

**EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
500 E 4th AVENUE
September 3, 2019
5:30 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/2019-board-agendas-and-minutes>.

Commissioners Present: Sonya Carlson, President; Steve Mital, Vice President; John Brown, Dick Helgeson, Mindy Schlossberg, Commissioners

Others Present: Frank Lawson, General Manager; Susan Ackerman, Chief Energy Officer; Megan Capper, Portfolio Management Supervisor; Sue Fahey, Assistant General Manager/Chief Financial Officer; Jason Heuser, Policy/Government Program Manager; Karen Kelley, Water Operations Manager; Lena Kostopulos, Chief Human Resources Officer; Mike McCann, Generation Manager; Wally McCullough, Water Engineering Supervisor; Rod Price, Chief Engineering & Operations Officer; Mark Zinniker, Generation Engineering Supervisor

President Carlson called the Regular Session to order at 5:30 p.m.

Agenda Check

There were no changes or additions to the agenda.

Items from Commissioners and General Manager

Commissioner Brown, acknowledging that EWEB has nothing to do with the deployment of 5G, asked staff how neighborhoods with underground utilities would be accommodated by the 5G transmitters being placed around town. He said he was asked by one of his constituents to ask the question of staff.

Mr. Lawson replied that, in most cases, proximity was looked at for 5G installation. He added that permission would have to be obtained from property owners to erect a pole for a 5G transmitter on their property.

Vice President Mital requested a written Board update on the Roosevelt Operations Center (ROC) construction.

Mr. Lawson said the last such update to the Board had come in EWEB's Q2 report, and it was the intention to have all the people and equipment that were moving to the ROC, moved by the end of this year (2019); Management will provide additional details.

President Carlson announced she had recently attended the River Road neighborhood meeting, at which housing was the salient topic of discussion. She said the BRING Home and Garden Tour was coming up soon, and she was looking forward to EWEB's participation in that event.

Commissioner Helgeson said he had been away recently, and he noticed a couple of customer inquiries with his name on them upon his return. He said he would like to check in with staff to make sure said inquiries were addressed.

Mr. Lawson asked for Board feedback on the suggestion of moving the September Upriver Meeting to the spring of 2020—April or May. He said staff felt the spring would be a more appropriate time to hold the upriver meeting, due to the kind of work EWEB does upriver in the spring as opposed to autumn.

Public Input

Claire Ribaud of Eugene said that stakeholders needed to know the following about the Integrated Electric Resource Plan (IERP) process: exactly what the more dynamic IERP process is, what specific scenarios and sensitivities will be considered, what modeling tools will be used, what the opportunities for public participation are, and how EWEB would ensure the most robust public participation.

Linda Heyl of Eugene offered that Eugene City Council would have to know if EWEB was prepared to provide enough clean electricity to ratepayers to make the transition from gas to electricity, in order to decide on the 16 separate natural gas reduction strategies before them. She asked EWEB to commit to planning for sufficient energy for the transition from natural gas to electricity. Ms. Heyl also asserted that it was EWEB's job to make energy supply issues, such as the aforementioned transition, approachable and accessible to the public by simplifying the complex language of energy supply so everyone can better understand it.

Webb Sussman of Eugene said he was just back from a trip to the Boston area, and while there, he had made some observations that he would like to share with EWEB. He said there was a concerted effort between energy providers and mass transit providers in that area to erect solar panels on top of existing transit structures such as bus barns, in anticipation of an all-electric fleet of mass transit vehicles, local cities and towns were installing solar and wind generators on their public works facilities, and many privately-owned vehicle fleets were making the transition to all electric. Mr. Sussman said he would like to see EWEB work with the County, and with Springfield and Eugene as aggressively as the organizations he witnessed while in New England. He also suggested keeping the public in the loop as far as the changes EWEB is making in the direction of electrification.

Commissioner Schlossberg said, as Board liaison to the Eugene City Council, she was hoping for progress toward common electrification goals.

Commissioner Helgeson expressed concern about inadvertently placing costs for finding and implementing new energy resources on to customers. He said for him to commit to a strategy of switching from natural gas to electricity, he would like to be further along in the IERP process.

Vice President Mital agreed with Ms. Ribaud on the importance of keeping the public in the IERP loop. He said that for EWEB to completely convert from gas to electricity, it would represent roughly a four-fold increase in demand for the Utility.

Commissioner Brown said that EWEB had recently converted virtually all of downtown Eugene from steam to gas, which created a substantial financial burden on some of the people and businesses in the downtown area. Commissioner Brown said any decision on EWEB's part to convert from gas to electricity, would have to be a community decision.

