

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a new contract with **Mountain View Tree Service** for **Tree Removal Services**.

Board Meeting Date: June 6, 2023
Project Name/Contract #: Carmen-Smith Tree Removal & Blanket Repair / 23-067-PW
Manager: Lisa Krentz Ext. 7450
Executive Officer: Karen Kelley Ext. 7153

Contract Amount:

Original Contract Amount: \$125,000
Additional \$ Previously Approved: \$0
Spend over last approval: \$0
Amount this Request: \$125,000
% Increase over last approval: NA
Resulting Cumulative Total: **\$125,000**

Contracting Method:

Method of Solicitation: Formal Invitation to Bid
If applicable, basis for exemption: NA
Term of Agreement: Final Completion by August 31, 2023
Option to Renew? No
Approval for purchases "as needed": Yes No
Bids Received (Range): 2 (\$124,550 – \$351,211)
Selection Basis: Lowest Responsive and Responsible Bidder

Narrative:

Operational Requirement and Alignment with Strategic Plan

The Board is being asked to approve a construction contract with Mountain View Tree Service for the removal of trees, root wads, and repair of the impervious blankets at the Carmen Diversion and Trail Bridge Dams. The Work will improve the safety of both Trail Bridge and Carmen Diversion dams in alignment with EWEB's strategic objectives.

This work is driven by a recommendation from Schnabel Engineering who performed our 5-year Independent Consultant review of dam safety for the Carmen-Smith Project in 2018. These recommendations state:

"26. It is recommended that the trees along the talus slope blanket at Carmen Diversion Dam be removed between the reservoir and the access road.

30. It is recommended that the trees on the blanket on the right abutment, from Trail Bridge Dike near the left abutment, and from the seepage blanket upstream of the auxiliary ACB spillway at Trail Bridge Dam be cut down and the stumps ground down and roots be removed and that low permeability fill be placed and compacted in lifts to fill in the holes."

The impervious blankets were constructed at each dam to prevent seepage from circumventing the dam through more pervious materials. In addition to the Independent Consultant’s recommendation, the FERC also requested that trees be removed from the downward slope of the saddle dike dam on the east side of Highway 126.

Contracted Goods or Services

If approved, Mountain View Tree Service will remove the trees and root wads at each location and repair the impervious blanket according to the engineering design documents. The work is scheduled to be completed by the end of August 2023.

The extent of tree root damage requiring remediation could only be roughly estimated for the purposes of bidding. Due to the potential for tree root systems to penetrate deeper into the embankment than expected, it is possible that change orders related to unforeseen conditions will push the contract value beyond the \$150,000 Board approval threshold. To ensure compliance with Board approval requirements in the event of an unforeseen change order, staff request Board approval even though the contract value may ultimately remain below the threshold.

Purchasing Process

Purchasing staff issued a Formal Invitation to Bid in April 2023. The solicitation was publicly advertised on the State of Oregon’s Procurement Site, OregonBuys, and the Portland Daily Journal of Commerce.

Two bids were received, and Mountain View Tree Service submitted the lowest bid. After calling references and reviewing their submittal in greater detail, Mountain View Tree Service was deemed to be responsive and responsible.

Bids Received

Vendor Name	City, State	Offered Price
Mountain View Tree Service	Salem, OR	\$124,550
Suulutaaq, Inc.	Eugene, OR	\$351,211

Competitive Fair Price

The bid request was widely seen and eligible contractors had a chance to compete for the award. The bid request was posted on the State of Oregon bid site, OregonBuys, and was also published in the Portland Daily Journal of Commerce on April 12, 2023. Additionally, EWEB sent direct courtesy notices to ten different prospective contractors in the area. Seventeen interested parties registered and reviewed the documents, including three bidding organizations that circulated the bid opportunity to their members as well.

Prior Contract Activities

None

ACTION REQUESTED:

Management requests the Board approve a contract with Mountain View Tree Services, LLC for tree removal and related services. This work is considered an Operations and Maintenance expense for the Carmen-Smith Project. The total 2023 O&M budget for the Carmen-Smith Project is \$3.9 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 personal service contract with **USI Insurance Services NW for Health and Wellness Benefits Broker and Consulting Services**.

Board Meeting Date: June 6, 2023
Project Name/Contract #: Health and Welfare Benefits Broker and Consulting Services / 23-075-PSC
Manager: Bridget Otto Ext. 7359
Executive Officer: Lena Kostopulos Ext. 7466

Contract Amount:

Original Contract Amount: \$259,000
Additional \$ Previously Approved: \$0
Spend over last approval: \$0
Amount this Request: \$259,000
% Increase over last approval: NA
Resulting Cumulative Total: **\$259,000 (over 5 years)**

Contracting Method:

Method of Solicitation: Direct Negotiation
If applicable, basis for exemption: Sole Source Findings SS-462
Term of Agreement: 5 years (December 20, 2023 – December 31, 2028)
Option to Renew? No
Approval for purchases "as needed": Yes No
Proposals/Bids Received (Range): NA
Selection Basis: Sole Source Findings SS-462

Narrative:

Operational Requirement and Alignment with Strategic Plan

EWEB is currently contracted with USI Insurance Services Northwest (previously Wells Fargo Insurance Services) for health care insurance brokerage services and has been since 2005. The scope of the existing services contract includes consulting with EWEB on market trends, advising on cost containment strategies, securing lines of coverage on EWEB's behalf, and negotiating with carriers to help EWEB leverage competitive pricing on multiple insurance lines, including group medical, dental, vision, disability, life, and protected leave administration.

While EWEB is not required to contract with a benefits broker, the vast majority of public employers employ these services because employee benefits programs represent a significant budget expense. Additionally, the complex nature of the benefit marketplace, risk and compliance issues, regional and national employer benchmark surveys, expertise in financial consulting, as well as plan design and administration are essential reasons EWEB should employ these services.

Contracting with a Benefit Broker aligns with EWEB's Strategic Plan by providing responsible and sustainable benefit programs that offer robust plan designs with reasonable out of pocket costs and premiums for employees, while balancing the cost of these programs for EWEB rate payers.

Contracted Goods or Services

USI will provide consulting advice and servicing for all employee benefits on behalf of EWEB including: Medical, Dental and Vision insurance; Life Insurance; Accidental Death and Dismemberment Insurance; Short and Long Term Disability Insurance; Flexible Spending and Wellness benefits. USI will provide strategic planning, plan design administration, and claim utilization reports. Additionally, USI will advise EWEB on all insurance selections, attend all EWEB Health Insurance Study Committee meetings, analyze all appropriate risks, provide financial consulting, advise on federal and state compliance, provide regional and national employer benchmark data, and advise on all appropriate cost containment measures with a goal of achieving the most comprehensive coverage at the lowest possible cost. Because of their Eugene presence, USI is able attend meetings and provide employee education sessions in person.

Purchasing Process

Sole Source Findings SS-462

Following competitive RFP processes in 2005, 2010 & 2018, EWEB awarded the insurance brokerage services contract to USI for these primary reasons:

- Strong public sector and labor experience
- Competitive pricing
- Local presence in the Eugene community
- Positive client references

USI has provided EWEB with excellent service, representing our interests to insurance carriers/vendors, and providing consulting services to assist with compliance and benefit mandates. USI works closely with EWEB's Benefits Team to analyze and develop budget projections as well as strategies to continue offering affordable, attractive, and flexible benefit designs to support the workforce. Additionally, USI works with the Health & Wellness Committee, a cross-functional committee that include employees from throughout the utility, to educate members on the broad and complex landscape of the insurance marketplace.

USI has become a valued and credible business partner to EWEB. They are intimately familiar with EWEB's company values, culture, and benefits program in the midst of an evolving business environment and increasing financial constraints.

Below is further rationale for continuing with USI:

1. Launching Paid Leave Oregon (PLO) in September of 2023. USI offers assistance managing the vendor (The Standard), for FMLA/OFLA and now PLO.
2. Launching self-insurance in either 2024 or 2025. USI will be instrumental in the cost-benefit analysis, as well as the process to move to a self-funding arrangement.
3. USI has a local office, that allows the Broker can be on site when needed. During bargaining the Broker, Greg O'Hanlon was able to attend a bargaining session at the last minute to present information on EWEB's health plan.
4. The Broker, Greg O'Hanlon has been with EWEB for at least 15 years. He understands the employee and retiree populations, as it relates to plan utilization and wellness strategies.
5. We are enhancing the Wellworks incentive at mid-year. USI brought Wellworks to our attention and assists with vendor management, as well as strategies based on health plan utilization and Wellworks data.
6. Once we move to self-insurance the plan is to explore the possibility of a near-site clinic, possibly partnering with another public agency. USI has most of the public employers as clients. This means that they have the necessary relationships to help with all aspects of a clinic.

Generally, contract agreements are written to be in effect for up to 5 years. For this contract, staff recommends establishing a contract through 2028, to allow contractor to continue working on the strategic health care redesign that they are currently providing.

Prior Contract Activities

EWEB Contract	Project Name (Description)	Board Approved	Project Duration (Start to Close)	Original Amount	Approved/Amended Amount to Date (Total)	Reason Code
041-2018	Health and Wellness Benefits Broker and Consulting Services	10/02-2018	12/20/2018 – 12/19-2023	\$250,000	\$250,000	NA
Reason Code: AM = Additional Materials, AW = Additional Work, EW= Emergency Work, SD = Staff Directed, UC = Unforeseen Conditions, Other						

ACTION REQUESTED:

Management requests the Board approve a personal service contract with USI Insurance Services NW for Health and Wellness Benefits Broker and Consulting Services. Approximately \$49,000 was planned for these services in the 2023 Workforce Services budget of \$4.1 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 **Westates Flagman** for **Traffic Control and Flagging Services for Utility Line Clearance Work (non-BOLI prevailing wage rates)**.

