

## **EWEB Board Consent Calendar Request**

### *For Cooperative Contracts*

The Board is being asked to authorize the use of a cooperative contract for the **Purchase of Four (4) Small Service Bucket Trucks with Altec Industries.**

Board Meeting Date: June 7, 2022  
Project Name/Contract #: Small Service Bucket Trucks / 110421-ALT  
Primary Contact: Karen Kelley Ext. 7153  
**Expected Spend: \$1,100,000 (one time purchase)**

#### Narrative:

The Board is being asked to authorize the use of the Sourcewell Cooperative Contract 110421-ALT with Altec Industries for the purchase of four (4) small service bucket trucks. Like other cooperative programs, this Sourcewell contract leverages the purchasing power of public entities across the country to deliver competitive pricing and sourced contracts to public entities like EWEB. This Sourcewell contract offers discounts ranging 3-5% off MSRP.

#### Operational Requirement and Alignment with Strategic Plan

EWEB requires the use of Small Bucket Trucks for its Electric Line Troubleshooters (First Responders) which are used for routine operation and maintenance activities as well as emergency response activities during storms or outages. These new units will be replacing small bucket trucks that will have over 200,000 miles on them by the time the replacements are due in. EWEB staff have determined that placing orders for the units now is more cost effective than attempting to repair the aging equipment. The unit delivery times are 720-980 days after receipt of PO, and because of this, they will fall under the 2025 budget.

Sourcewell is a local government unit from the state of Minnesota that assists public agencies to contract more efficiently than as an individual entity. They establish competitively awarded cooperative purchasing contracts on behalf of itself and its participating agencies, including EWEB. Sourcewell follows the competitive contracting law process to solicit, evaluate, and award contracts for goods and services which facilitates the public procurement process and leverages governmental agencies purchasing power.

#### **ACTION REQUESTED:**

Management requests the Board authorize the use of a cooperative contract for the Purchase of four (4) small service bucket trucks with Altec Industries. The unit delivery times are 720-980 days after receipt of PO, and because of this, will fall under the 2025 budget. Approximately \$2.4 million is planned for vehicle purchases in the Electric 2025 Capital Plan (type 1) budget of \$22.95 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 contract with **GE Grid Solutions LLC** for **JMUX Replacement Equipment**.

Board Meeting Date: June 7, 2022  
Project Name/Contract #: JMUX Replacement Equipment / 22-116-G  
Primary Contact: Karen Kelley Ext. 7153

### Contract Amount:

Original Contract Amount: \$226,500  
Additional \$ Previously Approved: \$0  
Invoices over last approval: \$0  
Amount this Request: \$226,500  
Percentage over last approval: NA  
Resulting Cumulative Total: **\$226,500**

### Contracting Method:

Method of Solicitation: Direct Negotiation  
If applicable, basis for exemption: EWEB Rule 3-0275 Sole Source Procurements  
Term of Agreement: One time purchase  
Option to Renew? No  
Approval for purchases *"as needed"*  
for the life of the Contract: Yes ☐ No ☒  
Proposals/Bids Received (Range): NA  
Selection Basis: Sole Source Supplier  
Narrative:

### Operational Requirement and Alignment with Strategic Plan

EWEB currently uses GE Multilin JungleMUX SONET Multiplexers (JMUX) throughout EWEB substations as the data transport median between substations. The JMUX system is installed at a variety of EWEB locations, but the HQ building has a central role in the system operation. Currently 90+% of the fiber interconnections between the different parts of JMUX network are installed in the HQ fourth floor server room. As part of the HQ relocate project to prepare the property for sale, all the existing JMUX equipment needs to be installed in a different location with access to the fiber in the same riverfront area. The nearby Willamette substation control house was chosen for this reason. This purchase will facilitate keeping the existing system online while new equipment is purchased and installed in the Willamette substation control house.

### Contracted Goods or Services

Purchase of seven new JMUX Synchronous Optical Network (SONET) multiplex nodes.

