

**EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION**

July 5, 2022

6:00 P.M.

Commissioners may pose questions to staff prior to the scheduled Board meeting. To view Commissioners' pre-meeting questions and staff responses, visit <http://www.eweb.org/about-us/board-of-commissioners/2022board-agendas-and-minutes>.

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

Others Present: Frank Lawson, General Manager; Aaron Balmer, Fiscal Services Supervisor; Deborah Hart, Chief Financial Officer; TiaMarie Harwood, Financial Services Manager; Karen Kelley, Chief Operations Officer; Karl Morgenstern, Strategic Program Manager - Watershed Restoration; Rod Price, Assistant General Manager; Alicia Voorhees, Senior Financial Analyst

President Brown called the Regular Session to order at 6:00 p.m.

Agenda Check

There were no changes or additions to the agenda.

Items from Board Members and General Manager

Mr. Lawson thanked Commissioner Barofsky for his help in opening the emergency water site at the Lane Events Center.

President Brown wondered if EWEB Commissioners could hand out water storage containers in their wards.

Mr. Lawson said he would check inventory.

Vice President Carlson agreed the water storage containers should be in homes.

Public Input

There was no one signed up to give public testimony.

Approval of Consent Calendar – A, Minutes and Routine Contracts

MINUTES

- 1. a. June 7, 2022 Executive Session**
- b. June 7, 2022 Regular Session**

CONTRACTS

2. Trout Mountain Forestry – for additional funds for professional forestry consulting services. \$290,000 (over 5 years) based on Formal Request for Proposal. (Original contact amount \$145,000 – under board approval threshold thus not previously approved by board.)

Commissioner Barofsky moved to approve Consent Calendar – A. The motion passed unanimously 5:0.

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

CONTRACTS

3. Dell Marketing – for the use of a cooperative contract for the purchase of computer hardware, software, and support from Dell Marketing. \$1.5 million (over 5 years).

4. Landmark Ford – for the use of a cooperative contract for the purchase of various Light Duty Vehicles. \$800,000 (over 3 years).

5. McKenzie River Trust – for the use of funding under the existing Memorandum of Agreement to support the McKenzie River Trust in the Acquisition and Management of an Additional 645-acres adjacent to the existing Finn Rock Reach Conservation Area. \$660,000 (from the existing \$1.5 million agreement with MRT).

6. Northside Ford – for the use of a cooperative contract for the purchase of Various Light Duty Vehicles. \$800,000 (over 3 years).

7. Pape Machinery (John Deere dealer) – for the use of a cooperative contract for the purchase of a Wheel Loader. \$210,000 (one-time purchase).

8. Wildfire Mitigation Plan Adoption

RESOLUTIONS

9. Resolution No. 2214 – Update to Board Policy GP7 Board Parliamentary Procedures.

10. Resolution No. 2215 – Policy to Replace Current Board Policy EL-4, Compensation and Benefits.

11. Resolution No. 2216 - Western Generation Agency (WGA) Board Appointment.

Commissioner Schlossberg moved to approve Consent Calendar – B. The motion passed unanimously 5:0.

City of Eugene Electrification Response

Mr. Lawson offered the Board a report on EWEB's draft responses to the City of Eugene's inquiries related to impacts of electrification.

Commissioner Barofsky wondered if the City of Eugene had any other questions the Board might not be aware of.

Mr. Lawson said the reason EWEB staff implemented the FAQ approach, was to give them freedom to expand the topic list as needed.

Vice President Carlson asked if the Board could see the original questions before they were edited.

Mr. Lawson said the original questions were to be found in the background memo to this agenda item.

Commissioner McRae asked Mr. Lawson if he was going to be in any future conversations with the Eugene City Council.

Mr. Lawson said he planned to make himself and EWEB staff available to the Eugene City Council.

President Brown said it was important to stay in conversation with the Eugene City Council, especially as the city—and the utility—move toward electrification.

Goal #7: Rate Design Fundamentals/Background

Ms. Hart and Ms. Harwood offered the Board a report and PowerPoint presentation on Goal #7: Rate Design Fundamentals.

Vice President Carlson said she appreciated the ongoing series of conversations with staff, and she wanted to make sure as the utility looked at more dynamic pricing types, they would consider equity. She added that it was important for the utility to offer other pricing options that would meet the different needs, capabilities, and values that make up EWEB's customer base.

Ms. Hart said that one of the utility's strengths, was its ability to provide their customers with options.

President Brown wondered if the time-of-use meters were available for the Commissioners to put in their homes to track consumption.

Mr. Lawson said a time-of-use program was not available at the moment, but he believed that most, if not all, commissioners have smart meters, and that analysis could be done.

President Brown asked why EWEB's flat rate was so much lower than other area utilities, and if that pricing was equitable.

Ms. Hart said there were upcoming discussions the Board would be having concerning changing the basic charge as it is currently.

Mr. Lawson added there was no correlation between consumption and income level, adding there were just as many heavy electricity users with low income as heavy users with high income.

Commissioner Barofsky said he was interested in the pre-pay option discussed, especially as the utility was able to use pre-pay to defer deposits.

Ms. Hart said staff was also intrigued by this possibility, and they would be looking deeper into it.

Vice President Carlson said it was important for the water side of the utility to be prepared for water curtailment if it becomes necessary.