Mr. Lawson offered that EWEB had reached out to the City of Eugene for assistance with what the conversion scenarios should look like.

Approval of Consent Calendar A: Items 1-4 MINUTES

1. a. **August 6, 2019 Executive Session**
b. **August 6, 2019 Regular Meeting**

CONTRACTS

2. **Cascade Columbia Distribution Co.** for Solar Salt for Sodium Hypochlorite Generation. \$175,000 (Over 5 Years).
3. **Cornforth Consultants** for Engineering Services. \$218,000 (Resulting Cumulative Total \$426,000).
4. **Whitlock Consulting Group (WCG)** for the Customer Experience Improvement (CEI) project Phase 2 implementation support. \$204,100 plus travel costs (Resulting Cumulative Total \$389,100 plus travel costs).

Commissioner Brown moved to approve Consent Calendar A: Items 1-4. The motion passed unanimously.

Approval of Consent Calendar B

RESOLUTIONS

1. **Resolutions for Leaburg Canal property acquisition**
Option 1 - Resolution No. 1925 - Authorize acquisition of property along Leaburg Canal
Option 2 - Resolution No. 1926 - Authorize acquisition of property and timber along Leaburg Canal.

Commissioner Brown stated that he, in the name of good environmental stewardship, has always been a proponent of EWEB acquiring land adjacent to waterways, but he said he was also a firm believer in responsible spending of EWEB ratepayer money. He expressed concern about the \$482,000 asking price for the timber on the property in question, saying that over half of it was trees six inch in diameter or less that could only be used to make wood chips. Commissioner Brown asked what number staff received from a recent timber cruise that was done on the property.

Mr. O'Dell said that number was \$85,000 more or less, and the higher figure speculated a 10-year term. He clarified the figure was not generated by EWEB staff, but was the property owner's counter offer.

Commissioner Brown again expressed concern about EWEB paying \$482,000 dollars for timber valued at \$85,000 today; he asserted that he could not vote for Option 2. As far as option 1 was concerned, Commissioner Brown asked why EWEB was buying the property in the first place.

Mr. McCann replied because EWEB could then protect the land above the canal. He added that EWEB had the option to buy any timber as it stands.

Mr. O'Dell said EWEB did not have the leverage with which they could bring the property owner's price down, or to make a counter offer of their own.

Mr. McCann offered, as Generation Manager, he was interested in the land, but not the timber on the land, and the property owner wanted to sell EWEB the land, but he did not want to sell the timber.

Commissioner Helgeson wondered if there were factors which would establish a market price, so that EWEB would not be at the whims of the seller in the future.

Mr. McCann returned if the seller sold EWEB the land, but not the timber, if at any time the seller wanted to sell any portion of the timber on that land, it would be EWEB who got the timber cruise for that section, and thusly, that would be the starting point for the negotiation for that timber.

Mr. O'Dell clarified, if the owner receives an offer for the timber, he would bring that offer to EWEB for review. If EWEB wants to purchase that same amount of timber, for that price, in order to prevent harvesting, EWEB could do so. EWEB could also use that value to determine the value of a smaller area that is important to us.

President Carlson asked if there was a way for the Utility to evaluate the offer's validity.

Mr. O'Dell returned that EWEB had the opportunity to review the offer for its validity, and was able to determine timber pricing within the borders of the land in question.

President Carlson asked if the price attached to the second option—Resolution No. 1926—was for all of the timber on the entire property.

Mr. McCann said that was correct.

Commissioner Helgeson asked of how much use to EWEB the right of first refusal portion of the sales transaction was with regards to having control over the future disposition of the property.

Mr. O'Dell said there was a clause in the Timber Right portion of the agreement, stating that if the seller does not follow the steps laid out by EWEB in the Timber Right, EWEB would have the option to purchase that Timber Right for \$100.

Vice President Mital asked if EWEB could still purchase the property once they saw it was put on the market, if the current owner decided to do so.

Mr. McCann said yes, but only *if* the property was put on the market at all.

Vice President Mital stated his concern with buying the timber now, was, if the timber would not be considered mature for another decade or more, EWEB would be taking on a lot of risk with what could happen—fire, disease, etc.—to the timber in the maturation period. He asked if staff had a sense of exactly how much of the 40 acres of timber EWEB wanted to purchase.

Mr. Zinniker estimated, a quarter of the timber, or 10 acres, at most.

Vice President Mital asked if EWEB was in a rush to buy this property, and possibly, some of the timber on it.