#### Purchasing Process

EWEB currently has over 40 nodes of JMUX equipment in use, each with several media cards that vary by site depending on required communications. JMUX does not license their design to other vendors and other products are not directly compatible due to the nature of the system. EWEB is heavily invested in JMUX and it has provided superior performance since it was installed in 2000. Engineers and technicians are familiar with the programming, design, trouble-shooting, and maintenance of this equipment. Staff's ability to quickly and effectively evaluate and remedy substation communications problems and crews understanding of installation and performance can be critical to EWEB's provision of services. For these reasons, Staff has deemed GE Grid Solutions LLC to be a sole source provider for this equipment.

#### Bids Received

NA

#### Competitive Fair Price

NA –Sole source agreement

#### Prior Contract Activities

EWEB has previously purchased and continues to use the JMUX Sonet Multiplex node equipment across our substations and has found their products to be satisfactory and meet EWEB's product quality requirements.

#### **ACTION REQUESTED:**

Management requests the Board approve a new contract with GE Grid Solutions LLC for JMUX Replacement Equipment. Approximately \$227,000 was planned for these goods in the 2022 Electric Capital budget of \$55 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 contract with **Magnum Power, LLC** for **Construction Services at EWEB's Oak Grove Facility in Clackamas County**.

Board Meeting Date: June 7, 2022  
Project Name/Contract #: Oak Grove Lake Harriet Pole Replacement / 22-069-PW  
Primary Contact: Karen Kelley Ext. 7153

### Contract Amount:

Original Contract Amount: \$747,000  
Additional \$ Previously Approved: \$0  
Invoices over last approval: \$0  
Amount this Request: \$747,000  
Percentage over last approval: NA  
Resulting Cumulative Total: **\$747,000**

### Contracting Method:

Method of Solicitation: Formal Invitation to Bid  
If applicable, basis for exemption: NA  
Term of Agreement: Initial term is 6 months  
Option to Renew? No  
Approval for purchases "*as needed*"  
for the life of the Contract: Yes ☐ No ☒  
Proposals/Bids Received (Range): 2 (\$747k to \$984k)  
Selection Basis: Lowest Responsive and Responsible Bidder

### Narrative:

#### Operational Requirement and Alignment with Strategic Plan

EWEB ownership of the Stone Creek Hydroelectric Project includes a high voltage transmission line that delivers the Project's power output from EWEB's Harriet Lake Substation to Portland General Electric's Oak Grove Substation. The Riverside Fire that started on Labor Day 2020 damaged portions of EWEB's transmission line. While the most severely damaged poles were repaired during the initial fire recovery response efforts, an additional 33 poles sustained enough damage to require near-term replacement. These additional pole replacements are necessary to ensure safe and reliable operation of the transmission line running through the Mount Hood National Forest.

#### Contracted Goods or Services

This project must be performed by a qualified IBEW member contractor. The scope of work includes the supply and installation of new transmission line poles, cross arms, insulators, and associated hardware. Following installation of the new poles, the contractor will transfer the existing transmission line conductors to the new structures and properly dispose of the damaged wood pole structures.

### Purchasing Process

In April 2022, staff issued a formal Invitation to Bid (ITB) for transmission line poles, cross arms, insulators, and associated hardware. The solicitation was advertised on the State of Oregon's public procurement site, OregonBuys. Two bids were received and one failed to arrive due to a UPS failure to deliver. Magnum Power's bid was the lowest and deemed responsive and responsible.

### Bid Received

Vendor Name	City, State	Offered Price	Ranking (for RFPs)
Magnum Power, LLC	Ridgefield, WA	\$747,000	NA
Wilson Construction Co.	Canby, OR	\$984,000	NA

### Competitive Fair Price

Three firms submitted bids and at least three additional firms declined to bid. The three firms that decided not to bid indicated that the requirements for this project were more complicated relative to other available work. Several bidders also voiced concerns with sourcing materials for the project. This feedback suggests that the bid climate and material supply conditions are not favorable to owners at this time. Unfortunately, the risk associated with the compromised condition of these transmission poles does not allow EWEB to wait for more favorable timing.

### Prior Contract Activities

None – Contractor is new to EWEB. EWEB staff performed reference checks and confirmed that Magnum Power has successfully completed similar work for other public utilities in the Pacific Northwest.