Board Meeting Date:	June 6, 2023
Project Name/Contract #:	Traffic Control & Flagging Services - Utility Line Clearance Work / 23-057-S
Manager:	Tyler Nice Ext. 7419
Executive Officer:	Karen Kelley Ext. 7153

Contract Amount:

Original Contract Amount:	\$1,135,000
Additional \$ Previously Approved:	\$0
Spend over last approval:	\$0
Amount this Request:	\$1,135,000
% Increase over last approval:	NA
Resulting Cumulative Total:	\$1,135,000 (Over 5 years)

Contracting Method:

Method of Solicitation:	Formal ITB
If applicable, basis for exemption:	NA
Term of Agreement:	Initial term is 1 year
Option to Renew?	Yes, up to 5 years total
Approval for purchases "as needed":	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Proposals/Bids Received (Range):	1 (\$31.35/hr)
Selection Basis:	Lowest Responsive and Responsible Bidder

Narrative:

Operational Requirement and Alignment with Strategic Plan

Contractor will provide traffic control, flagging services, and the appropriate traffic control devices as needed to ensure a safe work zone for EWEB's employees, contractors, and the public by utilizing efficient, courteous traffic control and flagging services from individuals trained and knowledgeable of regulatory requirements imposed by City, County, State and Federal agencies regarding the execution of such services.

Contracted Goods or Services

The Board is being asked to approve a new contract with Westates Flagman of Springfield, OR for traffic control and flagging services for EWEB's general utility maintenance work, tree pruning and removal work, and work not subject to BOLI prevailing wage rates. The overall cost estimate is based on historical usage. Purchases will be based on need and not on any specific quantity. The annual cost will be within the amount budgeted for that specific year.

Purchasing Process

In April 2023, EWEB issued a formal invitation to bid (ITB) requesting bids from qualified flagging companies for traffic control and flagging services to be used during EWEB’s maintenance work, and tree pruning and removal work that are NOT subject to Bureau of labor and Industries (BOLI) prevailing wage rates. The solicitation was posted on the State of Oregon’s Procurement site, OregonBuys. One response was received from Westates Flagman of Springfield, OR. Westates Flagman was determined to be a responsive and responsible bidder.

Bids Received

Vendor Name	City, State	Offered Price
Westates Flagman	Springfield, OR	\$31.35/hr

Competitive Fair Price

Other interested vendors were contacted and stated they did not have the resources and/or the scope did not fit their business at this time and chose not to bid. The pricing is within 9% of the previous contract’s rate. Annual increases on the previous contract with Weststates Flagman have averaged near 8%, so this aligns with current trends. Therefore, this single bid is considered the best option and will meet requirements dictated under the contract. Westates Flagman has consistently provided reasonable rates and has the personnel to guarantee services for EWEB projects.

Prior Contract Activities

EWEB Contract	Project Name (Description)	Board Approved	Project Duration (Start to Close)	Original Amount	Approved/Amended Amount to Date (Total)	Reason Code
21-251-S	Traffic Control & Flagging Services (BOLI/PWR)	2-1-22	5 Years	\$1,800,000	\$425,386 active contract within estimates	
011-2018	Traffic Control & Flagging Services (Non-BOLI/PWR)	4-3-18	5 Years	\$750,000	\$933,085	AW
031-2016	Traffic Control & Flagging Services (BOLI/PWR)	11-1-16	5 years	\$2,250,000	\$1,659,830 complete	

Reason Code: AM = Additional Materials, AW = Additional Work, EW= Emergency Work, SD = Staff Directed, UC = Unforeseen Conditions, Other

ACTION REQUESTED:

Management requests the Board approve a new contract with Westates Flagman for Traffic Control and Flagging Services for Utility Line Clearance Work. Approximately \$227,000 as planned for these services in the Electric Operation and Maintenance budget in 2023 of \$5 million. Variances will be managed within the budget process and Board policy.



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Carlson, Barofsky, McRae, Schlossberg, and Brown
FROM: Deborah Hart, CFO; Aaron Balmer, AIC Financial Services Manager; Rob Freytag, General Accounting & Treasury Supervisor; and Matthew Miller, Accounting Analyst Lead
DATE: May 31, 2023
SUBJECT: Reserve Fund Status and Transfers/Use of Reserves
OBJECTIVE: Board Action

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. As of December 31, 2022, both the Electric and Water Utilities' cash balances were above target, with exception of the Electric Capital Improvement Reserve. In addition, targets were evaluated for adequacy, and debt service coverage requirements were met for the year.

Discussion

Water Utility

Since the creation of the 2023 budget, the Water Utility finished 2022 with notable progress on the East 40th Storage Project. Spending to support capital efforts exceeded budget projections from earlier in the fall and the primary transfer recommendation for the Water Utility is intended to reposition reserves to support funding designations in the 2023 budget.

Working Cash

Management recommends the following transfers from Working Cash:

- \$4,600,000 to the Capital Improvement Reserve
- \$153,000 to the Pension & Post Retirement Medical Fund

Working Cash would remain \$1.7 million above target.

Capital Improvement Reserve

Financial Policy benchmarks the Capital Improvement Reserve target to annual depreciation expense. 2022 depreciation expense was \$8.1 million, and management recommends increasing the target to \$8.0 million to correspond. A \$4.6 million transfer from Working Cash is recommended to move the balance above target and align with budget expectations to draw on capital reserves as a funding source for 2023 capital projects.

Pension & Post-Retirement Medical Fund

In years where there is a difference between the PERS ordered contribution rate and the amount provided for in the annual budget, the excess amount will be set aside in a Board reserve for reduction of unfunded retirement liabilities in the future. PERS costs during 2022 were lower than budgeted by \$153,000. Board Financial Policies require the variance to be transferred to this fund.

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.

The 2023 adopted budget included a draw of \$7.0 million from Rate Stabilization Funds. The budgeted draw on Rate Stabilization Funds will be evaluated once 2023 performance is more certain.

Electric Utility

Funding sources identified in the 2023 Electric Utility budget included bond proceeds that would have required a bond issuance in 2023. The Electric Utility had a favorable December to finish the year, and early indications of deferrals in capital projects pushed the need for an Electric Utility bond issuance to a future year. As such, the primary transfer recommendation for the Electric Utility is intended to reposition reserves to support capital funding requirements in the 2023 budget.

Working Cash

The working cash target is based on the amount of cash needed to pay for ongoing operational expenditures and maintain an amount of working capital to support the day's cash ratio sufficient to maintain higher than average credit rating (>150 days). Management recommends increasing the working cash target to \$42.0 million due to increases in the operations and maintenance budget.

In addition, Management recommends the following transfers from Working Cash:

- \$2,000,000 to the Power Reserve Fund
- \$15,000,000 to the Capital Improvement Reserve
- \$182,000 to the Pension & Post Retirement Medical Fund

The resulting balance would be \$5.3 million above target.

Power Reserve

The level of funding for this reserve is evaluated annually. In determining the 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 \$2.0 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 \$2.0 million is recommended from Working Cash to the Power Reserves to achieve the proposed target balance of \$23 million.

Capital Improvement Reserve

Per Financial Policy, the Capital Improvement Reserve target is benchmarked to annual depreciation expense. Management recommends increasing the target by \$2 million to \$25.0 million to account for a meter replacement reserve and rising depreciation expense. At December 31, 2022, this fund was below target. Management is recommending a transfer from working cash of \$15.0 million as funding capital projects with reserves reduces the need for borrowing while responsibly managing board metrics and targets.

Pension & Post-Retirement Medical Fund

2022 PERS costs were lower than budgeted by \$182,000. Board Financial Policies require the variance to be transferred to this fund.

Rate Stabilization Fund

Funds above target in the Electric Rate Stabilization Fund have been modeled as a funding source for capital projects 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.

The 2023 adopted budget includes a draw of \$11.6 million from Rate Stabilization Funds for capital project funding. The budgeted draw on Rate Stabilization Funds will be evaluated once 2023 performance is more certain.

Recommendation and Requested Board Action

Management is requesting approval of Resolution No. 2311 and No. 2312, authorizing cash transfer and revisions to the financial policies. Board feedback for these changes was requested and received at the May board meeting. 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 3 – Redline Financial Policy

Attachment 1

Water Utility Schedule of Cash Reserves

	FINANCIAL POLICY		BALANCE	RECOMMENDED	BALANCE
	REFERENCE	TARGET	12/31/22	USE OF CASH	AFTER
Working Cash	Rate Sufficiency	\$ 3,400,000	\$ 9,874,125	\$ (4,753,000)	\$ 5,121,125
<u>DESIGNATED FUNDS</u>					
Operating Reserve	Rate Stability	\$ 1,000,000	\$ 1,000,000	\$ -	\$ 1,000,000
Self-Insurance Reserve	Rate Stability	280,000	280,000	-	280,000
Capital Improvement Reserve	Capital Reserve	7,000,000	7,249,162	4,600,000	11,849,162
Rate Stabilization Fund	Rate Stability	1,000,000	15,300,000	-	15,300,000
Water Stewardship Fund- Septic Repairs		-	71,056	-	71,056
Alternate Water Supply Fund		-	4,488,136	-	4,488,136
Pension & Post Retirement Medical Fund		-	546,000	153,000	699,000
DESIGNATED FUNDS TOTAL		\$ 9,280,000	\$ 28,934,354	\$ 4,753,000	\$ 33,687,354
CASH & DESIGNATED FUNDS TOTAL		\$ 12,680,000	\$ 38,808,479	\$ -	\$ 38,808,479
<u>RESTRICTED FUNDS</u>					
Construction Funds		\$ -	\$ -	\$ -	\$ -
SDC Reserves		-	87,328	-	87,328
Debt Service Reserves		-	1,519,519	-	1,519,519
RESTRICTED FUNDS TOTAL		\$ -	\$ 1,606,847	\$ -	\$ 1,606,847
Recommended Target Changes:	Current	Recommended			
Capital Improvement Reserve	\$7,000,000	\$8,000,000			

