

**EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
VIRTUAL MEETING
November 2, 2021
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/2021board-agendas-and-minutes>.

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

Others Present: Frank Lawson, General Manager; Megan Capper, Energy Resources Manager; Deborah Hart, Chief Financial Officer; Anne Kah, Administrative Services Manager; Karen Kelley, Chief Operations Officer; Travis Knabe, Chief Information Officer; Rod Price, Assistant General Manager; Adam Rue, Fiscal Services Supervisor; Ben Ulrich, Senior Energy Resource Analyst

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

Commissioner Carlson thanked staff for the recent tour of Finn Rock Reach. She reported that Lane Council of Governments (LCOG) elected her into the Vice President position for the next two-year term. She explained that whichever Commissioner is appointed as the EWEB representative to LCOG during that period would serve as the Vice President, she added that she was happy to continue serving on the LCOG Board, but the Board should be aware of this. Commissioner Carlson said she would like to get the Board's thoughts on including their names and preferred pronouns on their screens during Zoom meetings.

Commissioner McRae informed those present that he had given an interview to the Eugene Weekly earlier that day, for a piece centered around Eugene's decarbonization efforts. He said he pointed to EWEB's Electrification Impact Analysis Report in the interview.

Commissioner Barofsky thanked staff for following up with him about EWEB's multi-year financial plan. He said it helped him when going over the proposed budget, and it helped him figure out future timelines in which issues might arise.

President Schlossberg thanked EWEB's financial staff for meeting with her and Commissioner McRae to discuss the Cost-of-Service Analysis (COSA). She added that she, Commissioner McRae, and Mr. Lawson had recently held their quarterly meeting with the City of Eugene; she said a highlight of that meeting was that Mr. Lawson and the Eugene City Manager are going to collaborate to put together a list of exactly where EWEB and the City of Eugene overlap.

Mr. Lawson thanked the Commissioners for tackling a near 400-page Board packet prior to this meeting, and he thanked them for attending the various tours and informational site visits that have been happening a lot recently. Finally, Mr. Lawson reported there was a safety incident at the E. 40th and Hilyard site involving a subcontractor in the afternoon before the meeting; he said they were investigating it, but did not have very much information at this time.

Public Input (via Telephone)

Tana Shepard of Eugene, and representing Eugene School District 4J (SD4J) thanked the utility for their support of and investments in SD4J. She listed for those present programs and activities that SD4J was undertaking with support from EWEB, including a virtual salmon education unit. She said the SD4J Climate Justice Team was continuing to meet weekly, and said that Team was making statewide connections, particularly with Portland Public Schools, and Corvallis Public Schools.

Tim Scott of Eugene, and representing the Eugene Science Center (ESC) offered the region had an excellent opportunity to turn the old EWEB administration buildings into a world-class science center. He offered he had experience transforming science centers and aquariums in order to have a greater impact on their community, and he had worked on multi-million-dollar renovations. He said he looked forward to sitting down with EWEB to discuss this unique opportunity.

Anthony Ramos of Eugene, and representing NW Natural announced he had recently emailed the EWEB Board some information about NW Natural's decarbonization and addressing climate change. He encouraged anyone at EWEB to reach out to him with any questions they may have.

Chris Jones of Eugene thanked EWEB staff for their work on the electrification study. He raised the following issues about that study:

- The study makes wildly optimistic assumptions about the future supply of renewable natural gas
- He was worried the electrification study may significantly underestimate energy bill savings for customers doing electrification projects
- The social cost of carbon outlined in the study was vastly underestimated
- He said the study showed there was a great opportunity for the utility to save its ratepayers money by continuing and expanding its heat-pump incentive program

President Schlossberg thanked Ms. Shepard for her enthusiasm, and for her continued work in getting meaningful educational materials from EWEB to SD4J.

Vice President Brown asked if the private schools in the area were also benefiting from EWEB's educational programs; he requested that someone get back to him with the answer at a later date.

Approval of Consent Calendar – A, Minutes and Routine Contracts MINUTES

- 1. a. June 1, 2021 Regular Session - Amended**
- b. September 21, 2021 Work Session**
- c. October 5, 2021 Executive Session**
- d. October 5, 2021 Regular Session**

CONTRACTS

2. Black & Veatch Corporation - additional funds for engineering services for the replacement of a switch gear at the International Paper mill. \$300,000. (Original contract amount \$350,000. Resulting cumulative total \$650,000.) Based on Formal Request for Proposals - Qualifications Based Selection (QBS).

