



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Schlossberg, Brown, Carlson, Barofsky and McRae  
FROM: Frank Lawson, CEO & General Manager  
DATE: June 8, 2021  
SUBJECT: Agenda Topics for Meeting with McKenzie Valley Community  
OBJECTIVE: Information to Inspire Dialog

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## **Overview**

EWEB Commissioners, Management, and Staff are looking forward to engaging with the McKenzie Valley community. Staff will provide brief “trailer style” summary updates on the agenda topics highlighted below. The information provided in this memorandum, on our website [eweb.org/upriver-meeting](http://eweb.org/upriver-meeting), and at the meeting is intended to inspire conversation with our customer-owners and the McKenzie Valley community. Our priority and focus for the June 15 meeting will be listening to McKenzie Valley residents during the General Q&A Session. Commissioners will not vote on or deliberate toward any decisions at the meeting.

## **McKenzie Generation Updates, including Leaburg Canal** *(Lisa Krentz, Generation Manager)* Leaburg Canal

The Leaburg Canal has been out of service since October 2018 following observations of increased seepage and internal erosion of the canal embankments. Areas of low strength soils were encountered during subsurface investigations in April 2019, indicating there are portions of the embankment that could become unstable during an earthquake. In response to this new information on safety risks, EWEB initiated a comprehensive assessment of the entire canal in late 2019 to better understand the level of investment that would be required to ensure long term safe and reliable operation.

EWEB staff, expert consultants, and representatives from the Federal Energy Regulatory Commission (FERC) participated in risk assessment workshops throughout 2020. Staff reported the findings, along with planning level cost estimates, at the February 2021 EWEB Board meeting. Based on these results, the required investment to return the canal to safe and reliable service will likely substantially exceed the expected returns from power generation. As such, EWEB is currently exploring other potential futures for the canal.

Given the nature and location of the canal, there are many stakeholders who are directly impacted by the decision to either return the canal to service for power generation or continue to operate it as a stormwater conveyance. To aid in the decision-making process for the future of the canal, EWEB staff is preparing a list of the potential environmental, social, and economic issues for each option. Many of these issues will require further investigation to determine the impact. Issues identified include regulatory requirements under EWEB’s FERC operating license, irrigation and water rights,

water quality, fish impacts, and replacement power, among others. Staff are currently researching regulatory requirements and water rights. Preliminary findings, along with a proposed roadmap for decision making, will be presented to the Board this summer.

Although the canal has been out of service since late 2018, it continues to convey tributary creek flow to the McKenzie River. To ensure that conveyance of creek and storm water is safe and reliable, EWEB plans to make improvements in areas of the canal subject to the highest flow levels during storm events. Those investments are expected to take place prior to a final decision on the long-term future of the canal.

### Carmen Smith Improvements

As we enter our third year of operating the Carmen-Smith Project under the new FERC license, there are exciting accomplishments to date and a few challenges ahead. For the past several years, our focus has been on rebuilding the Carmen Powerhouse, including replacement of the two turbine shutoff valves, and rebuilding the Carmen Substation and Plant electrical control system. Turbine runner replacement and rewinding the generators will begin late this summer, with an anticipated mid-2023 completion date. These projects ensure reliable operation for the long-term and maintain our ability to provide clean hydropower to the community.

The proposed upstream and downstream fish passage facilities have progressed through environmental design review and are now undergoing dam safety evaluations. Construction of upstream passage, provided via a Trap and Hall facility at the base of Trail Bridge Dam, is scheduled to begin as early as 2022. Downstream passage will occur through the existing Trail Bridge Spillway once a replacement gate, including a fish passage feature, is installed and improvements to the surface of the spillway are completed in approximately 2025.