Attachment 2

Electric Utility Schedule of Cash Reserves

	FINANCIAL POLICY		BALANCE	RECOMMENDED	BALANCE
	REFERENCE	TARGET	12/31/22	USE OF CASH	AFTER
Working Cash	Rate Sufficiency	\$ 36,000,000	\$ 64,438,726	\$ (17,182,000)	\$ 47,256,726
<u>DESIGNATED FUNDS</u>					
Operating Reserve	Rate Stability	\$ 4,000,000	\$ 4,000,000	\$ -	\$ 4,000,000
Self-Insurance Reserve	Rate Stability	1,720,000	1,720,000	-	1,720,000
Power Reserve	Rate Stability	21,000,000	21,000,000	2,000,000	23,000,000
Capital Improvement Reserve	Capital Reserve	23,000,000	20,423,670	15,000,000	35,423,670
Rate Stabilization Fund	Rate Stability	5,000,000	26,668,927	-	26,668,927
Pension & Post Retirement Medical Fund		-	1,264,000	182,000	1,446,000
DESIGNATED FUNDS TOTAL		\$ 54,720,000	\$ 75,076,597	\$ 17,182,000	\$ 92,258,597
CASH & DESIGNATED FUNDS TOTAL		\$ 90,720,000	\$ 139,515,323	\$ -	\$ 139,515,323
<u>RESTRICTED FUNDS</u>					
Construction Funds		\$ -	\$ 19,311,229	\$ -	\$ 19,311,229
Harvest Wind Escrow		-	521,223	-	521,223
Debt Service Reserves		-	5,858,082	-	5,858,082
Wildlife Reserve		-	75,486	-	75,486
Customer Care Fund		-	978,296	-	978,296
Customer Deposit Reserves		-	762,761	-	762,761
RESTRICTED FUNDS TOTAL		\$ -	\$ 27,507,077	\$ -	\$ 27,507,077
Recommended Target Changes:	Current	Recommended			
Working Cash	\$36,000,000	\$42,000,000			
Power Reserve	\$21,000,000	\$23,000,000			
Capital Improvement Reserve	\$23,000,000	\$25,000,000			



Eugene Water & Electric Board

Rely on us.

Financial Policies

Approved June 4, 2019

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EWEB Financial Policies

1.0 RESERVE POLICIES

1.1 Rate Sufficiency Policy

Rates and charges will be adequate to provide revenues sufficient to maintain a degree of financial soundness over and above requirements for compliance with existing bond covenants. Performance standards are based on review with EWEB's Financial Advisor regarding financial market conditions and rating agency considerations, as well as industry benchmarks for comparable utilities. (BP SD6)

Discussion:

EWEB bond resolutions contain a rate sufficiency covenant that is a standard provision in municipal utility bond contracts. The covenant requires that rates and charges be set at a level that is high enough to pay the costs of operating and maintaining the utilities. This rate sufficiency policy is a higher standard than that required by the standard rate covenant contained in the bond resolutions. The policy is intended to supplement the weaker financial performance standards set out as minimum requirements in the bond resolutions. The financial standard implied by this policy is that rates and charges will be maintained at a level consistent with an average credit rating of A for the Electric Utility and AA rating for the Water Utility.

Credit rating agencies evaluate creditworthiness by assessing an organization's ability to adequately address issues of strategic importance. Credit analysis includes the track record of performance as reflected in widely used ratios and statistics. These measurements are compared with other similarly situated utilities to determine relative financial strength within the industry. An example of such a statistic is "debt service coverage ratio" which shows how many times debt service can be paid from net revenues. Minimum legal debt service coverage requirements are 1.35 times debt service for issuing new debt for the Electric Utility and 1.25 times debt service for the Water Utility. EWEB's long term target for debt service coverage ratio for the Electric Utility is 1.75 to 2.0 and the Water Utility is 2.00 to 2.50 times debt service.

	Performance Standard
Electric Utility	
Working Capital Days Cash	>150 days
Current Ratio	3.250x
Debt Service Coverage	1.75 to 2.0x
Water Utility	
Working Capital Days Cash	>150 days
Current Ratio	3.250x
Debt Service Coverage	2.0 to 2.50

EWEB Financial Policies

Working cash balances are based on the amount of cash needed to pay for ongoing operational expenditures and maintain an amount of working capital to support the day's cash ratio sufficient to maintain higher than average credit rating. The target for working cash is \$~~36~~42 million and \$3.4 million for the Electric and Water Utility, respectively.

1.2 Rate Stability Policy

Certain funds will be held in reserve for the purpose of mitigating the customer rate impact of unanticipated events. (*BP SD6*)

Discussion:

It is the nature of budgets, financial projections, and other statements about the future to contain uncertainty. The intent of this policy is to set aside funds or other financial instruments to smooth out the financial impact on customers when assumptions about the future do not comport with actual events as they transpire.

Power Reserve

The Electric Utility owns or has contracted for power resources that exceed the amounts needed to serve customer load and is exposed to certain power portfolio and retail load risks that can have significant adverse effects on financial stability. Those risks include, generation, power price, retail load, and credit risks. EWEB has established a power reserve that is designed to provide funds sufficient to cover operational costs in the event of adverse fluctuations in these risks. The funds needed to mitigate financial impacts of fluctuations are estimated annually based upon the measurement criteria specific to each of the major risks. Generation risk is calculated by measuring the impact to revenues if water available for generation is at Firm levels which is approximately 70% of median. Power price risk is calculated by assuming prices decrease 30% from budget expectations, and retail load risk is calculated assuming a 4% decrease from budgeted load. Credit risk is a flat dollar amount that represents approximately 50% of counterparty exposure. The combined amounts are intended to cover operational cost for one calendar year and prevent sudden and significant impacts to customer rates. The Board of Commissioners may elect to supplement the calculated amounts at their discretion.

Operating Reserves

The Water and Electric Operating Reserve accounts are used in similar fashion to smooth out the effects of revenue shortfalls or unforeseen expenses.

EWEB Financial Policies

Self-Insurance Reserve

The Self Insurance Reserve is to fund the out-of-pocket liability costs of third party claims. The target for the Self-Insurance Reserve combined for both the Electric and Water Utilities totals \$2 million, which is based on the amount EWEB is self-insured. Excess liability insurance protects EWEB after the self-insurance retention is exhausted.

Rate Stabilization Funds

The Water and Electric Rate Stabilization Fund accounts are used to enhance the Utilities' agility during financial challenges such as unanticipated costs or reduced revenues, and minimize or smooth rate impacts to customers. This fund is intended to manage one-time events, emergent items or to reduce borrowing requirements. Allocations are made at Board discretion. Targets for the rate stabilization funds approximate a 3% rate impact for each Utility.

Electric Utility

Target

Power Reserve	\$ 1723 ,000,000
Operating Reserve	\$ 4,000,000
Self-Insurance Reserve	\$ 1,720,000
Rate Stabilization Fund	\$ 5,000,000

Water Utility

Operating Reserve	\$1,000,000
Self-Insurance Reserve	\$ 280,000
Rate Stabilization Fund	\$1,000,000

1.3 Capital Improvement Funding and Reserve Policy

Utility plant assets will be maintained to provide reliable, high quality service, including such capital additions as may be necessary to support growth in loads and customer base, and associated infrastructure. (BP SD6)

Discussion:

EWEB's approach to financing capital assets uses a combination of current rate revenue, capital improvement reserves, contributions in aid of construction, system development charges, and debt financing.

Capital projects are classified as Type 1, Type 2, or Type 3. Each year, an amount is budgeted from rate revenues to provide ongoing funding for a base level of capital additions and replacements. The base level amount is determined through an

EWEB Financial Policies

evaluation of the age and condition of basic capital infrastructure of the Electric and the Water Utilities taking into consideration capital reserve levels. This amount represents what is needed annually to maintain the desired level of service reliability on a long-term basis. These are considered Type 1 capital projects; projects that are ongoing capital infrastructure replacements.

Type 2 capital projects are large rebuilding or expansion projects in excess of \$1 million that occur periodically and may be funded with rates or bonds. Type 3 capital projects are major strategic projects and are funded with bonds and/or reserves.

Capital funding requirements are determined by a Capital Improvement Plan (CIP). The CIP is a ten-year projection of capital needs that is updated annually and approved by the Board. The CIP sets out, for each utility, the anticipated need for utility and support infrastructure to meet customer demands and system reliability standards. Identified in the CIP is an indication of the proportion of funding from 1) rates, 2) accumulated reserves, and 3) debt proceeds.

The target amount for the Electric and Water Utility Capital Improvement Reserve is based on one year's depreciation expense adjusted for service reliability needs. In general, reinvestment in capital should be at the same rate as depreciation.

A system over 65% depreciated should be watched for aging.

Rate of return measures the ability to pay current and future infrastructure costs. Rates outside the performance standard should be evaluated to ensure current customers pay their share for the use of infrastructure. A higher rate of return signals current customers may be paying more towards future infrastructure costs, while a lower rate of return signals current customers may not be paying enough for current costs.

The Targets are:

Electric Utility: \$~~22~~25 million

Water Utility: \$~~7~~8 million

Performance Standard – Electric and Water:

Age of System < 60%

Rate of Return 5 - 7%

1.4 Retirement Benefits Funding Policy

All long-term liabilities that must be either disclosed and/or accounted for in the financial statements will be funded according to a rational and consistent plan that targets full funding of the liabilities over a specified period of time. *(BP SD6)*

Discussion:

Unfunded retirement liabilities result from pension and other post-employment benefit programs. The primary financial strategy with these plans is to pay the actuarially determined annual required contribution, which pays for the current costs and unfunded liabilities over a designated period of years. However, if the funded status of the plans reach 70% funded status or less, an assessment of accelerated funding will be performed. When the funding status of the plan is at or below 70% of funded status, the plan is financially unstable as the plan is no longer self-funding based on actuarially determined contribution rates. Below is a summary of the three plans.

1) **Pension Plan** - The Oregon PERS (OPERS) continues to experience volatility in regard to the rates employers pay to the state pension plan for benefits. EWEB pays the actuarially determined rate. In years where there is a difference between the PERS ordered contribution rate and the amount provided for in the annual budget, the excess amounts will be set aside in a Board reserve for reduction of unfunded retirement liabilities in the future.