3. Pacific Excavation - for additional funds for concrete removal and replacement services. \$308,000 (Original contract amount \$192,000 [over 5 years]). Resulting cumulative total \$500,000). Based on Formal Invitation to Bid.

4. Stillwater Sciences, Inc. - for fish stranding study design, monitoring services, and development of the Trail Bridge Reservoir Fish Stranding Management Plan. \$2,700,000 based on Formal Request for Proposals.

5. Virginia Transformer Corporation - for substation regulators. \$780,000 based on Formal Invitation to Bid.

Vice President Brown moved to adopt Consent Calendar – A. The motion passed unanimously 5:0

Approval of Consent Calendar – B, Non-routine Contracts and Other Consent Items

6. Bane Machinery, Inc.- for the purchase of one LinkBelt 160x40 Hydraulic Excavator. \$205,000 through the use of the Houston-Galveston Area Council (HGAC) Cooperative Contract.

7. Independent Board of Consultants Services for the Carmen-Smith Hydroelectric Project

- a. Cornforth Consultants, Inc.**- \$180,000 based on Direct Negotiation/Sole Source
- b. Gannett Fleming** - \$180,000 based on Direct Negotiation/Sole Source
- c. Cyganiewicz Geotechnical** - \$180,000 based on Direct Negotiation/Sole Source
- d. Northwest Hydraulic Consultants** - \$180,000 based on Direct Negotiation/Sole Source

8. GEI Consultants - for strategic analysis of Leaburg-Waltermville. \$407,000 based on Request for Proposal.

9. Murray Smith Associates - for additional funds for engineering design services for the E. 40th Storage Tank Project. \$830,000 (Original contract amount \$400,000 [over 2.5 years]. Resulting cumulative total \$1,230,000). Based on Qualification Based Selection process.

10. National Metering & Technical Services, LLC - for meter technician services (1 year term). \$448,000 based on Formal Invitation to Bid.

11. Northwest Power Pool - for administrative services of a cooperative group of utilities. \$212,000 based on Direct Negotiation/Sole Source.

12. Scelzi - for as-needed purchases of specialized truck bodies through 2022. \$250,000 based on Direct Negotiation/Sole Source.

13. Stillwater Sciences, Inc. - for biological evaluation and spotted owl analysis that is now requiring additional funds. \$25,000 (Original contract amount \$112,400. Resulting cumulative total \$167,400.) Based on Direct Negotiation.

14. WECO Inc., dba Carson - for the supply of fuel under the Regional Fuel Supply Cooperative for Greater Oregon Fuel Cooperative (GOFC) members. \$3,000,000 (over 5 years for EWEB) based on Formal Invitation to Bid.

RESOLUTIONS

15. Resolution No. 2115 - Trojan Annual Operating Budget.

Commissioner Carlson moved to approve Consent Calendar – B, minus Item 10. The motion passed unanimously 5:0

Items removed from the Consent Calendar

Vice President Brown pulled Consent Calendar – B, item 10. He said he wanted to make sure the amount specified in that Consent Calendar item is for one person for 12 months, for up to 2000 hours.

General Manager Lawson clarified that the price also includes necessary equipment.

Ms. Kelley said that amount also paid for the person's background and training, as it was not possible for EWEB to provide these with a brand new employee.

Vice President Brown said he hoped in the future there could be some training locally for this particular skillset.

Vice President Brown moved to adopt Consent Calendar – A, Item 10. The motion passed unanimously 5:0

2022 Proposed Budgets and Prices – Update

Ms. Hart and Mr. Rue offered the Board an update and PowerPoint presentation on 2022 proposed budgets and prices.

2022 Proposed Budgets and Prices – Public Hearing

President Schlossberg opened the public hearing at 6:06 p.m., and seeing no one who had signed up to speak, closed the public hearing.

2022 Proposed Budgets and Prices – Direction

Commissioner Barofsky approved of the proposed budgets and prices for 2022. He said he would like to see a smoothing of rates over the next few years, citing the Rate Stabilization Fund as an excellent resource for reaching that goal.