In 2021, staff expect to relocate the transmission line out of Deer Creek, rebuild the existing Spawning Channel, reconstruct the Trail Bridge Campground, and install visibility enhancing devices on the overwater spans of the transmission line. EWEB and the Forest Service have worked closely together on the Deer Creek project to coordinate the transmission line relocation with important habitat restoration work. The Spawning Channel project is currently underway and expected to be complete in early August. Spawning Channel enhancements will provide additional spawning habitat and another path for fish to travel through on their upstream migration. Once rebuilt, the Trail Bridge Campground will reopen when the powerhouse projects are complete and vehicle access beyond the Carmen Powerhouse has been restored. Visibility enhancing devices on over water spans of the transmission line are intended to reduce the risk of bird injury from collision where the lines cross the Project reservoirs, Deer Creek, and the McKenzie River.

### **Upriver Cost Analysis and Pricing Update** (*Frank Lawson, General Manager*)

In April 2019, Commissioner Mital requested, with Board concurrence, that Staff perform a Cost-of-Service Analysis (COSA) on the McKenzie Valley electric service territory to inform discussions related to distinct upriver pricing and potential cross-customer subsidies.

In October 2019, Staff reported that the initial COSA revealed that the McKenzie Valley service territory was more expensive to service, and that the bill impact of the cost differential associated with the upriver analysis is approximately a 10-15% higher cost for upriver customers which would correspond with a rate reduction of approximately 0.5% for Eugene customers. Via Board consensus, support was reached to hire a consultant to develop a more precise COSA for the

McKenzie Valley electric service territory.

At a June 2020 Work Session, Staff presented the results of GDS Associates' upriver COSA, which indicated 14% residential revenue (rate) shortfall, along with 31% and 16% shortfall for small general service commercial and medium general service commercial, respectively. The Board discussed several aspects of pricing, and it was determined Staff would respond to some additional questions prior to a recommendation in the fall.

In November 2020, Staff presented the Board with budget and pricing information for 2021, including the creation of McKenzie Valley rate classes, recommending the prices remain unchanged for 2021. The Board rejected the proposal for a new rate class, citing lack of public process due to COVID and wildfire events. At the meeting, the Board did accept Management's proposal to develop multi-year COSAs and pricing for all water and electric services and customer classes, to be implemented in 2022.

In the fall of 2021, Management may recommend the Board address several pricing issues, including certain subsidies, over the period covered by the multi-year COSA (2022-2024), including differentials between the rural and urban portions of the service territory. These will be discussed in public meetings prior to implementation, including specific public rates hearings.

**Watershed Recovery Status** (*Karl Morgenstern, Watershed Restoration Program Manager*)

In response to water quality threats posed from the Holiday Farm Fire, the EWEB Commissioners allocated \$1 million (MM) in funding last fall to support emergency actions to protect the watershed. Initial priorities were to mitigate risks from ash, debris, and sediment from destroyed homes and denuded landscapes from entering the river, while supporting fire-impacted landowners to stabilize their properties through the winter. Using the existing Pure Water Partnership as a framework, ash/debris was stabilized on 136 high priority destroyed homes along the river, 273 burn assessments were completed, resulting in erosion control measures on 123 properties and revegetation on 89 properties. At the same time, enhanced water quality monitoring equipment was installed as an early warning network to help treatment plant operators adjust their operations to ensure drinking water quality was not diminished.

With emergency stabilization work complete, the focus has transitioned to longer-term restoration and resiliency actions. This includes delivering a suite of new landowner incentive programs to support the rebuilding process, planning for large-scale floodplain restoration work to commence this summer at Finn Rock and Quartz Creek, working with McKenzie River Trust to acquire floodway properties from willing landowners, performing fuels reduction and noxious weed treatment on private properties, and pursuing Firewise programs. Efforts are underway to identify priority areas for revegetation and work with landowners to develop replanting plans for the 2022 planting season. Geospatial Information System (GIS) tools developed in the initial response to assess fire-impacts to the landscape and prioritize work have been upgraded and modified to support new programs and monitor prior treatments.

EWEB worked with the United States Geological Survey (USGS) to expand the network of real-time water quality stations to include a total of 14 stations (8 USGS and 6 EWEB). In addition, staff continue to conduct monitoring events during storms and between storms to assess impacts of the HFF on water quality. Results to date show increased levels of some constituents like metals, nutrients and organic carbon during storm events and return to pre-fire water quality levels after the

storm. There has been a continuing improvement with each subsequent storm generating less impact to water quality.