2) **Other Post-Employment Benefits** – EWEB created a trust in November 2007 as a means through which assets are accumulated and benefits are paid for other post-employment benefits (OPEB), other than pension benefits. Eligible retirees and beneficiaries of EWEB receive health care and life insurance benefits.

3) **Supplemental Retirement Plan** – EWEB created a pension plan in 1968 to provide supplemental retirement benefits to employees. The objective of the plan was to provide a benefit on retirement, which together with benefit from the OPERS, will provide 1.67% of the highest 36-month average salary for each year of service. The plan was closed in 1988. EWEB contributes actuarially determined amounts to a designated pension fund that pays the annual cost for this closed plan. Due to the nature of the closed plan, it is more cost effective to pay-as-you go, than set up a trust.

EWEB Financial Policies

1.5 Replenishment of Reserves

If a reserve balance falls below Board targets, the order of precedence and minimum length of time to replenish will be determined using the following criteria:

Order of Precedence: 1 – Rate Sufficiency Policy
2 – Capital Reserve Policy
3 – Rate Stability Policy

Length of time to replenish:

	Electric Utility	Water Utility
One year	<\$2 million below target	< \$500,000 below target
Three years	>\$2 million and < \$5 million below target	> \$500,000 and < \$1 million below target
Five years *	> \$5 million below target	> \$1 million below target

*Should a reserve fall drastically below target, a determination will be made whether cash should be secured by other means (i.e., Letter of Credit or bond issuance).

If a reserve falls below target, staff will propose a replenishment strategy to the Board for approval during the annual reserve transfer process or sooner if deemed necessary.

2.0 FINANCIAL MANAGEMENT POLICIES

2.1 Cost Management Policy

EWEB will take cost management actions that provide for authorized budgets and include actions to maintain expenditures within authorized budget levels. (BP SD6)

Discussion:

The annual budget is the primary tool for setting rates and controlling costs within a given year. For accounting and budgetary purposes, the budgets are broken into operating and capital components for each Utility. The operating budget of the Electric Utility further separates power and related costs as distinct from non-power operating costs. The reason for this is that the cost of power and related items generally varies with changes in sales volume. Non-power items are composed of mostly labor, services and materials that are less susceptible to variations in sales volumes.

The annual budgets are the maximum level of expenditure authorized by the Board. Conditions may arise during any given budget year that cause projected expenditures for either Utility's operations & maintenance and/or capital budgets to be higher than those approved by the Board. If any of the specific conditions occur as defined in Board Policy EL1 - Financial Controls, Management is required to propose a budget amendment.

EWEB Financial Policies

The budget amendment proposal must state the causes of the projected non-budgeted expenditures, the offsetting actions taken to mitigate the increase, and the source of any additional funding requested. The Board will consider each proposed budget amendment and either approve or disapprove. In the event of disapproval, the General Manager will exercise established authorities in taking actions necessary to curtail spending within authorized levels.

To monitor the budget, cost management procedures involve the monthly review of variances from the authorized budget by supervisors and managers. The review of power-related items is performed by the Power Risk Management Committee and is separate from non-power items. Actual and projected capital and other non-power expenditures are monitored by the Leadership Team. With the assistance of financial staff, the Leadership Team determines what degree unfavorable variances in one department can be offset by favorable variances in another. In the event of a shortfall, the Leadership Team will determine whether to bring a budget amendment forward or curtail other activities to remain within authorized spending levels.

2.2 Budget Policy

The authorized annual spending plan will be balanced such that resources meet or exceed requirements in each fiscal year. *(BP SD6)*

Discussion:

Long-term financial stability can be assured only if, in each year, the annual spending plan is fully funded and results in a balanced budget. The budget is considered balanced when the following three conditions are met:

- 1) Expected annual operating revenues and use of reserves for one-time expenses equal or exceed anticipated operation and maintenance expenses.
- 2) Budgeted capital outlays are funded in full from a combination of net operating revenues, capital improvement reserves, accumulated system development charges, and debt proceeds.
- 3) Pro forma presentation of debt service coverage shows a ratio at or above the Board established performance standard (Rate Sufficiency Policy 1.1).

EWEB Financial Policies

2.3 Debt Policy

Funds to acquire major capital improvements will be provided in accordance with the estimated useful lives of such assets. (BP SD6)

Discussion:

Prudent financial practice dictates the use of debt financing only in those cases where public policy, ratepayer equity, and economic efficiency favor the use of debt over current financing. In EWEB’s case, debt is considered an appropriate funding option for Type 2 and Type 3 capital projects. (See the discussion under Capital Reserve Policy 1.3.) Debt service payments shall not exceed the useful life of the asset and should be structured to mirror the stream of benefits from the facility or project being funded.

Long-term debt financing will be considered for those major system improvements that meet two general criteria:

- The asset has a relatively long useful economic life (at least 10 years);
- The asset is a significant item included within the capital budget portion of the electric and/or water project plans.

However, if debt levels are too high the utility could become over-leveraged relative to its asset base and revenue producing capability. In all cases, management will balance the benefit of long term financing with the overall health of the organization as determined by appropriate measures of financial leverage.

Performance standards, are based on review with EWEB’s Financial Advisor regarding financial market conditions and rating agency considerations, as well as industry benchmarks for comparable utilities.

	Performance Standard
Electric Utility	
Debt as a % of NBV	60% or less
Water Utility	
Debt as a % of NBV	60% or less

EWEB Financial Policies

2.4 Billing and Collection Policy

Services will be billed in an accurate and timely manner and collected with fair and equitable consideration for all customers. (BP SD6)

Discussion:

Sound business and collection practices will be applied uniformly to all customers. EWEB maintains a customer credit rating system to provide fair and equitable consideration in deposit and collection practices for all customers. Decisions to extend payment terms for anyone are based on the customer's good faith, ability to pay, and payment history.

EWEB provides cost-effective customer assistance programs (e.g., Budget Payment Plan, Customer Care, payment extension options, dispute/appeals recourse, etc.). EWEB will also cooperate with customers participating in social service programs such as the Limited Income Home Energy Assistance Program (LIHEAP) and other resources available to customers.

EWEB makes every reasonable and cost-effective attempt to secure payment of all accounts receivable. In accordance with bond covenants, products and services are not provided free of charge. Bills are issued based upon actual use of products and services, except that billings are estimated when EWEB service meters are inaccessible, or other considerations necessitate issuing estimated billings. Following an estimated reading, charges are adjusted to record and reflect actual consumption.

EWEB employees make a concerted effort to inform customers about the options available to them regarding payment for and controlled use of EWEB products and services as situations may deem advisable. In addition, EWEB has built strong partnerships with community social service organizations that create preventive strategies for avoiding disconnection of services.

Performance standards are as follows:

	Performance Standard
Write-offs as a % of Rate Revenue	.5% or less

3.0 FINANCIAL RISK MANAGEMENT POLICIES

3.1 Financial Risk Management Policy

Financial risks associated with EWEB operations will be proactively managed in a cost-effective and efficient manner consistent with prudent utility practice. *(BP SD6)*

Discussion:

The objective of financial risk management is ongoing identification and mitigation of the risk of financial losses including power risk, property damage and other insurable risks, vendor contract development and administration, and risks associated with administering Oregon Public Contracting laws and statutes. EWEB will transfer as much as is reasonably possible of its liability contractually, and retain those risks that can be self-assumed without seriously affecting the financial condition of the organization. EWEB will purchase sufficient insurance coverage when the risk is of a catastrophic nature or beyond the capacity of the organization to absorb, or when it is required by law or contract. However, insurance shall, of necessity, be limited to availability of coverage at reasonable cost, consistent with the probable frequency, severity and impact of losses on the financial stability of the organization.

Due to the nature and extent of commodity risks, power supply related risk management policies are separately addressed in the Power Risk Management Policy.

3.2 Power Risk Management Policy

Purchases and sales of electric power and related financial instruments will be managed to maximize the benefits to customers from wholesale transactions while minimizing the risk that wholesale activities will adversely affect retail prices. *(BP SD6)*

Discussion:

For many years the staff at EWEB has worked to reduce power purchase costs while managing or avoiding risks that might result in price shocks or supply interruptions. Rapid changes in the electric power industry since 2000 have challenged traditional methods and prompted EWEB to migrate to power management systems and controls similar to those used in commodity trading organizations.

The Board has established a Power Risk Management Policy to provide direction and oversight as referenced in Board Policy SD8 - Power Risk Management Policies.

EWEB Financial Policies

3.3 Investment Policy

EWEB's investment portfolio will be managed to achieve safety of capital, achieve market rates of return, and provide sufficient liquidity to meet disbursement schedules. *(BP SD6)*

Discussion:

EWEB's Investment Policy calls for the investment of excess funds in a manner which will preserve capital and provide sufficient liquidity to meet cash flow demands while conforming to all State statutes governing investment of public funds and bond covenants. The policy includes provisions with respect to diversification and the credit quality of securities purchased. EWEB's primary objectives are, in order of priority: safety of principal, liquidity and achieving a rate of return at least equal to the return on a comparably maturing U.S. Treasury bill. EWEB attempts to match its investments to anticipated cash flow requirements. Securities are intended to be held to maturity, unless the quality, yield or maturity characteristics of the portfolio can be improved by replacing one security with another.

4.0 ACCOUNTING POLICIES

4.1 Financial Entity Policy

EWEB will account for separate financial entities and will clearly define relationships among those entities to facilitate management decision-making. *(BP SD6)*

Discussion:

1) Financial Reporting and Budget

Financial accounting standards and Bond covenants require that EWEB maintain separate financial records for the Electric Utility and the Water Utility. Each entity has separate legal standing and revenues backing their respective bond issues and separate budgets. Often, the Utilities share personnel or other resources. The shared resources are allocated between the systems for accounting and ratemaking purposes.