Mr. Lawson agreed, and said that would be a relevant conversation to have in the spring of 2022. He pointed out that, even with the second water source project, EWEB was still fourth lowest in water rates of their comparators.

Commissioner Carlson thanked EWEB financial staff for the thoroughness of the Board packet information Commissioners received pre-meeting. She wondered why EWEB paid twice as much as a percent on Contributions in Lieu of Taxes (CILT) than did Springfield Utility Board (SUB).

Ms. Hart said the story behind the difference in CILT payments was decades-old, and her and Mr. Lawson had discussed creating a backgrounder specifically on the history of it.

Commissioner Carlson asked if the amount EWEB paid was on all its revenues, or only those specific to Eugene.

Ms. Hart answered EWEB paid a percentage to the City of Eugene on all its electric revenues, with the exception of wholesale revenues which have a negotiated flat fee.

Vice President Brown said he was in support of the budget and prices proposals; however, he was concerned with inflation and construction costs, and the environmental pressures on the utility, and what that might mean to future rates.

Commissioner McRae said he appreciated the bill comparison addition to the Board packet, because he felt it was important to see that EWEB's rates were consistent with—or lower than—those of the neighboring utilities.

President Schlossberg asked if there was a place EWEB ratepayers could go to view an estimated cost increase to their energy bill with rate increases.

Ms. Hart said that type of average bill impact is something the communications team shares with EWEB customers.

Commissioner McRae asked if he was understanding correctly that EWEB was proposing paying nearly double what they had been for domestic solar generation.

Mr. Rue said that was correct.

Enterprise Resource Planning Update

Mr. Knabe offered the Board an update and PowerPoint Presentation on enterprise resource planning.

Vice President Brown asked if the IT department would be able to retain the professional services needed to implement enterprise resource planning as presented.

Mr. Knabe said he believed so.

Commissioner McRae asked if Mr. Knabe foresaw another transition like this one becoming necessary in the next 20 years.

Mr. Knabe said he, his team, and those he consulted all agreed that this was a 20-year product.

Commissioner McRae asked if this update included the billing software

Mr. Knabe replied yes.

Commissioner Barofsky asked where exactly advanced metering infrastructure (AMI) fell in these updates.

Mr. Knabe said the AMI project and its data were completely separate from enterprise resource planning.

Commissioner Barofsky offered that AMI data would be essential to any EWEB electrification projects in Eugene.

Commissioner Carlson asked if EWEB ratepayers would have to redo their EWEB login and autopay accounts.

Mr. Knabe answered no, that the new portal would interface with the billing system, and all ratepayer information would be reintegrated, so there would be no need for customers to create those accounts again.

President Schlossberg said she liked the way the presentation, and the updates themselves were framed, with a focus on integrating information systems with other EWEB systems.

Break

President Schlossberg called for a break at 7:05 p.m. The meeting reconvened at 7:09 p.m.

EWEB HQ Property Solicitation Process

Mr. Lawson and Ms. Kah offered the Board a report and PowerPoint presentation on the EWEB headquarters property solicitation process.

Before he offered anything on the agenda item, Vice President Brown wanted to make sure there was no conflict of interest, because, he said, if the headquarters property went on the open market, there would be a possibility that he could bring in a buyer, such as when he brought Philips to EWEB and had to step aside. He raised the issue of whether participating in EWEB's process would excuse him from participating with a buyer of the property – such that he cannot be part of it.

Mr. Lawson said that basically Vice President Brown would either have to choose the side of an EWEB Commissioner, or the side of a real estate professional. He added if Vice President Brown decided the latter, he would have to recuse himself from participating as an EWEB board member very early in the process. General Manager Lawson said he would investigate this further and work through the details. He also clarified the difference between a board liaison and an independent board subcommittee.

Vice President Brown declared that he was choosing to participate as an EWEB Commissioner and his involvement will be to help EWEB maximize the value, and to meet the values of the consensus of the Board. He went on to say that he will not participate on the private or the public sector side, and he acknowledged that he represents several public agencies who would probably have an interest. He said that because there is no present or future contemplated financial interest, he believes this is okay, and he wants this issue to be in the open and on the record.

Mr. Lawson announced the Board was being asked for direction on one of two processes: option B, which was a Request for Proposal (RFP)-type process, or option A, which was a bit more nebulous, and much more informal.

Commissioner Carlson asked what was meant by ... "strictly adhere to defined criteria".

