

EUGENE WATER & ELECTRIC BOARD
WORK SESSION
October 25, 2022
4:00 P.M.

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

Others Present: Frank Lawson, General Manager; Megan Capper, Energy Resources Manager; Deborah Hart, Chief Financial Officer; Lisa Krentz, Generation Manager; Jeremy Somogy, Generation Engineering Planner IV; Mark Zinniker, Generation Engineering Supervisor; Alicia Voorhees, Lead Financial Analyst

President Brown called the Work Session to order at 4:00 p.m.

Agenda Check

There were no changes or additions to the agenda.

Leaburg Project Alternatives

Ms. Krentz offered the Board a brief report and PowerPoint presentation on Leaburg project alternatives.

President Brown asked if the rate impacts in the presentation were compounded using present rates or future rates.

Ms. Hart said the rate impacts were calculated using present rates.

President Brown pointed out that the costs of repairing an already-leaking Walterville canal were not included, although that license is coupled with the Leaburg license. He was concerned the cost associated with Walterville were not being factored in.

Commissioner Schlossberg wondered if it were possible to meet with the Federal Energy Regulatory Commission (FERC) to get more information before making any decisions about Leaburg.

Ms. Krentz pointed out that either decommissioning or relicensing scenarios were negotiated agreements not just between EWEB and FERC, but also other settlement parties, such as fisheries and indigenous tribes.

Commissioner Schlossberg asked if it were possible to know if FERC were willing to extend the Leaburg license, or even to wrap it into the Walterville license.

Ms. Krentz said that normally, EWEB would hold technical conferences with FERC, but that is usually done further along in the process than they are now with Leaburg.

Vice President Carlson pointed out the total scores on the Commissioner Weighting slide were all negative, leaving the Board to choose the least negative option. Vice President Carlson asked how aspects such as social justice and economic aspects were differentiated in the analysis. She also noted that the impact to some attributes was the same across all the alternatives.

Mr. Somogyi acknowledged her point, saying that even though some attributes would be impacted similarly, it was important to include them in the analysis to demonstrate that they were considered.

Commissioner McRae agreed with Commissioner Schlossberg about trying to get information from FERC before making a decision.

Commissioner Barofsky said he felt the return-to-service options were weighted negatively in the presentation materials, adding that—if it were feasible—a return-to-service option was his best-case scenario.

President Brown wondered if they should be worried about losing their water right at Leaburg, based on an earlier Supreme Court ruling stating that water rights tied to hydrogeneration would be forfeited if not used to generate hydroelectricity for five consecutive years.

Mr. Lawson said he had been in talks with EWEB Policy/Government Affairs Program Manager, Jason Heuser about pursuing a change in the existing law.

Mr. Zinniker added that it is specifically a hydroelectric water right, and in the case of decommissioning Leaburg, the right would be in jeopardy under current law.

Mr. Lawson wondered—if EWEB was to lose the water right in question—what the process would be for reinstating it.

Mr. Zinniker said the utility would have to start over at the beginning, and reapply for the water right.

Commissioner Schlossberg asked, if they chose a decommission-to-stormwater conveyance approach, would the utility still be held responsible for maintaining those canals in perpetuity.

Mr. Zinniker said that was correct.

Vice President Carlson wondered if there was a possibility to keep the dam at Leaburg Lake, but remove the adjacent canals, and if so, what that would look like cost-wise.

Ms. Krentz said the reason the dam was assumed for removal in a decommissioning scenario, was because of precedents in the energy generation world in which dams were removed during decommissioning, and it is generally a requirement of FERC's.

She added that Leaburg is unlike other hydroelectric projects that have been decommissioned in that Leaburg is not a storage facility and also because of the length of the canal, and there were no precedents for a project like it.

Mr. Zinniker reminded those present, that whatever path was taken, there were many stakeholders involved, which limited the amount of decision-making power the utility alone had.

Commissioner Barofsky asked if there had already been conversations between EWEB and the settlement partners, in an attempt to get on the same page as far as decommissioning Leaburg or not.

Ms. Krentz said there had been conversations with some, but not all of the settlement partners. She said that in previous licensure cases, EWEB had teams assigned to the different types of settlement partners, to gather as much information as possible as to what the settlement partners were thinking.

