bidder for both Lots.

LOT 1		
Vendor Name	City, State	Offered Price
WESCO	Portland, OR	\$97,63.90
WESCO – Alternate	Portland, OR	\$143,689.40
General Pacific	Fairview, OR	\$107,573.55
G&W Electric	Bolingbrook, IL	\$93,360.00 (for Item 16 only)
Anixter	Portland, OR	\$103,017.55

LOT 2		
Vendor Name	City, State	Offered Price
WESCO	Portland, OR	\$35,889.65
Anixter	Portland, OR	\$37,511.00

Competitive Fair Price (If less than 3 responses received)

N/A

#### **ACTION REQUESTED:**

Management requests the Board approve a new price agreement with **WESCO** for underground separable connectors. Approximately \$120,000 was planned for these goods in the Electric Capital 2020 budget of \$46.9 million. Variances will be managed within the budget process and Board policy.