



The following questions have been posed by Commissioners prior to the scheduled Board Meeting on April 5, 2022. Staff responses are included below and are sorted by Agenda topic.

Prior Year-End (2021) Audited Financial Statements and Management Letter (HART) Why did the Water Rate Stabilization fund grow from \$1 million to \$10 million?

RESPONSE: *The Water Utility had strong financial performance in 2020, and working cash balances were higher than board target, creating an opportunity to transfer money to the Rate Stabilization Fund. The Rate Stabilization Fund is intended to enhance the Utility's agility during financial challenges and minimize or smooth rate impacts to customers. Last year, the Board approved a \$9 million transfer from Working Cash to the Rate Stabilization fund (resolution 2111) as part of the annual discussion on the use of reserves each Spring. Under existing bond covenants, deposits to the fund reduce the Debt Service Coverage ratio, while withdrawals increase the ratio. Funds may be used for one-time expenses and emergent items to be allocated based on the Board's direction. Currently, the Long-Term Financial Plan includes a drawdown of Rate Stabilization Funds in years 2026-2031 to help cover large capital expenditures and maintain the Debt Service Coverage ratio at Board target.*

Consent Calendar

CONTRACTS

Anixter – for Substation Potential Transformers (KELLEY) What does it mean to be "non-responsive"? Does that mean they aren't communicating with staff around inquiries, or does it mean that staff didn't think the responses answered the questions? It seems odd that three different proposers were all non-responsive. Curious about the background and what data was requested.

RESPONSE: *When we say that a vendor is non-responsive, that means that they did not respond to the requirements of the solicitation, or they failed to include required information in their offer. In this case, there were 4 bids but only 1 was responsive to our requirements. Here's a breakdown for this one:*

EWEB required a maximum weight for the items bid as per specific EWEB standards. Instrument Transformer Equipment and MVA Power bid items that were over those limits. In one example, we required an item to be no more than 700 lbs and what was offered was approximately 1300 lbs. Koncar was deemed non-responsive because they failed to include required information in their submission. In this case, it was Attachment B, Bidder Residency and Attachment C, Recycled Products Certification/Sustainability Questionnaire. By law, the bidders must include all the information that we require to be deemed responsive. We do our best to make those requirements very clear to them throughout the solicitation document, but some bidders choose to submit incomplete offers. This is the information straight from our Bid Form. You can see that we remind them of what's required one last time before they sign the Bid Form:

5. BID FORM

THE FOLLOWING INFORMATION MUST BE RETURNED WITH YOUR BID RESPONSE:

(Place a check in front of the item indicating inclusion in your response.)

COVER SHEET, with introduction of firm and the following:

- o Contractual Acceptance: Statement accepting ALL terms and conditions contained in the Sample Contract.*
- o Termination for Default: Proposers shall indicate if they have had a contract terminated for default in the last five years. (See Section 1.8 (B))*

Section 5 - Bid Form

Attachment B - Bidder Residency Information

Attachment C – Recycled Products Certification/Sustainability Questionnaire

Cascade Pacific Resource Conservation and Development - for Fiscal Management Services of the Pure Water Partners Program (PWP) (KELLEY) Is this a cumulative contract for managing money/payments for the PWP program? \$1,562,000 for a cumulative amount seems like a large sum for fiscal management. Am I correct in assuming this is just for fiscal management paid to specific programs and providers?

RESPONSE: *The \$1,562,000 total contract spend for Pure Water Partners includes all work the listed partners do for floodplain and riparian restoration except for what is contracted by PWP to other firms. For example, these funds pay for property assessments and vegetation plans, but not contracted planting work. 10% of the total funds is used for overhead/cost allocation from Cascade Pacific Resource Conservation Development, the rest is passed through to the partners for actual work supporting or conducting restoration. Contracted work is begun funded in other ways.*

Mason, Bruce & Girard – for Forest Management Services (KELLEY) The information sheet says it is for \$650,000, and it says that approximately \$170,000 was planned for these services for 2022, so why the differences?

RESPONSE: *\$170k is for one year (2022). The total contract is 5 years, hence the difference between \$650k and \$170k. The work is frontloaded over the next two to three years and is expected to decrease after that.*

If we expand the existing right of way by 35 ft on each side for 12 miles that is about 100 acres of timber. Who pays for the approximate 1,000 trees we are topping for future downed wood etc.?

RESPONSE: *EWEB pays for the topping of 1,000 trees, which is included in the \$650k estimate. We are required to create and maintain 500 snags and 300 linear feet/acre of downed wood over the term of the Carmen-Smith License. Topping trees will create standing snags and the tops will be used as downed wood/logs. The estimate does not include any additional tree removal work within the expanded transmission line corridor necessary to create suitable habitat that supports wildlife. The details of that work are still in development but are likely to include a sculpted approach to T-Line expansion to meet the Carmen-Smith Wildlife Management Plan requirement to manage the widened right-of-way for the benefit of wildlife habitat. In addition to wildlife benefit, this work also provides wildfire risk reduction by decreasing fire fuels and increasing T-line resilience. The work will be scoped and planned in consultation with the U.S. Forest Service, and it is our intent to collaborate with them to remove trees and use some limited harvest income to offset the cost of initial removal work.*

Are we expanding our right of way and buying the land and timber, including the privately owned lands, and if so, does this contract cover those costs?