2) Reporting Entity

For external reporting purposes, EWEB is required to follow Governmental Accounting Standards Board (GASB) definition of a reporting entity as EWEB is considered a primary government. The Electric and Water Utilities are reported separately with a combined total for both systems.

For internal reporting purposes, the results and financial position of the Electric Utility and the Water Utility will be reported separately. In addition, any component of either

EWEB Financial Policies

Utility, which can be separately reported, and for which separate reporting would be useful, such as a major line of business, class of customer, or new operation will be separately reported as required by EWEB management from time to time.

EWEB also has various relationships with other parties, ~~such as 1) Western Generation Agency, an Intergovernmental Agency cogeneration project, 2) Trojan Nuclear Project, a jointly owned decommissioned nuclear plant and 3) Harvest Wind, a joint ownership with an equity investment in a wind generating facility and 4) OPEB Trust, post-employment health care and life insurance benefits trust.~~ These projects or investments They are separate legal entities that are properly recorded within the Electric System and are fully disclosed in the footnotes of the financial statements.

4.2 Capitalization Policy

Major utility expenditures for labor, materials and/or services that result in revenue or benefits in future reporting periods will be capitalized and allocated to match such future revenue or benefits through periodic amortization or depreciation, using methodologies acceptable under accounting standards. Additions, renewals, and betterments with a minimum cost of \$5,000 are capitalized. Repairs and minor replacements are recorded as operating expenses. (BP SD6)

Discussion:

1) Utility Plant in Service

The physical assets that make up the electric and water production, transmission and distribution systems, including the acquisition of land or construction of a building are capitalized and included in plant in service.

2) Preliminary Investigations and Regulatory Accounting

It is accepted utility practice to accumulate preliminary investigations, costs of projects the utility believes will be viable in the future. An example of this for EWEB is relicensing costs for the Carmen-Smith Project. Preliminary investigations are recorded as an "Other Asset" on the Statement of Net Position.

EWEB policy also permits the use of regulatory accounting, which allows for revenues and expenses to be charged to future periods to match the time periods when the revenue and expenses are included in rates. Revenues and expenses that are recorded using regulatory accounting may be treated as other assets or liabilities or deferred inflows or outflows, depending on the nature of the revenue or expense. An example of a regulatory other asset is unamortized bond issuance costs. An example of deferred inflows and outflows is the recording of the change in market value of hedging derivative instruments. Board approval, either by resolution or by inclusion in the annual budget, is required prior to using regulatory accounting.

EWEB Financial Policies

REVISION HISTORY

<u>Version</u>	<u>Section Revised / Description</u>	<u>Resolution No.</u>	<u>Created Approved</u>
<u>1</u>	<u>EWEB Financial Policies document created by Jim Origliosso</u>		<u>06/01/1995</u>
<u>2</u>	<u>Policy drafted to assist in ensuring the Electric and Water Utilities' long term financial sustainability. Board Approved</u>		<u>01/18/2000</u>
<u>3</u>	<u>Board Ratified Financial Policies with Strategic Direction 6 (SD)</u>		<u>04/19/2005</u>
<u>4</u>	<u>Amended: Changes include the addition of Power Risk Management Policies and Interest Rate Swap Policies. Where applicable, measurement indication and performance standards were added to provide information about how compliance with the policies is being measured.</u>	<u>Jim O. revised 6/1/2005</u>	<u>07/19/2005</u>
<u>5</u>	<u>Revised with Strategic Direction (SD6):</u>		<u>05/30/2011</u>
<u>6</u>	<u>Set new Working Cash Target for Electric and Water Utility to \$24 million and \$3.4 million, respectively</u> <u>Changes for Electric Utility:</u> <ul style="list-style-type: none"> • <u>Financial rating target from AA to A</u> • <u>Set new Debt Service Coverage Target</u> • <u>Changed Capital Improvement Reserve target to \$18 million</u> 	<u>1308</u>	<u>06/04/2013</u> <u>Executed 07/16/2013</u>
<u>7</u>	<u>Financial Policies reviewed and updated based on 2014 year-end results, the Board's targets, associated financial metrics and accounting standards. Also modified Board Policy SD6:</u> <u>Section 1.2-Rate Stability, updated to reflect the change in methodology for calculating the power reserve.</u> <u>Section 1.3-Capital Reserve, renamed the Capital Improvement Funding and Reserve Policy.</u> <u>Section 1.4-Retirement Benefits Funding, updated wording for clarity.</u> <u>Section 2.0-Financial Management, edited to align with the 2014 revision of Board Policy EI-1 and for clarity.</u> <u>Section 3.0-Risk Management, with the creation of an Enterprise Risk Function, this section was revised to focus on</u>	<u>1518</u>	<u>07/21/2015</u>

EWEB Financial Policies

	<p><u>Financial Risk Management. Enterprise Risk Management will be covered in a separate policy.</u></p> <p><u>Section 4.0-Accounting</u>, edited for clarity and to confirm with changes in accounting standards.</p> <p><u>Section 5.0-Reference Documents</u>. Appendices referencing other Board policies were removed and cash and reserve targets summary were updated.</p>		
<u>8</u>	<p><u>Financial Policies reviewed and updated based on 2016 year-end results, the Board's targets, associated financial metrics and accounting standards:</u></p> <p><u>Section 1.1-Rate Sufficiency</u>, increased Working Capital Days Cash to >150 days to support the higher credit ratings for each utility.</p> <p><u>Section 1.2-Rate Stability</u>, included a Rate Stabilization Fund for both Utilities. Target of \$5 million for Electric and \$1 million for Water. Power Reserve target reduced to \$17 million from \$22.1 million.</p> <p><u>Section 1.3-Capital Improvement Funding and Reserve</u>. Target for Electric increased to \$22 million from \$20 million.</p> <p><u>Section 1.5-Replenish of Reserves</u> – added to establish criteria in the event a reserve falls below Board targets and specifies the order of precedence and length of time to replenish.</p> <p><u>Section 2.3-Debt</u>, Debt/Asset and Debt/Equity ratios replaced by Debt as a % of Net Book Value (NBV) to reflect industry trends.</p> <p><u>Section 5.0-Reference Documents</u>, revised Cash and Reserve Targets Summary.</p>	<u>1711</u>	<u>06/06/2017</u>
<u>9</u>	<p><u>Revision to increase Electric Working Cash Target to \$36 million from \$24 million to consistently align to retain AA bond rating.</u></p>	<u>1817</u>	<u>06/05/2018</u>
<u>10</u>	<p><u>Revision to change Electric Operating Reserve Target to \$4.0 million from \$2.0 million under Section 1.2 and Rate Stabilization Funds. Replaced Source with Revision History.</u></p>	<u>1913</u>	<u>06/04/2019</u>
<u>11</u>	<p><u>Section 1.1-Rate Sufficiency Policy</u> - Increased Electric Working Cash Target to \$42.0 million from \$36.0 million.</p> <p><u>Section 1.2-Rate Stability Policy</u> - Increased Power Reserve Target to \$23.0 million from \$17.0 million.</p> <p><u>Section 1.3-Capital Improvement Funding and Reserve Policy</u> - Increased Capital Improvement Reserve Targets to \$25.0 million and \$8.0 million, from \$22.0 million and \$7.0 million for Electric and Water, respectively.</p>	<u>2312</u>	

EWEB Financial Policies

	<u>Section 4.1-Financial Entity Policy - Removed reference to specific relationships with other parties.</u>		
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~~Source: Board Approved 01/18/2000, Ratified 04/19/2005, Amended 07/19/2005, Amended 06/04/2013, Resolution No. 1308 07/16/13, Amended 07/21/2015, Resolution 1518, Amended 06/06/2017, Resolution 1711, Propose Amending 06/05/2018, Resolution 1817.~~

EWEB Financial Policies

5.0 APPENDIX A: CASH AND RESERVE TARGETS SUMMARY

6/~~46~~/1923

<u>Cash and Reserve Accounts</u>	<u>Electric Utility Target</u>	<u>Water Utility Target</u>
1) Working Cash	\$ 3642 ,000,000	\$3,400,000
2) Power Reserve	4723 ,000,000	
3) Operating Reserve	4,000,000	1,000,000
4) Self-Insurance Reserve	1,720,000	280,000
5) Capital Improvement Reserve	2225 ,000,000	78 ,000,000
6) Rate Stabilization Fund	5,000,000	1,000,000
Total	<u><u>\$85100,720,000</u></u>	<u><u>\$1213,680,000</u></u>

- 1) Working Cash – amount of cash needed to pay for ongoing operational costs during the year.
- 2) Power Reserve – amount of reserves to offset fluctuations due to the effects of risk exposures, and any budgeted draw on the reserve.
- 3) Operating Reserve – reserve for emergency operating costs.
- 4) Self-Insurance Reserve – reserve to pay for claims incurred during the year and target is based on the \$2 million self-insured retention for both utilities combined.
- 5) Capital Improvement Reserve – reserve for capital improvements and target is based on approximately one year’s depreciation.
- 6) Rate Stabilization Fund – reserve for one-time use at Board discretion; target amount approximates the dollar equivalent of a 3% price increase

**RESOLUTION NO. 2311
JUNE 2023**

**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 2022 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) \$153,000 from Working Cash to the Pension & Post-Retirement Medical Fund
- 2) \$4,600,000 from Working Cash to the Capital Improvement Reserve

Electric Utility

- 1) \$182,000 from Working Cash to the Pension & Post-Retirement Medical Fund
- 2) \$2,000,000 from Working Cash to the Power Reserve Fund
- 3) \$15,000,000 from Working Cash to the Capital Improvement Reserve

Dated this 6th day of June 2023

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 6, 2023 Board Meeting.