Commissioner McRae said they should be paying close attention to Tribal governments, and he proposed that staff do a more focused outreach to the local Tribal governments that were stakeholders in the Leaburg decision.

Break

President Brown called for a break at 5:03 p.m. He reconvened the meeting at 5:17 p.m.

President Brown wondered if any EWEB staff had contacted the Oregon Department of Transportation (ODOT) about a hybrid project in which the Leaburg dam would be replaced with a bridge.

Mr. Somogyi said they had not contacted ODOT, and if they did choose that route, it would be a matter of following Oregon standard specifications for such infrastructure. He also stated that in order to build a bridge there, the road would need to be straightened.

President Brown noted that some of the lake would probably have to be filled in to accomplish that.

Commissioner McRae asked if EWEB was more likely to get funds for either a decommissioning scenario, or a return-to-service scenario.

Mr. Somogyi said the funds were fairly equal between the two scenarios.

Commissioner Schlossberg was interested in tracking the volume of EWEB ratepayer hardships, where a rate increase to help fund the Leaburg project was concerned.

Mr. Lawson said staff typically look at the percentages for Lane County that fall into certain income brackets, he added that the State categorizes “energy burden” as

roughly six percent of income going toward the utility bill. He said that EWEB's costs are currently in the three to four percent range. He said staff would double check the County's numbers in relationship to EWEB's funding for limited-income programs. .

President Brown asked if the costs associated with replacing salmon habitat, and putting water back into the fish hatchery and reopening it, had been calculated.

Ms. Krentz said they had not calculated the mitigation to replace lost habitat in Leaburg Lake for rearing juvenile salmonoids and lamprey, but there were assumptions built in, including lamprey redistribution.

Commissioner Barofsky took issue with some language in the Commissioners' packet, where the phrase "economic risk of ownership" was used; he offered the language was too broad.

Mr. Lawson pointed out the "economic risk of ownership" could point to several components of ownership such as the risk of power generation, or the risk of dam ownership.

Vice President Carlson noted the uncertainty of future generation offsetting some of the costs in the return to service scenarios.

Mr. Zinniker replied that the Corps of Engineers provided revised information which EWEB staff translated into a future flow regime that was used to inform the baseline.

Vice President Carlson wondered if EWEB staff was given updates by the Corps of Engineers regularly.

Mr. Zinniker said yes, EWEB is provided water supply updates.

President Brown inquired which flow regimen was used in the return to service alternatives.

Mr. Somogyi replied that the current flow regimen was used in the economics.

Ms. Krentz spoke about river flows; she said that the information required to gauge river flows accurately was not available to EWEB or other stakeholders, so guesses were made at appropriate minimum river flow.

President Brown asked staff how confident they were about the modeling they used. He pointed out that climate change has accelerated more rapidly than predicted, and wondered if the modeling took that into account.

Ms. Krentz said climate change was one of the hardest things to accurately capture. She said staff had looked at several different scenarios, and the climate change piece remained uncertain.

Commissioner Barofsky asked staff how they saw Johnson Creek as a part of a decommissioning scenario.

Mr. Somogye said of utmost concern in that scenario, would be the sizing of the culvert or bridge to get the creek under Highway 126, and how to ensure it follows ODOT specifications.

Vice President Carlson asked about carbon impacts associated with a decommissioning, or a stormwater conveyance scenario.

Mr. Somogye said EWEB analysts did a wonderful job, and it was determined the largest carbon footprint in any scenario involving Leaburg, would be the construction materials, such as concrete.

Vice President Carlson asked how far into the future the modeling goes.

Mr. Zinniker said as these kinds of projects go, the Leaburg project was very low-impact from an environmental standpoint.

Ms. Krentz pointed out there was a table in the earlier October memo, which showed the metric tons of emissions for construction vehicles versus materials.

President Brown asked if EWEB would be able to run its generators at Leaburg, with only 1,000 – 1,200 cubic feet per second (CFS) coming through the turbines.

Mr. Zinniker said that would be reflected in EWEB's sensitivities, adding that there were months of the year where no generation was expected.

President Brown asked if the EWEB Finance Team had gone out into the bond market to see if this project is bondable.

Ms. Hart said that usually, EWEB did not like to bond for something that was not creating an asset for the utility, however, after consulting with EWEB's financial advisors, they determined that they could bond the Leaburg project.