Mr. Lawson said there were several "defined criteria", including price.

Commissioner Carlson said it was challenging to choose between the two options. She took issue with the term 'nebulous', and stressed the importance of the involvement of local community organizations. She said it was a unique space, and should be used to the community's benefit, but she said clear criteria and timelines, and expectations were integral to the process.

Mr. Lawson said if the Board was leaning toward option B, staff would come back with a very specific timeframe and process layout for an RFP.

Commissioner Carlson expressed concern that an RFP—especially one put together quickly—might exclude some of the community organizations, giving those in the real estate market an advantage.

Mr. Lawson offered when staff came back in January with whatever direction the Board gives them tonight, a component of that process would be to test the market surrounding the HQ property, to ensure community organizations could respond in the timeframe that would be asked for, and the Board will have opportunity to weigh in.

Vice President Brown said, in his experience, these types of real estate transactions take a very long time to complete, and added that EWEB had made a pledge to use surplus funds to retire debt after building the Roosevelt Operations Center (ROC).

Commissioner Barofsky said he was leaning toward the RFP option, because of the transparency it offered. He agreed that was the best way to ensure everyone interested in the property would have a fair shot to write up a proposal.

Commissioner McRae wondered how firm the obligation to retire debt Vice President Brown mentioned was, and if it was a legally binding obligation.

Mr. Lawson said that although it was not a legal obligation, the funds from the sale of the HQ property would be put to the highest and best uses.

Commissioner McRae asked if the property had been offered for sale to the City of Eugene.

Mr. Lawson said it had not, although, under City Code, the City of Eugene had first right to negotiate on the property. He said that the City had not expressed interest in purchasing the property, and has relinquished their first right. He stated that EWEB has not offered the property to any entities because this needs to be a formal process.

Vice President Brown pointed out it costed \$300,000 per year to not take action on the HQ property, and he offered to send out a document outlining his experience in this type of real estate transaction.

President Schlossberg said that would be very helpful. She said the Board had been provided with a link to SD4J's website, where they were able to take a look at how that Board dealt with similar property issues, and she wondered if there was any more information to come from EWEB staff, or would Commissioners just have to go back to 4J's website.

Ms. Kah said the aforementioned link had all the information the board would need on SD4J's process, but if the Board had any specific questions, she would be happy to look into them.

Commissioner Carlson asked for clarification on the liaison to the HQ property solicitation process positions.

Mr. Lawson said the liaisons would be involved in setting the criteria for the property solicitation process, but no criteria would be finalized before being brought back before the Board for their endorsement.

Electrification Impact Analysis Report - Final Results from Phase 2

Ms. Capper and Mr. Ulrich offered the Board a report and PowerPoint presentation on the final results from phase 2 of the electrification impact analysis.

Ms. Capper recognized Will Price for his service and dedication to the utility upon his retirement at the end of the month.

Referencing a slide in the presentation, Commissioner Carlson asked if the City of Eugene's Climate Recovery Ordinance included assumptions about how much carbon EWEB was responsible to reduce.

Mr. Ulrich said that the City's detailed itemization of greenhouse gas inventory differs from the chart displayed in his presentation. He pointed out that EV adoption would eliminate a lot of the transportation sector emissions. He said staff might be able to break out that data—such as electrification residential vs. Commercial—and get back to the Board with a more detailed response.

Commissioner Carlson said she would like to see EWEB goals that align with other entities such that the different parties are working toward the same goals.

Mr. Lawson said that he and the Eugene City Manager have planned to work together to clarify all of the overlap between EWEB and the City's roles.

Commissioner Carlson said she was in support of incentives for cold ductless heat pumps, and wondered if it would be prudent for EWEB to put a cap on those incentives.

Commissioner Barofsky asked if in the aggressive model, having no natural gas on new developments was taken into consideration.

Mr. Ulrich said it was not; he added the study was focused on the retrofitting of existing buildings.

President Schlossberg said she did not see any future local policies used as factors in the electrification study.

Mr. Lawson returned that only legislation that had already been passed was factored into the study.

President Schlossberg stressed the importance of transparency and information-sharing where the City of Eugene was concerned.

Mr. Lawson replied that the study looks at the impact electrification will have on consumption patterns, and from an energy and planning perspective, it is manageable over a twenty year planning horizon. He did not see anything of concern that would threaten EWEB's power supply or the ability to supply the Utility's products and services, although there may be challenges along the way, as with anything.