Assistant Secretary

**RESOLUTION NO. 2312
JUNE 2023**

**EUGENE WATER & ELECTRIC BOARD
RESOLUTION APPROVING REVISIONS TO FINANCIAL POLICIES**

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 established Financial Policies to support the Board's financial targets, strategies and reporting;

WHEREAS, the Eugene Water & Electric Board has determined increases in the targets for the Electric and Water Capital Improvement Reserves, Electric Working Cash and Electric Power Reserve are appropriate;

WHEREAS, the Eugene Water & Electric Board has determined that updates to policy language are appropriate;

THEREFORE BE IT RESOLVED that the Eugene Water & Electric Board hereby approves the revisions to the Financial Policies.

Dated this 6th day of June 2023

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 6, 2023 Board Meeting.

Assistant Secretary

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a new Mutual Funding and Collection Agreement with **McKenzie River Trust (MRT)** for **Mutual Funding of the Pure Water Partners (PWP)**.

Board Meeting Date: June 6, 2023
Project Name/Contract #: Mutual Funding and Collection Agreement / 23-088-S
Manager: Mike Masters Ext. 7549
Executive Officer: Karen Kelley Ext. 7153

Contract Amount:

Original Contract Amount: \$1,000,000
Additional \$ Previously Approved: \$0
Spend over last approval: \$0
Amount this Request: \$1,000,000
% Increase over last approval: NA
Resulting Cumulative Total: **\$1,000,000 (Over 5 years)**

Contracting Method:

Method of Solicitation: Direct Negotiation
If applicable, basis for exemption: Sole Source Findings SS-468
Term of Agreement: June 7, 2023 – June 30, 2028
Option to Renew? No
Approval for purchases “as needed”: Yes No
Proposals/Bids Received (Range): NA
Selection Basis: Direct Negotiation – Sole Source

Narrative:

Operational Requirement and Alignment with Strategic Plan

In 2020, EWEB’s General Manager signed the Pure Water Partners (PWP) Memorandum of Agreement (MOA) that memorialized the programmatic infrastructure, roles and responsibilities of the nine current member organizations (i.e., EWEB, McKenzie Watershed Council, McKenzie River Trust, Upper Willamette Soil & Water Conservation District, Cascade Pacific RC&D, The Freshwater Trust, Willamette National Forest, Metropolitan Wastewater Management Commission (MWMC), and University of Oregon). The MOA establishes a watershed conservation fund (Fund) that aligns multiple sources of funding (e.g., EWEB, USFS, MWMC, Oregon Watershed Enhancement Board, U.S. EPA, etc.) for conducting restoration and protection activities on the ground through member organizations.

The Pure Water Partners program allows for efficient use of EWEB funds for protection of riparian and floodplain forests and provides the programmatic infrastructure that directs partner funds for restoration of degraded areas. This investment aligns with EWEB’s 10-Year Strategic Plan by fostering customer confidence (phase I) through the protection of drinking water source(s) and allowing EWEB to maintain excellent water quality. The Pure Water Partners (PWP) program is a key part of EWEB’s Drinking Water Source Protection 10-Year Strategic Plan (2018-2028) that was adopted in January 2018.

MRT and EWEB both have a vested interest, stake holders and funding available for the restoration and rehabilitation of the McKenzie Watershed post Holiday Farm Fire and beyond. MRT has partnered with EWEB in various projects with the objective of source protection and the regeneration of the native habitats of the McKenzie River, including strategic land acquisition and large flood plain restoration of the McKenzie watershed. In completing this work there are times when funding needs to flow between MRT and EWEB that include reimbursements for contractual expenses, stewardship or funding offered up by either party to meet the objectives of the restoration efforts in the McKenzie Watershed. This Master Agreement stands as a collection and funding agreement between EWEB and MRT so as no other agreements need to be executed to move funding back and forth between the two entities.

Contracted Goods or Services

This agreement will allow both entities to move funding back and forth in the efforts to restore, rehabilitate and maintain the native habitats of the McKenzie Watershed. The agreement also allows for a 10% cost savings to EWEB by allowing smaller funding opportunities to flow direct between the entities leaving the fiscal management contract through Cascade Pacific Resource, Conservation & Development (CPRCD) for the PWP to distribute funding on larger projects and PWP operational costs. This agreement will not exceed \$1,000,000 in money movement over the next five years between the entities.

Each entity that is funding towards this objective will provide a detailed invoice to the other within 30 days of an executed contract or upon agreement that funding has become available. Each transaction will have a corresponding Task Order approved by both entities.

Purchasing Process

Direct Negotiation/Sole-Source Findings SS-468

Prior Contract Activities

EWEB Contract	Project Name (Description)	Board Approved	Project Duration (Start to Close)	Original Amount	Approved/Amended Amount to Date (Total)	Reason Code
21-052-A	Acquisition and Management of Wildfire Impacted Properties (McKenzie River Area)	4/6/2021 & 7/5/2022	4/6/2018 – 10/30/2018	\$1,500,000	\$1,770,000	AW
16-0008-MOA	Acquisition and Management of Finn Rock Properties	4/5/2016	4/11/2016 – Present	\$750,000	\$785,000	AW

Reason Code: AM = Additional Materials, AW = Additional Work, EW= Emergency Work, SD = Staff Directed, UC = Unforeseen Conditions, Other

ACTION REQUESTED:

Management requests the Board approve a Mutual Funding and Collection Agreement with the McKenzie River Trust (MRT) for a mutual funding pathway for the Watershed Restoration of the McKenzie and beyond. Approximately \$2.1 million was planned for the Pure Water Partners (PWP) operations, restoration, and protection activities on the ground in the 2023 Holiday Farm Fire Restoration budget of \$7.4 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 Mutual Funding and Collection Agreement with the **McKenzie Watershed Alliance (MWA) for Mutual Funding of the Pure Water Partners (PWP)**.

Board Meeting Date: June 6, 2023
Project Name/Contract #: Mutual Funding and Collection Agreement / 23-089-S
Manager: Mike Masters Ext. 7549
Executive Officer: Karen Kelley Ext. 7153

Contract Amount:

Original Contract Amount: \$500,000
Additional \$ Previously Approved: \$0
Spend over last approval: \$0
Amount this Request: \$500,000
% Increase over last approval: NA
Resulting Cumulative Total: **\$500,000 (Over 5 years)**

Contracting Method:

Method of Solicitation: Direct Negotiation
If applicable, basis for exemption: Sole Source Findings SS-468
Term of Agreement: June 7, 2023 – June 30, 2028
Option to Renew? No
Approval for purchases “as needed”: Yes No
Proposals/Bids Received (Range): NA
Selection Basis: Direct Negotiation – Sole Source

Narrative:

Operational Requirement and Alignment with Strategic Plan

In 2020, EWEB’s General Manager signed the Pure Water Partners (PWP) Memorandum of Agreement (MOA) that memorialized the programmatic infrastructure, roles and responsibilities of the nine current member organizations (i.e., EWEB, McKenzie Watershed Council, McKenzie River Trust, Upper Willamette Soil & Water Conservation District, Cascade Pacific RC&D, The Freshwater Trust, Willamette National Forest, Metropolitan Wastewater Management Commission (MWMC), and University of Oregon). The MOA establishes a watershed conservation fund (Fund) that aligns multiple sources of funding (e.g., EWEB, USFS, MWMC, Oregon Watershed Enhancement Board, U.S. EPA, etc.) for conducting restoration and protection activities on the ground through member organizations.

The Pure Water Partners program allows for efficient use of EWEB funds for protection of riparian and floodplain forests and provides the programmatic infrastructure that directs partner funds for restoration of degraded areas. This investment aligns with EWEB’s 10-Year Strategic Plan by fostering customer confidence (phase I) through the protection of drinking water source(s) and allowing EWEB to maintain excellent water quality. The Pure Water Partners (PWP) program is a key part of EWEB’s Drinking Water Source Protection 10-Year Strategic Plan (2018-2028) that was adopted in January 2018.

The MWA and EWEB both have a vested interest, stake holders and funding available for the restoration and rehabilitation of the McKenzie Watershed post Holiday Farm Fire and beyond. The MWA has partnered with EWEB in various projects with the objective of source protection and the regeneration of the native habitats of the McKenzie River. In completing this work there are times when funding needs to flow between MWA and EWEB that include reimbursements for contractual expenses or funding offered up by either party to meet the objectives of the restoration efforts in the McKenzie Watershed. This Master Agreement stands as a collection and funding agreement between EWEB and MWA so as no other agreements need to be executed to move funding back and forth between the two entities.

Contracted Goods or Services

This agreement will allow both entities to move funding back and forth in the efforts to restore, rehabilitate and maintain the native habitats of the McKenzie Watershed. The agreement also allows for a 10% cost savings to EWEB by allowing smaller funding opportunities to flow direct between the entities leaving the fiscal management contract through Cascade Pacific Resource, Conservation & Development (CPRCD) for the PWP to distribute funding on larger projects and PWP operational costs. This agreement will not exceed \$500,000 in money movement over the next five years between the entities.

Each entity that is funding towards this objective will provide a detailed invoice the other within 30 days of an executed contract or upon agreement that funding has become available. Each transaction will have a corresponding Task Order approved by both entities.

Purchasing Process

Direct Negotiation/Sole-Source Findings SS-468

Prior Contract Activities

EWEB Contract	Project Name (Description)	Board Approved	Project Duration (Start to Close)	Original Amount	Approved/Amended Amount to Date (Total)	Reason Code
22-102-PSC	Deer Creek Phase 4 Floodplain Restoration	6/7/2022	6/8/2022 – 12/31/2022	\$425,000	\$445,000	AW
22-023-S	Wood Sourcing and Floodplain Restoration Management	3/1/2022	3/9/2022 – 3/15/2027	\$800,000	*\$1,400,000	AW/SD
20-184-GS	General Support Request and Deer Creek Floodplain Enhancement Project match for Drinking Water Providers Partnership	NA	8/25/2020 – 12/31/2020	\$65,000	\$65,000	
Reason Code: AM = Additional Materials, AW = Additional Work, EW= Emergency Work, SD = Staff Directed, UC = Unforeseen Conditions, Other						

*Additional work approved by Board December 6, 2022.