### **ACTION REQUESTED:**

Management requests that the Board approve a contract with Magnum Power, LLC for this transmission pole replacement project. Approximately \$600,000 was planned for this work in the Generation Department's 2022 Capital budget of \$33.3 million. Although the low bid for this work was significantly higher than anticipated, there are opportunities to offset the escalated pricing for this project within the available 2022 capital budget due to delays incurred on other projects. These 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 contract with **McKenzie Watershed Alliance (MWA)** for **Forest Management of Deer Creek Phase 4 floodplain restoration**.

Board Meeting Date: June 7, 2022  
Project Name/Contract #: Deer Creek Phase 4 / 22-102-S  
Primary Contact: Karen Kelley Ext. 7153

### **Contract Amount:**

Original Contract Amount: \$425,000  
Additional \$ Previously Approved: \$0  
Invoices over last approval: \$0  
Amount this Request: \$425,000  
Percentage over last approval: NA  
Resulting Cumulative Total: \$425,000

### **Contracting Method:**

Method of Solicitation: Direct Negotiation  
If applicable, basis for exemption: EWEB Rule 3-0275 Sole Source Procurements  
Term of Agreement: Through 12/31/2022  
Option to Renew? No  
Approval for purchases *"as needed"*  
for the life of the Contract: Yes ☐ No ☒  
Proposals/Bids Received (Range): NA  
Selection Basis: Sole Source Supplier  
Narrative:

### Operational Requirement and Alignment with Strategic Plan

On May 17, 2019, the Federal Energy Regulatory Commission (FERC) issued to EWEB an order issuing a new license for the Carmen-Smith Hydroelectric Project, including a requirement to construct upstream and downstream fish passage facilities at Trail Bridge dam within three years of License issuance. EWEB is also required to cease operating Trail Bridge powerhouse for the purposes of power generation to avoid entrainment once downstream passage is operational and thereafter to only operate the powerhouse equipment for safety, maintenance, and emergency purposes.

The license deadline for completion of construction of the Trail Bridge fish passage facilities is May 17, 2022. Deployment of these projects has been delayed due to longer than anticipated design and review timelines, as well as the discovery of active sinkholes at the Trail Bridge reservoir. EWEB will not be able to meet its license deadline and, since October 2021, has been negotiating an agreement with federal and state fish and water quality agencies (including National Marine Fisheries Service, US Fish and Wildlife Service, Oregon Department of

Environmental Quality, and Oregon Department of Fish and Wildlife) to mitigate for the impacts of the delays to fish passage construction on ESA-listed Chinook salmon and bull trout. The agencies and EWEB have agreed that funding Deer Creek Phase 4 floodplain restoration in 2022, two years ahead of schedule, would provide significant fish habitat and water quality benefits within the watershed to partially mitigate for the impacts of the delays to construction of fish passage at Carmen-Smith. A complete mitigation package is anticipated in mid-2022.

Implementation of the Deer Creek Phase 4 floodplain restoration will be managed by McKenzie Watershed Alliance, and with funding from EWEB, is scheduled for summer 2022.

MWA has requested a funding award of \$425,000 to complete the Deer Creek Phase 4 project as cooperatively designed with the US Forest Service. The \$425,000 request is similar to a 2021 project for Deer Creek and reflects slight increases for contract costs, based on increased costs for transportation of large wood to project site and removal, haul, and placement of sediment within the project area.

#### Contracted Goods or Services

McKenzie Watershed Alliance will perform and manage the construction of the Deer Creek Phase 4 floodplain restoration project in partnership with the Forest Service and consistent with the Forest Service McKenzie Stage 0/8 Projects.

#### Purchasing Process

EWEB rules allows funding the completion of the project by means of direct negotiation from McKenzie Watershed Alliance via the sole source process. McKenzie Watershed Alliance is the selected contractor of the US Forest Service and the specific mitigation services needed are only available from MWA. The Alliance has a solid record of successfully collaborating with Forest Service on a range of watershed enhancement projects and has a clear understanding of the federal requirements involved.