Commissioner McRae wondered if the load growth in the analysis benefitted not only the customer, but the customer base as well.

Mr. Ulrich said that on an average basis, that was correct.

Commissioner McRae asked if the 50% of space heating units electrified by 2040 called out in the report, applied to all space heating units in EWEB territory, or just those that are currently natural gas appliances.

Mr. Ulrich replied that it is the latter; fuel switching.

Mr. McRae asked if EWEB thought switching 50% of the natural gas fueled homes by 2040 is the highest level of electrification feasible.

Mr. Lawson pointed out that natural gas prices have been historically low, so the economic incentive to switch away from it just has not been there, but in the more aggressive scenario, it changes, therefore it is an output because of that.

Vice President Brown wondered if EWEB would still have to go out on to the market to buy external resources to meet peak demands, if the price of electrification dropped.

Mr. Ulrich said if large commercial consumers, like the University of Oregon, were able to electrify, it would certainly change the formulas used in the analysis, which, he offered, concentrated on small commercial ratepayers.

Commissioner McRae offered the renewable natural gas assumptions seemed very optimistic, and he asked what evidence there was showing the natural gas utilities could meet those figures.

Mr. Lawson said that the aforementioned natural gas assumptions were based on SB 98 and the carbon pathways study wherein NW Natural has made a commitment to be carbon-neutral by 2050.

Board Policy: SD15 Climate Change Policy Review/Kickoff

Mr. Lawson offered the Board a review and PowerPoint presentation on EWEB Board Policy SD15, addressing climate change.

Commissioner Carlson noted there was opportunity to create goals related to each of the directives outlined in the presentation. She added that it would be helpful if staff was able to show the Board where EWEB is in its climate goals as compared to other utilities.

Commissioner McRae agreed with Commissioner Carlson, adding that it would also be helpful to have specific measurable targets in all the areas outlined in SD15, he suggested inclusion of targets around the CO2 intensity of the electricity that is provided by EWEB, electrification for EVs and buildings, energy efficiency, local control of power resources, distributed energy resources to address peak loads, and equity.

Commissioner Barofsky felt that the policy should set the direction for EWEB, and action items could be included to bolster the policy, although it was not necessary to include the metrics in the policy itself. He supported including local power generation and equity in the policy.

Vice President Brown concurred with Commissioner Barofsky with regard to metrics, local control, and equity. He said he was in favor of SD15, although he posited the language could be modified a bit, and he cautioned that the Utility should not set goals that are unattainable or so costly that customers would be driven away.

President Schlossberg noted the importance of using clear terms and voiced support for using targets.

Commissioner Carlson suggested adding something to the policy that would define each of the different goals of SD15; she stressed the importance of clear metrics in which the public could see the progress EWEB was making toward its climate goals.

General Manager Lawson summarized by saying that the policy could provide the overarching directive, while the annual goals provide a means to review the status of the metrics.

Commissioner McRae asked if the accomplishments of annual goalsetting were what the utility was getting done over the course of 12 months, or if it was more long term in nature.

Mr. Lawson said he believed the way that EWEB's goals were written allowed for 12-month pursuits, but within a larger, more long term framework.

Quarterly Strategic & Operational Report for Q3 2021

Mr. Lawson and Mr. Price offered the Board a quarterly strategic and operational report for the third quarter of 2021, with an accompanying PowerPoint presentation.

Commissioner Carlson said the board should be prepared to justify to ratepayers the upcoming rate increases, while the utility is \$10 million over budget for water revenue.

Mr. Price pointed out that the budget reported for Q3 is not a year-end number, and there are other things that will impact year end accounting.

General Manager Lawson noted that the rate projections for 2022 are based on the timing of expenses and investments for 2022, and the board would have an opportunity in April or May to discuss the use of any available funds for rate smoothing.

Commissioner Barofsky pointed out that EWEB had a lot of large projects coming up in the near future, and it was important to communicate to ratepayers that just because the utility is showing a budget surplus, those funds are fundamentally already spent on future projects.

Correspondence & Board Agendas

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

President Schlossberg adjourned the Regular Session at 9:41 p.m.

Recorded by Rodney Cimburke

Assistant Secretary

President