ACTION REQUESTED:

Management requests the Board approve a Mutual Funding and Collection Agreement with the McKenzie Watershed Alliance (MWA) for a mutual funding pathway for the Watershed Restoration of the McKenzie and beyond. Approximately \$2.1 million was planned for the Pure Water Partners (PWP) operations, restoration, and protection activities on the ground in the 2023 Holiday Farm Fire Restoration budget of \$7.4 million. Variances will be managed within the budget process and Board policy.



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD



TO: Commissioners Carlson, Barofsky, Brown, McRae, and Schlossberg
FROM: Frank Lawson, CEO and General Manager
DATE: May 29, 2023 (Board Meeting June 6, 2023)
SUBJECT: Strategic Plan Revision
OBJECTIVE: Action (Consent Calendar or Agenda Item)

Issue

It is recent practice for the Board and management to review the relevance of the strategic plan annually, typically before the commencement of the annual capital and financial planning process. During the May 2, 2023, Board Meeting, Commissioners provided feedback on proposed amendments to the plan, which have been incorporated in the attached revision proposed for approval under Resolution No. 23xx (attached).

Background

Throughout 2017, the General Manager and Commissioners developed a new strategic plan for the organization, with the Board's approval on August 1, 2017. Since its original approval, the Eugene Water & Electric Board 2018-2028 Strategic Plan has been updated three (3) times.

In 2018, Commissioners directed the General Manager to modify the strategic plan to specifically include GHG contribution to climate change and include both physical and psychological safety in our Values.

In 2020, Management presented information to Commissioners on strategic status and progress, including a year-end assessment of projects and a summary of customer confidence as assessed using two independent survey methods. Due to the utility's focus on COVID-period operations, the Commissioners felt comfortable continuing to use the existing plan for strategic guidance.

In 2021, with two new Board members and a third who had not participated in the original development of the strategic plan, Management and the Board agreed to explore strategic updates and/or enhancements and included revising the plan in the annual goals. In October 2021, after several work sessions and discussions, the Board approved revisions to the 2018-2028 EWEB Strategic Plan, including the identification of distinct priorities for the water and electric utilities, acknowledgement of the turbulent planning and operating environment, and expanding resiliency to include financial and workforce components. More definitive milestones were added within the 2-year and 4-year horizons including the strategic role of modernization of EWEB's information systems,

In 2022, the Board and management updated references to EWEB Enterprise Solutions (EES), added an initiative to evaluate and understand the impacts, benefits, costs, and risks of supply contract options with BPA, and revised wording associated with EWEB's organizational values. The revisions to the values included clarifying safety, health, and wellness, emphasizing the "ongoing" requirement of reliability, and including culture-related characteristics within the Community value.

Discussion

The strategic plan provides guidance to effectively develop and manage policies, establish priorities, and inspire the actions necessary to position the organization to achieve desired outcomes over the long term. Based on evolving industry trends, changing climate, new technology, developing markets, political and regulatory flux, natural and human threats, shifting diverse community expectations, and anticipated major organizational decisions, the plan was developed to span a period of approximately ten (10) years.

Since approval, the strategic plan has been guiding actions and decisions, including the setting of annual operational and strategic goals, milestones, and measurement metrics consistent with Board Policy BL4 Delegation to the General Manager and BL5 Evaluating the General Manager's Performance.

Major decisions have been guided by the plan, including the organization's mission and values, including those associated with emergency water sources, advanced metering, customer service policies and programs, information and delivery systems, asset decisions (e.g. Leaburg Hydroelectric future), Integrated Resource Planning, and water resiliency projects (e.g. storage and Willamette Treatment Plant). The plan has aided to build customer confidence through improved performance, cost controls, simplicity of customer interactions, and transparent community communications. The plan will continue to help the organization build the components necessary to address ongoing organizational resiliency, and effective and sustainable delivery of our critical services to the community.

Revisions for Board Consideration

Since its most recent revision (Fall 2022), few factors have substantially changed that would influence the strategy. However, management proposes the following enhancements for the Board's consideration.

1. Revise the objective of Section **4.2 The "Mid-Game": Positioning for Flexibility (2021-2024)**: *"The objective of this phase is to build resilient foundational pieces that facilitate ongoing organizational effectiveness, including the following elements:"*
2. Revise Section 4.2(e): *"Rate Design – **Develop a Five-Year Rate Design Plan** that creates pricing agnostic to customer/product choices (prerequisite to new services), consistent with Board Policy SD9 (Rate Setting Policy) and rate making principles."*
3. Expand Section 4.2(f), *"Resiliency (Electric) – e.g., disruptive-event mitigation plans, fortify/automate system controls (including telecommunications), replace aging high-impact underground conductors, prioritize links between local generation and essential services (resilient spine), **and develop generating resources capable of maintaining emergency power for critical community loads should the grid become inoperable for an extended period.**"*
4. Section 4.2 Addition: *"New Energy Services – **Plan and design demand-side energy products**, including those that leverage distributed energy resources (DERs), demand response (DR), and efficiency products to optimize cost, reliability, resiliency, and carbon impact."* Additionally, modify the description of Section 4.3(a) to align with the above.
5. Section 4.2 Addition: *"Diversity, Equity, Inclusion: **Develop and evolve a Diversity, Equity, and Inclusion (DEI) Board Policy** that integrates with our organizational values, providing a fundamental basis for our actions, behaviors, decisions and results."*
6. Section 4.3 Addition: *Modernize Contracts – Enhance potential partnerships consistent with policies, strategic objectives, and values (e.g. International Paper, University of Oregon, Sierra Pine (fnly. Seneca Sustainable Energy), etc.)*

Revisions added from Board Guidance

Based on Commissioner feedback at the May 2, 2023, Meeting, Section 4.3(j) was added to incorporate general resiliency improvements, focused on a state-of-the-workforce assessment and improvements in depth of mission-critical functions, stated as *"Resiliency (General) – **develop Labor Market and Workforce Assessment Report**, including resiliency and depth assessment in mission-critical positions."*

Recommendation/ Requested Board Action

Management recommends approval of the 2018-2028 Strategic Plan, 2023 revisions.

Attachment(s)

A - 2018-2028 EWEB Strategic Plan, June 6, 2023, Revision (Clean Copy)

B - 2018-2028 EWEB Strategic Plan, June 6, 2023, Revision (Mark-Up Copy)

*Eugene Water & Electric Board
2018-2028 Strategic Plan
(2022 Update)*

Originally adopted by the EWEB Commissioners on August 1, 2017

Approved Revision: July 10, 2018

Approved Revision: October 5, 2021

Approved Revision: October 6, 2022

Approved Revision: June 6, 2023

1.0 Purpose

This strategic plan provides guidance to effectively develop and manage policies, establish priorities, and inspire the actions necessary to position the organization to achieve desired outcomes including the setting of annual operational and strategic goals, milestones, and measurement metrics consistent with Board Policy BL4 and BL5.

2.0 Introduction

The Eugene Water & Electric Board (EWEB), founded in 1911, is Oregon's largest customer-owned utility presently serving approximately 200,000 people in Eugene and part of the McKenzie Valley. Each year, EWEB is responsible for delivering approximately 8.5 billion gallons of drinking water and 2.4 billion kilowatt-hours of electricity. EWEB is governed by a five-member Board of Commissioners elected by the citizens of Eugene.

3.0 Strategic Priorities

Drinking water and electricity are essential commodities that are becoming more precious. Managing forecasted volatility and scarcity, climate impacts, and the increasing occurrence and threats of disruptive events will drive EWEB strategy for the next few decades. With the goal of sustaining safe, reliable, affordable, and environmentally responsible drinking water and electricity services, the most immediate challenge facing EWEB is effectively planning and operating in a turbulent environment, including a changing climate, new technology, developing markets, political and regulatory flux, natural and human threats, and evolving diverse community expectations.

4.0 Strategy

Over the next decade, EWEB will need more resilient and sustainable infrastructure, finances, people, and processes, requiring customer participation in new programs designed to mitigate supply volatility and scarcity, improve resiliency to disruptive events, optimize infrastructure investments, and aid in water and electricity supply decisions. Although the community expectations for drinking water and electricity delivery occur in the same dynamic environment, each utility's situation is unique and requires distinct strategic elements.

Water

For reliability and resiliency, EWEB will need to scope and construct a drinking water treatment plant on the Willamette River, while simultaneously restoring the McKenzie watershed. By taking a comprehensive "source to tap" approach to water quality and reliability and given that significant investments have been made over the past decade at the Hayden Bridge Treatment Plant, EWEB's priority now shifts to strengthening base-level water storage, in-town transmission infrastructure, and the design and construction of the Willamette drinking water treatment plant.

Electric

Prior to 2028, EWEB will need to reassemble an electric supply portfolio for the long-term economic, environmental, and social benefit of our community. These electricity supply decisions can be improved by effectively aligning time-of-use consumption, distributed generation, demand response, and efficiency programs with the increasingly dynamic future clean energy resources and evolving storage technologies.

With significant electricity delivery infrastructure commissioned in the 1960s and 1970s, EWEB will need to attenuate and manage the "ballooning" need to replace this concurrently aging equipment while increasing resiliency to potentially disruptive events. Electricity investments will be managed by prioritizing high-customer-impact assets and those systems

that increase resiliency to community-critical locations.

It is expected that the strategy will evolve and progress in the following tenants and phases over the next few years.

