

**EUGENE WATER & ELECTRIC BOARD**  
**UPRIVER PRESENTATIONS**  
**June 15, 2021**  
**6:00 P.M.**

**Commissioners Present:** Mindy Schlossberg, President; John Brown, Vice President; John Barofsky, Sonya Carlson, Matt McRae, Commissioners

**Others Present:** Frank Lawson, General Manager; Deborah Hart, Chief Financial Officer; Travis Knabe, Chief Information Officer; Lisa Krentz, Generation Manager; Karl Morgenstern, Watershed Restoration Program Manager; Tyler Nice, Electric Operations Manager; Jeannine Parisi, Customer Relationship Manager; Rod Price, Assistant General Manager; Nancy Toth, Environmental Specialist; Mark Zinniker, Generation Engineering Supervisor

In President Schlossberg's stead, Mr. Lawson called the Upriver Presentation Meeting to order at 6:00 p.m.

**McKenzie Generation Updates, with a focus on Leaburg Canal**

Ms. Krentz addressed those present, saying the Leaburg Canal had been out of service and effectively dewatered since late 2018, following areas of increased seepage in the urban embankment. She added that over the last several years EWEB had completed additional studies and found areas of low strike soils that could potentially become unstable in the event of an earthquake. Ms. Krentz said throughout last year, the utility had completed additional risk assessment workshops to get a better handle on the issue, and to identify what investments would be needed to safely return the canal to service for the purposes of power generation, adding the results of the aforementioned studies were presented to the EWEB Board in February of this year. She said that unfortunately, the studies showed the investments required in terms of canal improvements would likely substantially exceed what EWEB would expect to get back in power generation, so the utility was currently exploring other options for the future of the canal.

**Upriver Cost Analysis and Pricing Update**

Mr. Lawson addressed those present about rates in general, and the potential for a McKenzie Valley electricity rate. He explained briefly the two methods public utilities use to develop rates for services: generating a Revenue Requirement (the total amount of money a utility needs to operate), and a Cost of Service Analysis (COSA), to determine how the Revenue Requirement costs get divided between different customer classes like residential and commercial. He clarified that EWEB had no intention of developing new rates for McKenzie Valley customers at this time, although the Board of Commissioners would be discussing a rate for the McKenzie Valley separate from that of Eugene this autumn, including Public Hearings between October and December, 2021.

**Watershed Recovery Status and Investments**

Mr. Morgenstern offered those present a summary of ongoing recovery work and investments in the McKenzie Watershed. He said EWEB was working with entities such as the McKenzie Watershed Council, Soil and Water Conservation District, and the McKenzie River Trust through the utility's Pure Water Partners (PWP) program, to embark on a partnership with landowners who have been impacted by the Holiday Farm fire. He said the emergency response phase of the watershed recovery was wrapped up in May, and the focus turned to fuels work on over two dozen properties. Mr. Morgenstern said in the next couple of weeks, EWEB would be reaching out to the over 350 landowners in the PWP program about property assessments moving forward, including those properties in the floodplain.

### **Programs for McKenzie Valley Customers**

Ms. Toth outlined EWEB's incentive programs for landowners who have been affected by the Holiday Farm fire: She mentioned the home site relocation program, which offers up to \$7,000 to eligible homeowners inside the fire perimeter who decide to move their building footprints away from the river. She also pointed out EWEB's septic system zero-interest loan program, which offers zero-interest loans up to \$20,000 to homeowners who need to replace or make major repairs to their septic systems, adding EWEB does still have a \$250 rebate program, designed for regular septic system maintenance approximately every three years. Finally, Ms. Toth mentioned that EWEB has been willing to invest in underground service lines wherever it is practical, for customers rebuilding within the fire perimeter who require substantial repair or full replacement of their service lines.

### **Wildfire Mitigation**

Mr. Nice offered those present a brief summary of EWEB's wildfire mitigation work, as it relates to the utility's power system. He said that, currently, EWEB had a very robust tree-trimming and vegetation management program, and the utility trimmed approximately 300 miles of trees per year, clearing them from EWEB's transmission lines. Mr. Nice explained the utility performed inspections and maintenance on the equipment itself, such as examining poles and crossarms for rot or damage, and that was done annually. Lastly, he said when there was an emergency event with any piece of EWEB equipment (for example, an accident involving a transmission pole), EWEB, after receiving a report on the emergency from a partner agency or an outage report, would deenergize the damaged equipment through dispatch. Mr. Nice said the same emergency procedures were used for wildfires as well, and that wildfire-specific emergency response was predicated on the National Weather Service (NWS) issuing a Red-Flag Event Warning.

### **General Question and Answer Session**

Mr. Lawson took a moment to thank McKenzie Fire & Rescue for hosting this forum, and specifically he thanked Chief Darren Bucich for his flexibility and willingness to partner with EWEB to make this meeting a reality.

President Schlossberg and the other Commissioners all introduced themselves and thanked EWEB staff, McKenzie Fire & Rescue, and those community members who had come out to this meeting.