#### Prior Contract Activities

EWEB Contract	Project Name	Board Approval Date	Project Duration (Notice to proceed to close out).	Original Contract Amount	Final Contract Amount	Reason Code
19-155	48 <sup>th</sup> Street Wetland Enhancement Project	NA	10/28/19-12/31/22	\$14,765	\$14,765	
11183	Fish Habitat Restoration and Enhancement	11/15/05	11/15/05 -12/31/24	\$1,639,751	\$1,639,751	
20-071	Watershed Environmental Education	NA	3/17/20-12/31/20	\$20,400	\$20,400	
20-116	Deer Creek Transmission Line Corridor Timber Harvest	June 2, 2020	6/2/20-12/31/20	\$253,230	*\$376,500	SD/AW
Reason Code: AM = Additional Materials, AW = Additional Work, EW= Emergency Work, SD = Staff Directed, UC = Unforeseen Conditions, Other						

Contract 20-116 was increased due to additional tree and slash discovered after manual counts.

#### **ACTION REQUESTED:**

Management requests the Board approve a contract with McKenzie Watershed Alliance for management of Deer Creek Phase 4 floodplain restoration. This project was not anticipated in the 2022 Capital Budget of \$29.2 million in the Carmen Smith License Deployment Department. Variances will be managed within the budget process and Board policy.

## **EWEB Board Consent Calendar Request**

### *For Cooperative Contracts*

The Board is being asked to authorize the use of a cooperative contract for the **Purchase of a Hydraulic Excavator with Pape Machinery (John Deere dealer)**.

Board Meeting Date: June 7, 2022  
Project Name/Contract #: Hydraulic Excavator / 032119-JDC  
Primary Contact: Karen Kelley Ext. 7153  
**Expected Spend: \$241,000 (one time purchase)**

#### Narrative:

The Board is being asked to authorize the use of the Sourcewell Cooperative Contract 032119-JDC with John Deere for the purchase of a hydraulic excavator through an authorized John Deere dealer, Pape Machinery. Like other cooperative programs, this Sourcewell contract leverages the purchasing power of public entities across the country to deliver competitive pricing and sourced contracts to public entities like EWEB. This Sourcewell contract offers discounts ranging 20-44% off published list prices.

#### Operational Requirement and Alignment with Strategic Plan

EWEB requires the use of specialized earthmoving equipment for use by the Water Construction Crews for building and maintaining water system infrastructure. As excavators have become more sophisticated and versatile, their design provides a greater range of motion and are safer to use in confined workspaces. With a useful service life of 15 to 18 years, this unit will replace an excavator that is over 17 years old. Where the utility would normally keep using this excavator for another year, the utility is now renting excavators with rubber tracks to perform our work to avoid damage to surfaces from use of steel track earth moving equipment. EWEB staff has determined that it will be more cost effective to replace this old piece of equipment than it would be to replace the tracks with rubber tracks.

Sourcewell is a local government unit from the state of Minnesota that assists public agencies to contract more efficiently than as an individual entity. They establish competitively awarded cooperative purchasing contracts on behalf of itself and its participating agencies, including EWEB. Sourcewell follows the competitive contracting law process to solicit, evaluate, and award contracts for goods and services which facilitates the public procurement process and leverages governmental agencies purchasing power.

#### **ACTION REQUESTED:**

Management requests the Board authorize the use of a cooperative contract for the Purchase of a Hydraulic Excavator with Pape Machinery (John Deere dealer). Approximately \$628,000 was planned for these goods in the Water Division Type 1 2022 Capital budget of \$10 million. Variances will be managed within the budget process and Board policy.



## **EWEB Board Consent Calendar Request**

### *For Cooperative Contracts*

The Board is being asked to authorize the use of a cooperative contract for the **Purchase of Two (2) Dump Trucks with Peterson Trucks Inc.**

Board Meeting Date: June 7, 2022  
Project Name/Contract #: Two (2) Dump Trucks / State PA 1641  
Primary Contact: Karen Kelley Ext. 7153  
**Expected Spend: \$400,000 (one time purchase)**

#### Narrative:

The Board is being asked to authorize the use of the State of Oregon Price Agreement 1641 for the purchase of two (2) Dump Trucks. Staff requested a quote from Peterson Trucks Inc. based on the cooperative contract. The quote for these vehicles meets our operational requirements and is competitively priced. Like other cooperative programs, this State of Oregon Price Agreement leverages the purchasing power of public entities across the state to deliver competitive pricing and sourced contracts to public entities like EWEB.