Mr. O'Dell offered the seller felt the time to sell the property was now. He added that if EWEB failed to acquire the property right away, the landowner would feel pressured to develop the property as a single home site.

Commissioner Schlossberg viewed the purchase of this land by EWEB as a great opportunity for the Utility. She said the time for this decision was now, and she did not support putting the decision to buy the property off.

Vice President Mital asked if it was still EWEB's plan to possibly decommission its lower dams, and remove its presence from the river itself.

Mr. McCann said the timing of this purchase was not ideal, but there was an opportunity here for the Utility. He added that staff would be back to the Board by June of 2020 to discuss the options analysis on Leaburg Canal.

Commissioner Helgeson moved to approve Consent Calendar B: the first option, Resolution No. 1925, to authorize the acquisition of property along Leaburg Canal. The motion passed 3:2, with Vice President Mital and Commissioner Brown voting against.

General Manager Contract Amendment Request

Mr. Lawson offered the Board a brief staff report on the General Manager contract amendment request. He pointed out that only the Board had the power to make amendments to the General Manager's contract.

Vice President Mital said he generally agreed with the amendment request as he read it in the Board backgrounder; he said he would like to add one of the EWEB Commissioners as liaison to the amendment process.

Commissioner Helgeson agreed with Vice President Mital's request for a liaison or a subcommittee to the amendment process.

Mr. Lawson clarified that it would be a liaison position, and not a subcommittee.

Vice President Mital said he would be happy to be the liaison unless someone else wanted to step forward for the position.

Commissioner Brown said that he would also be willing to fill the liaison role.

Commissioner Helgeson moved to authorize EWEB's Chief Workforce Officer to work with legal counsel, and Board Liaison Commissioner John Brown, on amendments to the General Manager Employment Agreement for potential future approval by the Board. The motion passed unanimously 5:0.

Dam Safety Program Audit

Mr. McCann and Mr. Zinniker offered the Board a report and PowerPoint presentation on the Dam Safety Program Audit.

Vice President Mital asked if the annual report mentioned in the presentation would be tucked into one of the monthly Board reports.

Mr. Zinniker said it would be.

Commissioner Helgeson wondered if the recommendations generated by the audit—instead of examples of EWEB's Owner's Dam Safety Program (ODSP) being out of compliance—were opportunities for the improvement of EWEB'S ODSP.

Mr. Zinniker said that was correct.

Mr. McCann said a lot of the audit report was due to additional scrutiny. He offered that just five years ago, EWEB's ODSP was considered a shining example of what an ODSP should be.

President Carlson asked about the connection between improved communication and the safety of the infrastructure as well as what would now be considered a shining example of an ODSP.

Mr. Zinniker offered the Federal Energy Regulatory Commission (FERC) was struggling to define exactly what their dam requirements are, and following the Oroville event, the organization was currently in an evolutionary state of defining exactly what they are looking for as far as dam safety is concerned.

Vice President Mital said he did not want to simply take FERC's word for granted concerning EWEB's dam safety, especially since—as Mr. Zinniker pointed out—FERC is in a bit of a state of flux currently.

Mr. McCann said the Chair of FERC had recently changed hands, and the interpersonal relationships between regulators and the regulated had as much to do with the personalities of those involved, and their relationships, as it did the technical aspects of dam regulation.

Commissioner Brown expressed concern about the audit conclusion that states: "Inadequate capital investment to buy down risk." He asked how the Utility was to quantify and qualify that conclusion from the audit, when the next dam financial analysis was done.

Mr. McCann said the auditors came into this audit with no prior knowledge of EWEB's financial system, so they asked to see EWEB's Capital Improvement Plan (CIP) for dam safety, but there was no Dam Safety line item on the CIP, because the Utility's dam safety money comes out of the Operations and Maintenance (O&M) budget, and the auditors felt that EWEB needed to make more concrete capital investments into their ODSP.

Commissioner Brown said there was barely enough water currently to operate one of the dams, and staff had previously indicated the possibility of shutting that dam down for the rest of the year.

Mr. McCann said that the Army Corps of Engineers (COE) had recently begun releasing water from Cougar and Blue River reservoirs, adding 600 cubic feet per second (CFS), and bringing Walterville generation up to 4 megawatts (mW).

Break

President Carlson called for a break at 6:54 p.m. She reconvened the meeting at 7:05 p.m.

Water System Infrastructure

Mr. Price, Mr. McCullough, and Ms. Kelley offered the Board a report and PowerPoint presentation on EWEB's water system infrastructure.