Stable funding is critical to support on-the-ground activities of our partners and contractors, ongoing data collection and analysis, landowner incentives, and acquisition of destroyed properties in the floodway with high ecological value. The EWEB Watershed Recovery Fund establishes a baseline of financial support for these activities over the next five years while the team actively pursues outside funding. These include four federal grant requests for about \$6MM, a request to the State Wildfire Committee for another \$10MM, and project-specific requests to our Federal and State delegation. While these requests are uncertain, the team has already received some smaller grants totaling approximately \$450,000, which are being leveraged towards restoration activities and partner agency capacity building.

### **Programs for McKenzie Valley Customers** *(Nancy Toth, Environmental Specialist)*

#### Home Site Relocation Program

EWEB will provide up to \$7,000 in grant funding for eligible landowners in the Holiday Farm Fire perimeter who move their building footprints further away from the river, helping to rebuild smarter and be protective of water quality.

Property owners who move their building footprints outside of the riparian setback or special flood hazard area will be eligible for \$2,000 in advance of construction, once land use and building permits have been issued by Lane County.

Additionally, EWEB will offer grant funding for landowners who incur out-of-pocket expenses to relocate their home site to minimize risk to the McKenzie River. The grant amount will be 50% out of pocket expenses not to exceed \$5,000. Landowners who cannot move their home footprint are still eligible for grant funding to install advanced septic systems.

For eligibility requirements and more information, visit: [www.eweb.org/hff-resources](http://www.eweb.org/hff-resources)

#### Septic System Assistance

EWEB offers zero-interest loans of up to \$20,000 for homeowners who need to replace or make major repairs to their septic systems. (For routine inspections and pumping, we have a \$250 rebate program.) Visit [www.eweb.org/septic](http://www.eweb.org/septic) for more information.

#### Underground Electric Service Lines

EWEB intends to invest in underground service lines wherever practical for customers rebuilding within the Holiday Farm Fire perimeter who require substantial repair or full replacement of the service line. For more information visit: [www.eweb.org/hff-resources](http://www.eweb.org/hff-resources) or contact [distributionengineering@eweb.org](mailto:distributionengineering@eweb.org).

#### Additional contacts

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### Program Participation Levels

Program participation in these incentive programs has been low so far. EWEB has received a couple of inquiries into the home site relocation program and one landowner who is actively pursuing this option. Three septic system loans are currently in progress. Three landowners are seeking assistance to underground electric services, and another dozen are interested.

EWEB is actively working to get the word out about these incentive programs through River Reflections, social media, local watershed organizations, and via a partnership with Lane County. We expect interest in these programs to increase as more people begin to engage in the rebuilding process over the next several years.

### **Wildfire Mitigation** (*Tyler Nice, Electric Operations Manager*)

EWEB currently has several activities that reduce the risk of wildfire. This includes ongoing vegetation management and maintenance as well as emergency response and communication protocols. EWEB annually trims approximately 250-line miles of vegetation system wide, with an additional 125 miles in 2021 trimmed specific to circuits with higher fire risk. Maintenance of utility infrastructure that reduces this risk includes ongoing inspections of poles, cross arms, insulators and line clearances. These inspections produce work queues that result in cyclical maintenance of the electric system to maintain reliability and safety.

Specific to Red Flag Warning response, EWEB changes certain system operating parameters which reduce the risk of wildfire. This includes changing automatic protections such that lines trip off with more sensitivity and lock out quicker, needing human intervention to re-energize. Though this may result in reduced reliability during these events, the changes reduce the chance of ignition in high fire risk areas during these events. EWEB also changes response protocols around re-energization patrol, checking for active access issues and fire events through the 911 supervisory number.

In 2021, EWEB will be drafting a Wildfire Management Plan which will formalize and document EWEB's mitigation measures related to wildfire. This will include vegetation management, system protections, construction methods, future capital programs, event response, and development of criteria and process for Public Safety Power Shutoffs (PSPSs).