#### Operational Requirement and Alignment with Strategic Plan

EWEB requires dump trucks for use by the Water Construction Crews for building and maintaining our water systems infrastructure. By standardizing our fleet of dump trucks, we have been able to extend the useful service life to 15 years. The dump trucks which we will be replacing are now coming up on 18 years old and have become unreliable with extensive downtime. Both trucks due for replacement are also pre-emission vehicles which are trucks that are not fitted with any type of emission reduction technology. Replacement of these dump trucks would significantly reduce emissions of smog and soot-forming nitrogen oxides (NOx) from heavy-duty diesel engines which will allow us to maintain stringent greenhouse gas (GHG) standards for our fleet vehicles.

#### **ACTION REQUESTED:**

Management requests the Board authorize the use of a cooperative contract for the Purchase of Two (2) Dump Trucks with Peterson Trucks Inc. Approximately \$628,000 was planned for these goods in the Water Division Type 1 2022 Capital budget of \$10 million. Variances will be managed within the budget process and Board policy.

## **EWEB Board Consent Calendar Request**

### *For Cooperative Contracts*

The Board is being asked to authorize the use of a cooperative contract for the **Purchase of a Horizontal Directional Drilling Machine with RDO Equipment (Vermeer dealer)**.

Board Meeting Date: June 7, 2022  
Project Name/Contract #: Horizontal Directional Drilling Machine / 110421-VRM  
Primary Contact: Karen Kelley Ext. 7153  
**Expected Spend: \$190,000 (one time purchase)**

#### Narrative:

The Board is being asked to authorize the use of the Sourcewell Cooperative Contract 110421-VRM with Vermeer for the purchase of a horizontal directional drilling machine through an authorized Vermeer dealer, RDO Equipment. Like other cooperative programs, this Sourcewell contract leverages the purchasing power of public entities across the country to deliver competitive pricing and sourced contracts to public entities like EWEB. This Sourcewell contract offers discounts up to 14%.

#### Operational Requirement and Alignment with Strategic Plan

EWEB requires the use of horizontal directional drilling (HDD) in underground construction, where a drill bit penetrates the ground in preparation for installing utility lines. This type of equipment allows the Utility to do the underground work without excavating and using heavy machinery such as an excavator. This HDD is also equipped with tracking technology controls which are more sensitive while drilling through various soils and around utility lines. This new HDD will be replacing a 17-year-old HDD which parts have become obsolete, resulting in long down-time and project delays.

Sourcewell is a local government unit from the state of Minnesota that assists public agencies to contract more efficiently than as an individual entity. They establish competitively awarded cooperative purchasing contracts on behalf of itself and its participating agencies, including EWEB. Sourcewell follows the competitive contracting law process to solicit, evaluate, and award contracts for goods and services which facilitates the public procurement process and leverages governmental agencies purchasing power.

#### **ACTION REQUESTED:**

Management requests the Board authorize the use of a cooperative contract for the Purchase of a Horizontal Directional Drilling Machine with RDO Equipment (Vermeer dealer). Approximately \$988,000 was planned for these goods in the Electric Division Type 1 2022 Capital budget of \$15 million. Variances will be managed within the budget process and Board policy.



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Brown, Carlson, Barofsky, McRae, and Schlossberg

FROM: Deborah Hart, CFO; TiaMarie Harwood, Financial Services Manager; Aaron Balmer, General Accounting & Treasury Supervisor; and Matthew Miller, Sr. Accounting Analyst

DATE: June 1, 2022

SUBJECT: Reserve Fund Status and Transfers/Use of Reserves

OBJECTIVE: Board Action

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## **Issue**

Annually the Board considers how to allocate funds as of December 31 among reserve and designated fund accounts after the independent auditors issue their opinion on the financial audit. This memo provides recommendations for transfers based on EWEB's strategic plans, financial policies, and the Electric and Water Utilities' financial conditions.

## **Background**

On an annual basis, staff prepare a summary of the year-end reserve balances, compare the balances to the Board Financial Policy targets, and recommend transfers and/or uses of funds above target. Additionally, staff review targets to ensure they are reasonable to cover the intended risks. For both the Electric and Water Utilities, cash balances at December 31, 2021, were above target. In addition, targets were evaluated for adequacy, and debt service coverage requirements were met for the year.