Commissioner Barofsky asked how a decommissioning scenario would affect the mitigation EWEB had agreed to in their current license.

Ms. Krentz said EWEB's mitigation projects under the Leaburg license were completed.

Commissioner McRae wondered if there were any tools left as far as reaching out to local ratepayers about the Leaburg project. He also said he believed targeted engagements with local Indigenous Tribes were crucial.

Vice President Carlson said she would like to see the utility reach out to the settlement partners themselves.

President Brown posited that the December decision date was too aggressive, and he would like to have more time.

Commissioner Schlossberg agreed that December was too soon.

Vice President Carlson added that EWEB was already planning to attend neighborhood association meetings and should go through that process in order to bring more of the community into the Leaburg conversation.

Ms. Krentz pointed out EWEB staff had sent out a survey/comment form that was specific to Leaburg, and they also had a broader customer survey that could be used to glean information about the values of the broader customer base that did not respond specifically to the Leaburg survey.

Vice President Carlson specified that she was most concerned with EWEB ratepayers understanding exactly what the Board is grappling with where Leaburg is concerned, and that, she added, would require the Commissioners themselves to go out and meet with individuals in the community.

Commissioner Schlossberg reiterated it was important to her for EWEB to reach out to FERC, to see if there was any direction they could give the utility in regard to current EWEB licensure.

Mr. Zinniker reassured the Board that while there was a lot of uncertainty surrounding Leaburg, he did not believe anything EWEB was suggesting would warrant a rejection from FERC.

Ms. Krentz reminded those present that all the alternatives for Leaburg would require some action with FERC—whether it be an amendment to the license, or a surrendering of the license—and since the Leaburg license is combined with Walterville's, the Board would also have to take the latter into consideration in their decision-making.

Mr. Zinniker said that once the Board determines whether to move toward returning to service or decommissioning, staff will request feedback from FERC DC.

Ms. Capper added that if EWEB wanted to procure BPA Tier 1 power to replace Leaburg in the utility's portfolio, there is a process that staff would need to go through, and part of the criteria would be that EWEB would not be able to generate from the Leaburg site again.

Commissioner Barofsky asked what the cost of decommissioning Walterville would be.

Ms. Krentz answered approximately \$50 million.

Vice President Carlson wondered if the Army Corps of Engineers (COE) would want to keep the dam in place, and keep Leaburg Lake, should EWEB decide to leave it.

Mr. Somogyi offered he thought it doubtful that COE or any other entity would want to take over ownership of the Leaburg dam.

Commissioner Barofsky asked if EWEB were to choose one of the return to service options for Leaburg, would it then be a salable asset, instead of a power generating return on investment.

On Walterville and Leaburg, Mr. Lawson said they were negative-value assets if they were sold for their operating costs.

Ms. Krentz said staff would be sure to add economic risk of ownership, as per the Board's discussion, and they would split the Recreational component up into smaller sub-components.

Vice President Carlson posited that if the Recreational component was changed, the other components would have to be changed as well.

President Brown polled the Board about breaking the Recreational component down into sub-components, and the Board decided it should be broken down.

Commissioner Barofsky expressed frustration at being expected to reach a decision about Leaburg by the December Board meeting. He asserted that was not enough time to make a decision of this caliber.

President Brown reiterated how important ratepayer outreach is; he said that—his own personal opinions aside—he makes decisions that represent the wants and needs of his constituency.

President Brown adjourned the Work Session at 7:27 p.m.

Recorded by Rodney Cimburke

Assistant Secretary

President

**EUGENE WATER & ELECTRIC BOARD
EXECUTIVE SESSION
4200 ROOSEVELT BOULEVARD / VIRTUAL
NOVEMBER 1, 2022**

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

Commissioner Absent: John Barofsky

Others present: Frank Lawson, General Manager; Sarah Gorseigner, Business Continuity Manager; Rod Price, Assistant General Manager; Deborah Hart, Chief Financial Officer; Julie McGaughey, Chief Customer Officer; Karen Kelley, Chief Engineering & Operations Officer; Travis Knabe, Chief Information Officer; Holly Shugart, Administrative Assistant; Jared Cockman, Network Administrator, Ken Baldwin, Physical Security Supervisor; Anne Kah, Administrative Services Manager; Tom Grim and Kevin Kiely of Cable Huston

EXECUTIVE SESSION

The Executive Session was called to order at 5:00 p.m.