4.1 The “Opening”: Foster Customer Confidence (Ongoing)

Our relationship with customer-owners will influence their eventual voluntary participation in future water and electricity programs that optimize consumption levels and timing, impacting resiliency, infrastructure investments, and supply choices. Customer confidence is cultivated by good “performance”, which is the fulfillment of our compulsory obligations in ways consistent with our organizational values. *The objective of this facet of the strategy is to cultivate customer confidence by continuously improving our performance in the following areas:*

- a. Delivery – e.g., *water quality, electric and water reliability standards*
- b. Safety & Security – e.g., *psychological safety; protection of life, assets, property; dam safety, cyber/data security*
- c. Cost/Efficiency (Affordability) – e.g., *rate escalation consistent with societal levels of inflation,*
- d. Service/Responsiveness (Community) – e.g., *ease of interactions, turnaround times, transparent communication, disruptive event response, Board Policy SD3 (Customer Service Policy)*
- e. Environmental Responsibility – e.g. *watershed recovery/protection, Board Policy SD15 (Climate Change Policy)*

4.2 The “Mid-Game”: Positioning for Flexibility (2021-2024)

Creating operational and consumption flexibility tools, including demand response capabilities, will improve our ability to negotiate and manage supply contracts, integrate clean-energy resources, develop backup and emergency systems, and respond to unanticipated events. *The objective of this phase is to build resilient foundational pieces that facilitate ongoing organizational effectiveness, including the following elements:*

- a. Advanced Metering & Analytics – e.g., *Meter Data Management (MDM) System, Customer Experience Systems*
- b. Information Technology & Systems – e.g. *modernize legacy systems with EWEB Enterprise Solutions (EES) - Financial & Customer Information System (CIS)*
- c. Integrated Resource Plan – *informs electricity supply contracts, energy services, and EWEB-owned asset decisions, EWEB electric resource management/trading*
- d. Bonneville Power Administration (BPA) – *evaluate and understand the impacts, benefits, costs, and risks of supply contract options with BPA in the context of the Integrated Resource Plan, emerging regional requirements/opportunities (transmission/markets), and business model options.*
- e. Rate Design – *Develop a Five-Year Rate Design Plan that creates pricing agnostic to customer/product choices (prerequisite to new services), consistent with Board Policy SD9 (Rate Setting Policy) and rate making principles*
- f. Resiliency (Electric) – e.g., *disruptive-event mitigation plans, fortify/automate system controls (including telecommunications), replace aging high-impact underground conductors, prioritize links between local generation and essential services (resilient spine), and develop generating resources capable of maintaining emergency power for critical community loads should the grid become inoperable for an extended period.*
- g. Resiliency (Water) – e.g., *watershed recovery, base-level reservoirs and inter-connecting transmission, Willamette water treatment plant design.*
- h. *New Energy Services – Plan and design demand-side energy products, including those that leverage distributed energy resources (DERs), demand response (DR), and efficiency products to optimize cost, reliability, resiliency, and carbon impact.*
- i. *Diversity, Equity, Inclusion: Develop and evolve a Diversity, Equity, and Inclusion (DEI) Board Policy that integrates with our organizational values, providing a fundamental basis for our actions, behaviors, decisions, and results.*
- j. *Resiliency (General) – develop Labor Market and Workforce Assessment Report, including resiliency and depth assessment in mission-critical positions.*

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How effectively EWEB synchronizes customer consumption with the future’s increasingly volatile and scarce water and electric supply resources will determine our success at delivering safe, reliable, affordable, environmentally responsible, and equitable services to our community, including during the occurrence and threat of disruptive events. This synchronization will require the integration of water and electricity supplies (including new and/or distributed sources), fortified links between supplies and critical consumption hubs (“resilient spines”), and customer participation in programs that optimize consumption levels and timing. *The objective of this phase is to effectively integrate new supply resources, resilient delivery systems (i.e., spines), and flexible customer consumption and includes the following elements:*

- a. Launch New Energy Services – including those that leverage distributed energy resources (DERs), demand response (DR), and efficiency products to optimize cost, reliability, and carbon impact
- b. Information Technology & Systems – e.g. modernize legacy systems with EWEB Enterprise Solutions (EES), continued (work, asset, and human resources)
- c. Negotiate Electricity Supply Contracts – including potential BPA options/alternatives
- d. Determine Investment, Divestment, and/or Disposition of EWEB-Owned Generation Assets
- e. Water Master Plan (2025)
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- h. Modernize Contracts – Enhance potential partnerships consistent with policies, strategic objectives, and values (e.g. International Paper, University of Oregon, Sierra Pine (fnly. Seneca Sustainable Energy), etc.)

5.0 Vision, Mission, and Values

Vision, Mission, and Values statements create the framework to align the organization’s efforts in pursuit of its strategy.

Vision - *Our vision is to be a local utility that inspires our customer-owners to invest in and rely on us.* EWEB’s vision implies that we will earn our customer-owners’ trust, and thereby their investment and participation in the programs integral to providing sustainable value.

Mission - *Our mission is to enhance our community's vitality by delivering drinking water and electric services consistent with the values of our customer-owners.* EWEB recognizes that our two primary services are “vital” to the health and welfare of our community, and that our methods are important to our customer-owners.

Organizational Values

Values drive “how” we do things, and provide the fundamental basis for our policies, actions, behavior, and decisions. These values are sacrosanct; they cannot be compromised for convenience, short-term gain, or strategic progress.

SAFE: *We value the safety, physical and psychological wellness, of our workforce and the public, the security and integrity of cyber assets and data, and the protection of our customers’ assets.*

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Proposed 2023 Revisions:
Mark-Ups Shown

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2018-2028 Strategic Plan
(2022 Update)*

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EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a new Mutual Funding and Collection Agreement with the **Upper Willamette Soil and Water Conservation District (UWSWCD)** for **Mutual Funding of the Pure Water Partners (PWP)**.

Board Meeting Date: June 6, 2023
Project Name/Contract #: Mutual Funding and Collection Agreement / 23-083-IGA
Manager: Mike Masters Ext. 7549
Executive Officer: Karen Kelley Ext. 7153

Contract Amount:

Original Contract Amount: \$500,000
Additional \$ Previously Approved: \$0
Spend over last approval: \$0
Amount this Request: \$500,000
% Increase over last approval: NA
Resulting Cumulative Total: **\$500,000 (Over 5 years)**

Contracting Method:

Method of Solicitation: Direct Negotiation
If applicable, basis for exemption: Intergovernmental Agreement (Sole Source Findings SS-468)
Term of Agreement: June 7, 2023 – June 30, 2028
Option to Renew? No
Approval for purchases “as needed”: Yes No
Proposals/Bids Received (Range): NA
Selection Basis: Direct Negotiation – Intergovernmental Agreement

Narrative:

Operational Requirement and Alignment with Strategic Plan

In 2020, EWEB’s General Manager signed the Pure Water Partners (PWP) Memorandum of Agreement (MOA) that memorialized the programmatic infrastructure, roles and responsibilities of the nine current member organizations (i.e., EWEB, McKenzie Watershed Council, McKenzie River Trust, Upper Willamette Soil & Water Conservation District, Cascade Pacific RC&D, The Freshwater Trust, Willamette National Forest, Metropolitan Wastewater Management Commission (MWMC), and University of Oregon). The MOA establishes a watershed conservation fund (Fund) that aligns multiple sources of funding (e.g., EWEB, USFS, MWMC, Oregon Watershed Enhancement Board, U.S. EPA, etc.) for conducting restoration and protection activities on the ground through member organizations.

The Pure Water Partners program allows for efficient use of EWEB funds for protection of riparian and floodplain forests and provides the programmatic infrastructure that directs partner funds for restoration of degraded areas. This investment aligns with EWEB’s 10-Year Strategic Plan by fostering customer confidence (phase I) through the protection of drinking water source(s) and allowing EWEB to maintain excellent water quality. The Pure Water Partners (PWP) program is a key part of EWEB’s Drinking Water Source Protection 10-Year Strategic Plan (2018-2028) that was adopted in January 2018.

The UWSWCD and EWEB both have a vested interest, stake holders and funding available for the restoration and rehabilitation of the McKenzie Watershed post Holiday Farm Fire and beyond. The UWSWCD has partnered with EWEB in various projects with the objective of source protection and the regeneration of the native habitats of the McKenzie River. In completing this work there are times when funding needs to flow between UWSWCD and EWEB that include reimbursements for contractual expenses or funding offered up by either party to meet the objectives of the restoration efforts in the McKenzie Watershed. This Master Agreement stands as a collection and funding agreement between EWEB and UWSWCD so as no other agreements need to be executed to move funding back and forth between the two entities.

Contracted Goods or Services

This agreement will allow both entities to move funding back and forth in the efforts to restore, rehabilitate and maintain the native habitats of the McKenzie Watershed. The agreement also allows for a 10% cost savings to EWEB by allowing smaller funding opportunities to flow direct between the entities leaving the fiscal management contract through Cascade Pacific Resource, Conservation & Development (CPRCD) for the PWP to distribute funding on larger projects and PWP operational costs. This agreement will not exceed \$500,000 in money movement over the next five years between the entities.

Each entity that is funding towards this objective will provide a detailed invoice to the other within 30 days of an executed contract or upon agreement that funding has become available. Each transaction will have a corresponding Task Order approved by both entities.

Purchasing Process

Direct negotiated Intergovernmental Agreement (Sole Source Findings SS-468)

Prior Contract Activities

EWEB Contract	Project Name (Description)	Board Approved	Project Duration (Start to Close)	Original Amount	Approved/Amended Amount to Date (Total)	Reason Code
PO 13131	Filbert Worm Moth Monitoring in McKenzie Hazelnut Orchards	NA	04/30/2018 – 10/30/2018	\$5,000	\$5,000	
PO 8715	Mating Disruption Study with Pure Water Partners (PWP)	NA	01/30/2017 – 02/28/2017	\$12,500	\$12,500	
Reason Code: AM = Additional Materials, AW = Additional Work, EW= Emergency Work, SD = Staff Directed, UC = Unforeseen Conditions, Other						

ACTION REQUESTED:

Management requests the Board approve a Mutual Funding and Collection Agreement with the Upper Willamette Soil and Water Conservation District (UWSWCD) for a mutual funding pathway for the Watershed Restoration of the McKenzie and beyond. Approximately \$2.1 million was planned for the Pure Water Partners (PWP) operations, restoration, and protection activities on the ground in the 2023 Holiday Farm Fire Restoration budget of \$7.4 million. Variances will be managed within the budget process and Board policy.