## **Discussion**

The 2022 adopted budget includes draws on reserves of \$3.4 million for Electric and \$2.4 million for Water. Investments in aging infrastructure and inflationary pressures, as well as investments in source protection within the Water Utility following the Holiday Farm Fire, have increased budgeted expenditures for both capital work and operations and maintenance.

In addition, lingering COVID-19 impacts are continually being evaluated and supply chain pressures are an increasing concern. Demand for electricity was budgeted to rebound from 2021 but is expected to remain below pre-pandemic levels. Consumption for water was budgeted using 95% of the five-year average.

Excess funds above working cash targets provide flexibility for strategic decisions needed on capital investments, increased operations and maintenance costs, continuing COVID-19 impacts, and investments in the McKenzie watershed following the Holiday Farm Fire. Given a continued state of uncertainty, Management recommends leaving excess funds in working cash as noted below.

## **Water Utility**

### **Working Cash**

Management recommends transferring \$151,000, in accordance with Financial Policies, to the Pension & Post-Retirement Medical Fund and \$5.3 million to the Rate Stabilization Fund. The 2022 adopted budget includes

a \$2.4 million draw on working cash reserves. Working Cash will remain \$6.6 million above target. Remaining funds in excess of target align with budgeted expectations and position the Board to dynamically navigate tactical or strategic uses, such as supply chain issues or capital project construction.

#### **Operating and Self-insurance Reserves**

Recommended transfers from the Operating and Self-insurance reserves to working cash are \$12,200 and \$8,700, respectively. Staff consider these transfers to be housekeeping items to match reserves more closely with targets.

#### **Capital Improvement Reserve**

At December 31, 2021, this fund was approximately \$7.3 million over target. With large capital projects on the horizon, Management is not recommending a transfer at this time. The year-end balance was aligned with budget expectations, and the 2022 adopted budget includes a \$7.0 million draw on capital improvement reserves as a source of funds for current year projects.

#### **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. 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.

Management recommends transferring \$5.3 million to the Rate Stabilization Fund which maintains the 2021 Debt Service Coverage ratio at 3.0x, still well above the Board's target range. Having an additional \$5.3 million available to draw from the Rate Stabilization Fund represents approximately a 14% rate impact over a single year. Use of \$14.0 million in excess of target to reduce future borrowings represents approximately 2.4% in avoided rate increases. In July, Finance will be presenting a long-term financial plan that will include planned draw-downs of the excess in the rate stabilization fund as a way to defray future rate increases associated with borrowing for significant capital investments such as a second treatment plant.

#### **Pension & Post-Retirement Medical Fund**

PERS costs during 2021 were lower than budgeted by \$151,000. Board Financial Policies require the variance to be transferred to this fund.

#### **Electric Utility**

##### **Working Cash**

Management recommends transferring \$258,000 to the Pension & Post-Retirement Medical Fund and \$4.0 million to the Power Reserve fund. With the addition of small transfers from the Operating and Self-insurance Reserves to Working Cash, the balance would be \$2.8 million above target. The 2022 adopted budget includes a \$3.4 million draw on working cash reserves using conservative budget assumptions. Revenues from the first quarter of 2022 have been favorable and continued performance at expected levels would result in a deposit to working cash this year.

##### **Operating and Self-insurance Reserves**

Recommended transfers from the Operating and Self-insurance reserves to working cash are \$82,700 and \$54,000, respectively. Staff consider these transfers to be housekeeping items to match reserves more closely with targets.

##### **Power Reserve**

The level of funding for this reserve is evaluated annually. In determining sufficiency of this reserve, risks from prices, loads, resources, and credit exposure are considered. Based on the analysis, Management is

recommending an increase to the Power Reserve target of \$4.0 million primarily due to price risks. Rising wholesale power prices have increased the value of generation within the Utility's portfolio, and accordingly, have increased the potential loss of value the Utility could experience in the event of lower generation. Increasing the reserve will help guard against potential negative price movement that could occur as the market experiences greater volatility. A corresponding transfer of \$4.0 million is recommended from Working Cash to the Power Reserves to achieve the targeted balance.