Pursuant to ORS 192.660(2)(h)

To consult with counsel concerning the legal rights and duties of a public body with regard to current litigation or litigation likely to be filed.

President Brown adjourned the Executive Session meeting at 5:38 p.m.

Assistant Secretary

President

EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
November 1, 2022
5:45 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/2022board-agendas-and-minutes>.

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

Commissioners Absent: John Barofsky

Others Present: Frank Lawson, General Manager; Aaron Balmer, Fiscal Services Supervisor; Deborah Hart, Chief Financial Officer; TiaMarie Harwood, Financial Services Manager; Karen Kelley, Chief Operations Officer; Wally McCullough, Water Engineering Supervisor; Alicia Voorhees, Lead Financial Analyst

President Brown called the Regular Session to order at 5:45 p.m.

Agenda Check

Commissioner McRae said he had several questions about the budget, which might take as much as 10 minutes to ask and answer.

Items from Board Members and General Manager

Vice President Carlson announced the annual EWEB Run to Stay Warm was coming up soon.

President Brown announced that he had the pleasure of presenting a prize to a fifth grader at Coburg Elementary for second place in a poster contest.

Public Input

William Smith of Eugene spoke to the Board about wireless metering. He said that many in his neighborhood had fallen ill since the wireless meters were installed. Mr. Smith suggested meters connected by fiber optics, instead of the wireless meters now being rolled out by EWEB.

Chris Jones of Eugene, and a former EWEB employee, praised the utility for removing the 28 miles of old power lines that used to stretch from the Leaburg generation facility to Walterville. He asked the Board why the residential energy bills had been broken out into an Energy Charge, and a Delivery Charge; Mr. Jones urged the Board to consolidate the charges into one amount on residential bills.

Mr. Lawson said the reason the EWEB ratepayer bill was broken into Energy and Delivery Charges, is because eventually EWEB would be looking at a demand charge in the residential environment, and it helps the utility address energy usage peaks.

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

- 1. a. October 6, 2022 Executive Session**
- b. October 6, 2022 Regular Session**

CONTRACTS

2. Burns & McDonnell Engineering Company, Inc. – for additional funds for Currin Substation Rebuild Engineering Design Services. \$200,000 (original contract amount \$650,000, resulting cumulative total \$850,000) based on Formal Request for Proposals/Qualification Based Selection.

Commissioner Schlossberg moved to approve Consent Calendar – A. The motion passed unanimously 4:0.

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

CONTRACTS

3. Pacific Excavation, Inc. – for additional funds for the Construction of Pipeline Improvements to Support Pump Station Construction. \$632,000 (original contract amount \$842,000, resulting cumulative total \$1,474,000) based on Formal Invitation to Bid.

4. SAP – authorize General Manager Frank Lawson to approve a software license contract with SAP for a Utility Enterprise Resource Platform (ERP) Software Solution. \$7.9 million (over 6.5 years) based on a Formal Request for Proposals.

5. SHI International Corp – for a cooperative contract for Microsoft Software Licenses, Maintenance and Support. \$2 million (over 3 years).

RESOLUTIONS

6. Resolution No. 2226 - Trojan Annual Operating Budget.

Vice President Carlson moved to approve Consent Calendar – B. The motion passed unanimously 4:0.

Upcoming-Year (2023) Proposed Budgets and Prices - Update

Ms. Hart, Ms. Harwood, Mr. Balmer, and Ms. Voorhees offered the Board a report and PowerPoint presentation on the proposed budgets and prices for 2023.

Commissioner McRae requested a breakdown of the Electric utility's budget for revenue. He specifically inquired about non-rate revenues, such as revenue from the Green Product line.

Ms. Hart replied that the Green Product line would be included in “other revenue”, and staff would follow up with further details.

Commissioner McRae asked if it was correct that rate increase percentages were smaller with large users of electricity.

Ms. Harwood answered that was a function of placing the majority of the rate increase in the basic charge.

Ms. Hart said that the cost of service analysis indicated that the basic charge was insufficient to cover the fixed costs, as such the price proposal has assigned fixed costs to a fixed charge therefore the lowest users would receive a higher percentage than the highest volume users.

Commissioner McRae asked if the rate increases would disproportionately affect low-income ratepayers.