RESPONSE: *We are not purchasing any land. We will be securing easements for an additional 35 feet on each side of the right-of-way (70' total) on all FS lands and on privately owned lands where the landowner agrees to allow EWEB to manage the vegetation and habitat within the expansion area. Currently, there are two landowners interested, totaling approximately 5 acres.*

Pacific Excavation, Inc. – for the Construction of Two 7.5 Million Gallon Tanks at EWEB's East 40th Ave Storage Tank Site (KELLEY) I see that all but one of the past projects listed with Pacific Excavation, Inc. went over budget, and a couple of them by quite a bit.

With projects of this size and complexity, and given the current supply chain challenges, I'm not shocked. That said, I do wonder if there are any tools at our disposal to hedge against this kind of cost overrun. Are all contractors overrunning budgets right now? If this is across the board, I wonder if our budgeting processes are sufficiently anticipating this dynamic.

RESPONSE:

There can be a number of reasons that contractors' costs surpass their bid or forecast, depending on the structure of the contract (i.e. time and materials vs. fixed bid). Staff will be prepared to speak specifically about Pacific Excavation's history at the public meeting. From a budgeting perspective, EWEB is monitoring trends and looking for additional opportunities to mitigate both supply chain and inflationary pressures. With additional data, EWEB will continue to evaluate and adjust long-term financial planning models, financing tools, project decisions, and other variables that eventually impact customer-owner rates. Within a budget year, EWEB forecasts project costs, and adjusts as to resources and investments to best operate within the established working budget. However, if enough variance cannot be mitigated, management may bring the Board a budget amendment for deliberation and potential approval.

Regarding the cost overruns, EWEB manages construction projects to minimize contractor change orders. However, not all change orders are bad and sometimes reflect EWEB making changes to the Contract for EWEB's benefit, such as in the case of the Willagillespie main replacement. EWEB was in the middle of standard change during this project and elected to pay for higher quality valve boxes via change order to improve long term maintenance and operability of the system. Also, due to good pricing and an emergent water quality concern EWEB chose to add scope to the contract as the most cost effective and expedient way to address frequent customer water quality complaints in another part of town. These costs were tracked on a separate work order but to save administrative costs the scope was added to the existing contract. For this project, the bids received included some of the lowest unit prices for pipeline work we received in several years. Taking advantage of the low unit prices, we added the small main replacement to the original contract. While it looks like a large increase, it was an owner driven change in scope driven by the need to address water quality issues that resulted in additional pipe in the ground at a low unit price.

Because the uncertainty of working underground or with existing older facilities, there are almost always issues that arise during construction that result in a change order. It is very difficult and not particularly cost effective to try to anticipate every issue that may arise and a small amount of change orders is normal and reasonable on most projects. These can be due to several factors including unanticipated conditions, mislocated utilities, and owner driven changes in scope. If we can bring a project in with contractor change orders generally 5% or less it is considered a success but understanding the context for each project is important. Smaller projects generally see higher percentages of overages than larger projects because one small change makes a big difference in the total contract.

It should be noted that Pacific Excavation just completed another pipeline project for EWEB on Palomino Drive that had zero change orders. EWEB has had the benefit of working on many projects with Pacific Excavation and have no reason to believe that the East 40th tanks contract will require excessive or unwarranted change orders. So far, this project is about \$3 million under budget even with the proposed construction contract.

It is true that there are significant supply chain issues that are affecting our projects; the most pronounced impact is long delays and unavailability of certain materials but all aspects of construction are seeing significant inflationary pressures. EWEB sees this effect mostly on our smaller projects with shorter schedules. On our large multi-year projects the supply chain issues generally work themselves out. To address some of the supply chain issues for our smaller projects EWEB is taking various steps including pre-purchasing materials well ahead of time and providing those to our contractors. This ensures we have stock on hand for the work at prices that are likely much less than the contractor would have to charge us if they were acquiring those same materials.

Regarding increased contract pricing for our goods, EWEB has been seeing substantial increases in items such as ductile iron pipe and water fittings. With the situation in Ukraine, many manufacturers have seen increases in the costs of raw materials. An example would be EWEB's current contract for ductile iron pipe. Last year, two truckloads of pipe might have been \$100k, and now it's closer to \$150k with an additional raw material surcharge of almost \$10k. When Contractors request an increase, Staff work to get any information that is available to substantiate those requests for price increases, but the market is increasingly volatile and there

seems to be a lot of confusion as to what the true costs are between manufacturers and their distributors. All contractors are having to factor in their costs of materials, fuel and at the same time are having to deal with labor and trucking shortages. With all of these variables, contractor's pricing has understandably increased. EWEB does have mechanisms in place to limit price increases within our contracts, but we are also trying to maintain existing relationships with our vendors and suppliers in the interest of maintaining mutually beneficial contracts.