#### **Capital Improvement Reserve**

At December 31, 2021, this fund was above target and exceeded budget expectations. Management recommends increasing the target by \$1 million to \$23.0 million to account for a meter replacement reserve. Remaining funds above target present an opportunity to deposit to the Rate Stabilization Fund. With large capital projects on the horizon, and future Debt Service Coverage ratios being a stressed metric in the long-term financial plan, Management is recommending a transfer of \$2.2 million. Remaining funds align the year-end balance with budget expectations.

#### **Rate Stabilization Fund**

Funds above target in the Electric Rate Stabilization Fund have been modeled as a funding source for future capital spending in the long-term financial plan and will help reduce future borrowing. 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.

Management recommends transferring \$2.2 million to the Rate Stabilization Fund which maintains the 2021 Debt Service Coverage ratio at 2.1x and still above the Board's target range. Having an additional \$2.2 million available to draw from the Rate Stabilization Fund represents approximately a 1.3% rate impact over a single year and will help smooth rate impacts over several years. Use of \$20.0 million in excess of target to reduce future borrowings represents approximately 0.76% in avoided rate increases.

The 2022 adopted budget includes a draw of \$9.9 million from Rate Stabilization Funds for capital project funding. Early indications of project delays due to supply chain lead times and material scarcity will likely defer capital outlays to future years. The budgeted draw on Rate Stabilization Funds will be re-evaluated next year once 2022 performance is certain and current indications are it will not be needed. Future draw-downs for large capital projects will be modeled in the long term financial plan for presentation to the Board in July.

#### **Pension & Post-Retirement Medical Fund**

2021 PERS costs were lower than budgeted by \$258,000. Board Financial Policies require the variance to be transferred to this fund.

#### **Recommendation and Requested Board Action**

Management is requesting approval of Resolution No. 2213, authorizing cash transfers. Attachments 1 and 2 provide detail on reserve balances and recommended transfers for the Water and Electric Utilities, respectively.

Attachment 1 – Water Utility Schedule of Cash Reserves

Attachment 2 – Electric Utility Schedule of Cash Reserves

Attachment 1

## Water Utility Schedule of Cash Reserves

	FINANCIAL POLICY		BALANCE	RECOMMENDED	BALANCE
	REFERENCE	TARGET	12/31/21	USE OF CASH	AFTER
Working Cash	Rate Sufficiency	\$ 3,400,000	\$ 15,459,638	\$ (5,430,104)	\$ 10,029,534
<b>DESIGNATED FUNDS</b>					
Operating Reserve	Rate Stability	\$ 1,000,000	\$ 1,012,184	\$ (12,184)	\$ 1,000,000
Self-Insurance Reserve	Rate Stability	280,000	288,712	(8,712)	280,000
Capital Improvement Reserve	Capital Reserve	7,000,000	14,345,616	-	14,345,616
Rate Stabilization Fund	Rate Stability	1,000,000	10,000,000	5,300,000	15,300,000
Water Stewardship Fund- Septic Repairs		-	57,474	-	57,474
Business Growth & Retention Loan Fund		-	-	-	-
Alternate Water Supply Fund		-	5,253,796	-	5,253,796
Pension & Post Retirement Medical Fund		-	395,000	151,000	546,000
<b>DESIGNATED FUNDS TOTAL</b>		<b>\$ 9,280,000</b>	<b>\$ 31,352,781</b>	<b>\$ 5,430,104</b>	<b>\$ 36,782,885</b>
<b>CASH &amp; DESIGNATED FUNDS TOTAL</b>		<b>\$ 12,680,000</b>	<b>\$ 46,812,420</b>	<b>\$ -</b>	<b>\$ 46,812,420</b>
<b>RESTRICTED FUNDS</b>					
Construction Funds		\$ -	\$ 3,401,675	\$ -	\$ 3,401,675
SDC Reserves		-	3,536,074	-	3,536,074
Debt Service Reserves		-	1,491,748	-	1,491,748
<b>RESTRICTED FUNDS TOTAL</b>		<b>\$ -</b>	<b>\$ 8,429,497</b>	<b>\$ -</b>	<b>\$ 8,429,497</b>