Anna offered thanks to EWEB for setting her and her family up with a new dwelling, after losing their home and studio in the Holiday Farm fire. She said that, thanks to EWEB's generosity, her and her family could get back to normal life much faster after the devastation of the fire.

An audience member asked how far up the McKenzie Valley EWEB provided power.

Mr. Nice replied EWEB provided residential power as far east as the Ben and Kay Dorris Wayside. He added the utility had transmission lines which extended all the way to the Carmen-Smith Hydroelectric Plant, but they did not supply power to residences in that area.

An audience member said if that was the case, why was EWEB being sued.

Mr. Lawson said almost immediately after the Holiday Farm fire, EWEB was contacted by the Federal Government, the latter divulging its plans for an investigation into the cause of the fire. He added that immediately after that investigation was announced, the utility received over 30 tort claim notices, filed by attorneys all over the country. He assured those present that this was not uncommon.

An audience member asked why EWEB was so involved with the McKenzie River Trust.

Mr. Lawson said as the only source of drinking water for Eugene, EWEB was fully invested in the health of the river and the habitat and community adjacent to it. He mentioned the PWP, and how EWEB—and the other partners in PWP—work together to ensure the health of not only the McKenzie River, but the McKenzie Watershed as well.

An audience member asked how many Commissioners were from this area (the McKenzie River Valley).

Commissioner Carlson replied that all EWEB Commissioners had to be residents of Eugene to serve on the Board, according to EWEB's Charter.

**Richard Tracy** wondered what the structure built on the north side of the river at around the same time the Leaburg Canal was being drained was.

Mr. Nice confirmed the structure in question was the Holden Creek substation. He defined it as an intersection point on the line from Thurston substation in Springfield, up to the Carmen-Smith facility.

Mr. Tracy said that when Leaburg Canal was full of water, he and other local farmers used water from a water right at the bottom of the canal for irrigation, up until four or five years ago, when EWEB decided local farmers would get their irrigation water off the top of the canal; since the canal has been drained, and there were six or seven feet of

water still in the bottom of the canal, Mr. Tracy wondered if the utility was considering returning to distributing irrigation water from the bottom of the canal like in the past.

Mr. Zinniker said there were roughly 25 properties that were relying on the Leaburg Canal, and very few of them were set up to draw water when the canal levels are low. He added the properties which drew water from the canal were a definite consideration for the utility as staff looked at the options for Leaburg Canal moving forward.

An audience member wondered where the Leaburg Canal ended.

Ms. Krentz clarified there were two canals in the area: the Leaburg Canal, and the Walterville Canal. She added the Leaburg Canal terminated at the Leaburg Power Plant.

An audience member asserted the importance of the Leaburg Canal to the community, citing: farm irrigation, irrigation water filtering, the Leaburg Fish Hatchery (LFH), and storm overflow.

Vice President Brown said he understood the concerns surrounding Leaburg Canal, but the Federal Government—specifically the Federal Energy Regulatory Commission (FERC)—prevented EWEB from putting any water back into the canal until the integrity of the canal walls was addressed.

Ms. Krentz said EWEB was working closely with LFH, trying to come up with ideas of where to get the hatchery water, but the Leaburg Canal was not able to provide that water at this time because of the drawdown.

In response to questions and comments from an audience member, Mr. Lawson offered that EWEB was also working closely with FERC, and the utility was lobbying State and Federal Governments for infrastructure funds specific to the canal. He added that although the funding requested was not particular to LFH, the Hatchery was certainly part of the area's infrastructure.

Mr. Lawson stated that water and infrastructure are incredibly important to EWEB. In reference to water, he clarified that EWEB thinks about water from a drinking water perspective, a McKenzie River perspective, and from a water management perspective for generation. Water has tied EWEB's presence to the area since 1911.

Mr. Lawson explained the Board has near-term and long-term decisions to contemplate relative to the canal, including EWEB's license to operate Walterville and Leaburg facilities which expires in 2040. In the near term there are investment decisions around the degree to which the canal is returned to full production, or only for water management. There is a difference in cost as well as return on investment for the power it produces. This is complicated by requirements under the federal license; information concerning water rights and legal obligations will be brought to the Board in August. In the longer term, a future Board will need to decide if they are going to pursue a re-licensing of the facilities or decommission and return it to its natural state.

Mr. Lawson said EWEB is working with FERC, and there are requirements to make the canal safe for water management, including managing side steams – at a minimum. FERC may require other things related to power production. In the long-term it typically takes a decade or more to decommission a generation site.

Commissioner Barofsky, speaking for himself, said that he feels strongly about this issue and trying to make sure the canal can keep doing what it has been doing for the last 100 years, although we do not know if that is possible at this point in time. He acknowledged the impact that the water, the power, and the fish have on the McKenzie valley community as well as the regional community.

**Eric Clark** said that he and his family had moved to the area a year ago, and he made a couple comments concerning the Leaburg Canal—one about a social aspect of the canal, and one on an economic aspect: socially, Mr. Clark hoped EWEB would consider using the canal path as a running/walking recreational park-like path. He said he regularly saw many other residents making good use of the canal side path, and he hoped EWEB recognized its social value. Economically, Mr. Clark urged the utility to keep in mind that decommissioning the canal, would lead to exorbitant future costs, and to consider—what appears to be—the lesser costs of restoring the canal to full-service function.

