

**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 fiberoptics, 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