Attachment 2

## Electric Utility Schedule of Cash Reserves

	FINANCIAL POLICY		BALANCE	RECOMMENDED	BALANCE
	REFERENCE	TARGET	12/31/21	USE OF CASH	AFTER
Working Cash	Rate Sufficiency	\$ 36,000,000	\$ 42,924,494	\$ (4,121,321)	\$ 38,803,173
<b>DESIGNATED FUNDS</b>					
Operating Reserve	Rate Stability	\$ 4,000,000	\$ 4,082,704	\$ (82,704)	\$ 4,000,000
Self-Insurance Reserve	Rate Stability	1,720,000	1,773,975	(53,975)	1,720,000
Power Reserve	Rate Stability	21,000,000	17,000,000	4,000,000	21,000,000
Capital Improvement Reserve	Capital Reserve	23,000,000	26,424,242	(2,200,000)	24,224,242
Rate Stabilization Fund	Rate Stability	5,000,000	24,468,927	2,200,000	26,668,927
Business Growth & Retention Loan Fund		-	-	-	-
Pension & Post Retirement Medical Fund		-	1,006,000	258,000	1,264,000
<b>DESIGNATED FUNDS TOTAL</b>		<b>\$ 54,720,000</b>	<b>\$ 74,755,847</b>	<b>\$ 4,121,321</b>	<b>\$ 78,877,168</b>
<b>CASH &amp; DESIGNATED FUNDS TOTAL</b>		<b>\$ 90,720,000</b>	<b>\$ 117,680,341</b>	<b>\$ -</b>	<b>\$ 117,680,341</b>

<b>RESTRICTED FUNDS</b>					
Construction Funds		\$ -	\$ 34,456,786	\$ -	\$ 34,456,786
Harvest Wind Escrow		-	549,012	-	549,012
Debt Service Reserves		-	6,694,987	-	6,694,987
Wildlife Reserve		-	48,947	-	48,947
Customer Care Fund		-	1,006,203	-	1,006,203
Customer Deposit Reserves		-	519,721	-	519,721
<b>RESTRICTED FUNDS TOTAL</b>		<b>\$ -</b>	<b>\$ 43,275,657</b>	<b>\$ -</b>	<b>\$ 43,275,657</b>

Recommended Target Changes:	Current	Recommended
Power Reserve	\$17,000,000	\$21,000,000
Capital Improvement Reserve	\$22,000,000	\$23,000,000

**RESOLUTION NO. 2213  
JUNE 2022**

**EUGENE WATER & ELECTRIC BOARD  
RESERVE TRANSFERS**

**WHEREAS**, the Eugene Water & Electric Board is the body designated by the Eugene City Charter and City Code to administer the Electric and Water Utilities of the City of Eugene;

**WHEREAS**, the Eugene Water & Electric Board has set up procedures for evaluating reserve status after the annual audit;

**WHEREAS**, the 2021 annual audit is complete;

**WHEREAS**, the Eugene Water & Electric Board has reviewed year-end results

**THEREFORE BE IT RESOLVED** that the Eugene Water & Electric Board hereby authorizes the General Manager to make the following transfers:

Water Utility

- 1) \$151,000 from Working Cash to the Pension & Post-Retirement Medical Fund
- 2) \$5,300,000 from Working Cash to the Rate Stabilization Fund
- 3) \$12,184 from the Operating Reserve to Working Cash
- 4) \$8,712 from the Self-Insurance Reserve to Working Cash

Electric Utility

- 1) \$258,000 from Working Cash to the Pension & Post-Retirement Medical Fund
- 2) \$4,000,000 from Working Cash to the Power Reserve
- 3) \$2,200,000 from the Capital Improvement Reserve to the Rate Stabilization Fund
- 4) \$82,704 from the Operating Reserve to Working Cash
- 5) \$53,975 from the Self-Insurance Reserve to Working Cash

Dated this 7<sup>th</sup> day of June 2022

THE CITY OF EUGENE, OREGON  
Acting by and through the  
Eugene Water & Electric Board

\_\_\_\_\_  
President



I, ANNE M. KAH, the duly appointed, qualified, and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its June 7, 2022 Board Meeting.

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Assistant Secretary