An audience member asked about the difference in cost of service between the upriver community and Eugene.

Commissioner Barofsky explained that it costs the utility more to service the upriver community than the citizenry of Eugene.

An audience member pointed out there was stagnant water in the Leaburg Canal and wondered if that caused unsanitary conditions for the people living adjacent to it, and if so, what was EWEB doing to mitigate it.

Ms. Krentz said that unfortunately, the federal restrictions placed on the utility by FERC, severely limited what EWEB could do in the canal.

Mr. Zinniker said EWEB's water quality staff had begun monitoring the canal for the presence of any water quality hazards that would affect the community and the plans for the canal itself moving forward.

With regard to decommissioning, Ms. Krentz acknowledged that scenarios can range greatly, and that can change the economics. She explained that it is an extensive process that involves partnering with other regulatory agencies and stakeholders, and until we go through the negotiation process, we do not have certainty over what that will look like.

**Dana Burwell**, a resident and blueberry farmer in the McKenzie River Valley thanked EWEB Commissioners and staff for their dedication and hands-on approach to working

with the residents of the area. He thanked Mr. Zinniker specifically, for his work in getting the local commercial farmers water through a FERC license amendment just two weeks before the plants probably would have been irreversibly damaged; he thanked Mr. Morgenstern for his and his team's work in fire restoration and working with other local McKenzie River Valley entities.

Mr. Burwell wondered at what price per megawatt would it become feasible to open Leaburg Canal back up and run it; he added he and the other local commercial farmers would like to see any analyses the utility came up with on this point. Finally, he asked about the additional 14% in rates for the upriver residents; Mr. Burwell wondered at the methods used by EWEB staff to arrive at that figure, and if the costs accrued for maintenance of the Leaburg Canal were shouldered by the upriver ratepayers exclusively, or if said costs were spread among all EWEB ratepayers.

Mr. Lawson said according to EWEB staff's initial estimates, it would cost approximately \$20-35 million to make the canal safe for water management. Alternatively, to generate electricity, EWEB would need to basically repair the entire canal, and that would cost an additional \$20-35 million – likely doubling the estimate. He added that current energy prices would have to quadruple if the utility was to recover the investment on the power piece of those repairs to the Leaburg Canal. To the second of Mr. Burwell's questions, Mr. Lawson said anything that has to do with producing electricity is spread across the entire customer base.

Commissioner Carlson clarified the upriver COSA did not include any services (such as water) not provided to the upriver ratepayers.

**Tom Hoyt**, President of the McKenzie River Discovery Center (MRDC), said it was MRDC's plans to build a world-class interpretive center, and to-date, the organization had raised over \$2 million for that purpose. He said MRDC had recently received a grant from the Oregon Department of Fish and Wildlife (ODFW), and those monies would be used to replace waterlines destroyed by the Holiday Farm fire, and those lines would supply water to a pond on the property in which visitors to MRDC could fish.

**Will Rutherford** took issue with the upriver COSA and asked if the possible rate structure change contained therein would take effect in 2022.

Mr. Lawson said they would, however, there were several factors at play currently that would drive rate increases, such as: inflationary pressures, the cost of power, and the cost of construction. He said this was likely to be the case over the next several years, completely independent of the upriver COSA.

**Mr. Rutherford** asserted that the upriver community should be compared rate-wise with like facilities within EWEB's service area, instead of being compared to the rate averages of the entire city.

Mr. Lawson admitted Mr. Rutherford's request was reasonable, and assured those present that the Board would require staff to be clear and transparent about all aspects of the upriver COSA work, how figures were arrived at, etc.

**Mr. Rutherford** appealed to his fellow upriver community members to get together and organize their questions and concerns prior to getting in touch with the EWEB Board of Commissioners for a future upriver meeting.

President Schlossberg assured those present that herself, and the Board, would always be available to field questions from the upriver community.

An audience member agreed with Mr. Rutherford about COSA rate comparators for the upriver community.

Vice President Brown mentioned that a decade ago, there was an EWEB meeting upriver at which there was a discussion about transferring service to Lane Electric Co-Op, and no one wanted to do it because their base charges are significantly higher than those of EWEB. He continued that any COSA work done by EWEB would be open and transparent to the upriver citizenry at every step of the process.

**Brandi Crawford Ferguson**, a third-generation resident of the McKenzie River Valley, and a 12-year employee of the McKenzie River Trust, thanked EWEB for investing in the McKenzie River.

Mr. Lawson thanked everyone for their attendance and reminded those present there were table presentations with experts next door, and he encouraged everyone to go check them out.

President Schlossberg and the other Commissioners thanked the upriver community for coming out to the meeting, and they encouraged anyone with questions not to hesitate in reaching out to them.

The meeting adjourned at 7:45 p.m.

*Recorded by Rodney Cimburke*

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Assistant Secretary

President