Ms. Hart pointed out that EWEB’s low-income customers were spread across the entire usage range.

Commissioner McRae wondered why the amount set aside for low-income ratepayers was the same this year as last.

Ms. Hart said that EWEB staff did periodically evaluate that amount, and it is also supplemented with private donations, that EWEB could tap into when needed.

Vice President Carlson inquired about the use of gradualism in the water pricing, she wondered what period of time it would take to fully recover EWEB’s costs.

Ms. Hart said that this was a three-year Cost of Service Analysis (COSA), and generally EWEB was looking to recover its costs by the end of the three-year period.

President Brown asked why the Cities of Coburg and Creswell were no longer being used as rate comparators?

Mr. Balmer explained there were multiple communities included in the Pacific Power representation on the bar graph for Electric comparators.

Mr. Lawson added that cities were used for Water comparators because most water utilities are based by city, however electric service territories are much different.

Ms. Hart said that staff could add other comparators in the future if desired.

President Brown offered the utility seemed to be pre-funding a second water source project, and he wondered why EWEB was not treating the Leaburg project the same.

Ms. Hart said that technically EWEB is not pre-funding Second Source today, but because there is a large infrastructure project in progress, with respect to the two storage tanks, EWEB actually does have a budget draw this year and the rate increase is helping to fund that, and position EWEB for the debt that the utility will need to assume for Second Source. With respect to pre-funding the Leaburg project, she said that will be one of the options for the Board to consider in 2023; options could include pre-funding, timing rate increases with expected debt issuances, smoothing rates, or some combination thereof.

President Brown pointed out that bond rates are rising and suggested that EWEB start to set money aside for the project now.

Commissioner Schlossberg proposed taking a break before the Public Hearing.

President Brown called for a break at 6:40 p.m. The meeting reconvened at 6:45 p.m.

Public Hearing on Upcoming-Year (2023) Proposed Budgets and Prices

President Brown opened the public hearing at 6:45 p.m. Seeing no one who wished to speak, he closed the public hearing at 6:45 p.m.

Upcoming-Year (2023) Proposed Budgets and Prices - Direction

President Brown said that with the way the economy is trending, a rate increase now, will not be the same as a rate increase in as little as a year from now.

Commissioner McRae asked if it was true that if the utility set aside monies now (which are regulated to remain low-interest), would they be effectively losing money because of inflation.

Mr. Lawson said that was true when looked at from a customer perspective, but it would be hard to ask customers to pre-fund anything, without knowing exactly what will happen with Leaburg. He recommended that the Board consider pre-funding beginning in 2024.

Quarterly Operational & Strategic Goals Report for Q3

Mr. Lawson offered the Board a Strategic Goals report for Q3, with PowerPoint accompaniment.

Vice President Carlson wondered why current assets in the electric financials changed by \$70 million between 2021-2022.

Ms. Harwood said EWEB was required to reclassify investments with maturity greater than one year from current, to other non-current assets; she said the increase in current assets was offset by a decrease in other non-current assets, and the overall change from 2021 is relatively flat.

Vice President Carlson asked if Leaburg's inactive status was factored into the numbers in the Rate of Return metric.

Ms. Harwood said it was. She added that proposed rate increases will help to improve the metric.

Commissioner Schlossberg asked if EWEB would be able to catch up on the work towards the Willamette River treatment plant.

Ms. Kelly said she did expect to get caught up on the Willamette treatment plant project.

Mr. McCullough said that the utility should be able to catch up on the Willamette treatment plant project, and EWEB just needed to get through the Capital Planning process.

President Brown asked if the Board would get any updates about the Headquarters property before the end of the year.

Mr. Lawson said he would be updating the Board regularly over the next few months.

Hydrogen Pilot Project Update

Mr. Lawson offered the Board an update and PowerPoint presentation on the Northwest Natural hydrogen pilot project.

Correspondence & Board Agendas

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

Referring to the correspondence around New PURPA Standards – Demand Response & Vehicle Electrification, Commissioner Schlossberg asked if EWEB would be required to help with vehicle charging stations.

Mr. Lawson explained that it is a standard independent of charging stations. He added that it is an administrative process that would have no substantial operating impact or changes to what EWEB is already doing.

President Brown adjourned the Regular Session at 8:12 p.m.

Recorded by Rodney Cimburke

Assistant Secretary

President