Electric & Water Long-Term Financial Plan Update & 2023 Budget and Capital Improvement Plan Assumptions

Mr. Price, Mr. Balmer, Ms. Hart, Ms. Kelley, and Ms. Voorhees offered the Board an update and PowerPoint presentation on the Electric & Water Long-Term Financial Plan (LTFFP), and the assumptions for the 2023 Budget and Capital Improvement Plan (CIP).

President Brown wondered what the basis was for changing the forward price curve from \$51 to \$85 per megawatt.

Ms. Voorhees said the forward price curve was elevated currently, driven by the price of natural gas which had to do with supply chain issues, the international market, and weather volatility. She added that prices are higher in the near term, then revert back down to the mean in later years of the Plan.

Mr. Lawson said those were the numbers they were seeing, trading five years out.

President Brown reiterated that the price of electricity was rising due to a shortage of natural gas.

Commissioner McRae wondered if the higher wholesale prices for electricity were driving any new investments in regional generation.

Mr. Lawson said most new investments in generation were driven by organizations' Integrated Resource Plans (IRP), and those choices are largely driven by regulatory or carbon legislation or other things.

Commissioner Barofsky wondered what drove the decision to change the IS software expense from operation and maintenance to capital on both the water and electric side. He asked if it was changed to capital, could it be depreciated differently.

Ms. Hart said that decision was driven by a change in Accounting Standards.

Commissioner Barofsky asked if a risk buffer was built into the LTFP.

Ms. Hart said that was coming up in the second half of the presentation.

President Brown asked if EWEB staff was comfortable using only 3-5% inflation in its forecasts.

Ms. Hart offered that in various forecasts, inflation has returned to historical averages.

Vice President Carlson wondered why the utility was holding off on putting higher calculations in the budget for the Leaburg project.

Ms. Hart said metrics are strained currently, the most strained of which is debt service coverage, adding that this metric is most likely to cause rate increases. She said that in August the Board would be provided with rate trajectories for each of the Leaburg scenarios.

Mr. Lawson explained that the LTFP presented this month established a baseline which would demonstrate the impact of the Leaburg project when those changes are highlighted in the next iteration of the LTFP. He reiterated the debt service coverage metric would be stressed, and the timing of borrowing, which would depend on the Leaburg Alternative chosen, would have an impact.

Mr. Price reminded the Board that the process was intended to set the next year's budget, and regardless of the option chosen for Leaburg, the budgets for the next couple of years would not be greatly impacted.

President Brown asked whether the \$150 million in water bond issuance in the presentation was for the second drinking water source.

President Brown inquired what the balance of the rate stabilization fund would be after the withdraw.

Ms. Hart replied that it would be at the target.

Commissioner Barofsky asked if debt service coverage would affect EWEB's bond rating.

Ms. Hart replied staff planned to bring back a rate trajectory that is compliant with Board policy as it is today.

Mr. Lawson explained that the debt service coverage metric was established by the Board to target certain bond ratings.

Commissioner Barofsky asked if EWEB planned to reallocate budget surpluses to the rate stabilization fund.

Ms. Hart replied that if actual expenses are less than the conservative budget, the utility would have an opportunity to keep those reserve funds available for future use.

Commissioner Barofsky asked when the next LTFP update would take place.

Ms. Hart said October.

Vice President Carlson wondered—given rising inflationary costs—if some of EWEB’s larger projects might be put on hold in hopes of inflation stabilizing.

Mr. Lawson said EWEB recognized the consistent increase of inflation as a reality, and generally, the longer the utility waited to do a project, the more expensive that project would be.

Commissioner McRae asked over what time period the Leaburg project would be financed.

Mr. Lawson said a 25- to 30-year repayment was typical of a project that size.

McKenzie Watershed Recovery and Restoration Update

Mr. Morgenstern offered the Board an update and PowerPoint presentation on the McKenzie watershed recovery and restoration efforts.

Vice President Carlson said she loved seeing the funding charts displayed so thoroughly, and she hoped these charts could be referenced at any and all future upriver meetings. She, and the rest of the Board, thanked Mr. Morgenstern and EWEB staff for their dedication to the upriver community, and the recovery of the McKenzie watershed.

Referencing the significant timber land that EWEB owns along the Leaburg canal, President Brown asked if the utility had given any thought to trading the land to another entity or entities now that the canal may no longer be operational.

Mr. Morgenstern said that staff had not yet considered that.

Correspondence & Board Agendas

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

Commissioner Schlossberg asked if EWEB had shared the correspondence around EWEB's role in the Climate Action Plan CAP2.0 with the City of Eugene.

Mr. Lawson said they had not shared this particular summary with the City of Eugene, but he would be interacting with them and providing periodic updates.

Board Wrap-Up

Commissioner McRae said he appreciated the memo and framework given to the Board by Kelly Hoell; he said he found it very helpful. He also thanked staff for the information contained in the Board packets.

In the context of the sale of the EWEB headquarters property, President Brown inquired what the asset allocation was for electric and water. He also asked when the work session for the Board to discuss the Leaburg decision would be scheduled.

Mr. Lawson said he would work with staff to give the Board some options for the Leaburg meeting. He thanked Rod Price and the Executive Team for putting together a good meeting.

President Brown adjourned the Regular Session at 8:21 p.m.

Recorded by Rodney Cimburke

Assistant Secretary

President