Ms. Kelley introduced herself as EWEB's new Water Operations Manager, and was welcomed warmly by the Board of Commissioners.

Commissioner Schlossberg wondered if there were any water use forecasts that would lead EWEB to believe water usage would change in the future.

Mr. McCullough referenced a graph published in the Water Master Plan (WMP) which projected a slight increase in water use in the next 20 years.

Mr. Lawson added that EWEB does expect future population growth, and the Utility was also seeing trends of less water use per capita.

Commissioner Brown asked if EWEB was having trouble maintaining adequate fire flow for the South Hills area now, how the Utility would maintain adequate fire flow if that area were to become more densely populated.

Mr. McCullough said that some of EWEB's water service areas had adequate fire flow when they were developed and constructed, but the standards had since changed. He said EWEB strove to meet fire flows for any new developments, but, for individual developments, it was the developer's responsibility to increase the sizes of mains in those developments to allow adequate fire flow to them.

Commissioner Helgeson stressed the importance of educating other decision makers in the community as to water infrastructure projects.

Mr. McCullough said that EWEB was in regular communication with the aforementioned community decision makers, such as the City of Eugene.

President Carlson commented about moving forward on the Science Center emergency water site.

Commissioner Helgeson wondered if the Utility had addressed the logistics of the emergency water sites, such as parking.

Mr. McCullough said EWEB staff was in the process of creating visual instruction manuals instructing people on how to use the emergency water systems.

Mr. Lawson added there was also a traffic plan requirement for the emergency water sites.

2019 State Legislative Session Summary

Mr. Heuser offered the Board a summary and PowerPoint presentation of the 2019 State Legislative Session.

Commissioner Helgeson offered that he could not understand exactly why so many people seemed to oppose the Carbon Pricing Bill (HB 2020). He saw no justification for some State Legislators deciding to walk out on this issue, preventing HB 2020's passing.

Commissioner Brown asked if there was a risk of legal challenge on the PERS reform (SB 1049) that would affect EWEB financially, and if so, has the Utility hedged against it.

Ms. Fahey said there was a risk to EWEB's finances generated by PERS reform, but the Utility had hedged against that risk.

2019 Annual Integrated Electric Resource Plan (IERP) Update

Ms. Ackerman and Ms. Capper offered the Board an update and PowerPoint presentation on the annual IERP.

Commissioner Helgeson thanked staff for the thorough presentation. He suggested more outreach to not only stakeholders, but to the communities at large, communicating changes being made in each phase of the operation.

Commissioner Brown asked if hydrogen implementation/supplementation would come into play in EWEB's IERP.

Ms. Ackerman said probably not in this IERP, but it was something the Utility was paying attention to as a long-term strategy. She added the 2021 IERP would likely include a hydrogen discussion.

Vice President Mital said that EWEB had large contracts coming up for renewal in the early to mid-2020s, and he wondered if doing this IERP now was not a bit premature. Vice President Mital said it made more sense to him that the IERP would be done closer to the dates of the aforementioned contract renewals. He also mentioned carbon reduction legislation (such as HB 2020) would be most likely coming back to the state legislature, which would affect any IERP put together by the Utility.

Ms. Ackerman said it was in EWEB's best interest to put together the IERP now, because the Bonneville Power Administration (BPA) would begin talking about what sorts of products they will be offering public power utilities like EWEB later this year, and into early 2020. She said it was best for the Utility to work on the IERP now, so EWEB could tell BPA specifically which products they would need.

President Carlson asked how long out into the future the IERP looked.

Ms. Ackerman replied all IERPs look out 20 years.

Correspondence & Board Agendas

Mr. Lawson offered the Board a report of Correspondence and Board Agendas.

Commissioner Helgeson asked if staff was looking to identify problem areas that regularly experience outages due to falling trees and limbs, and if so, were there steps the Utility could take to mitigate outages in those areas.

Mr. Price offered that EWEB was currently working on exactly what Commissioner Helgeson described—identifying problem areas, and taking steps to mitigate future problems from those areas.

Vice President Mital asked if there were some kind of analysis EWEB could do to correlate the increased frequency of intense winter storms with climate change.

Board Wrap-Up

Commissioner Helgeson lamented the misunderstandings and misrepresentations in the community as per EWEB's role in 5G implementation. He said he would like to talk to staff further about this point.

President Carlson thanked those who worked on the McKenzie resilient LCC piece.

Commissioner Helgeson recognized EWEB Safety Manager Mark Maguire, upon his retirement later this year.

Commissioner Brown announced that EWEB had received a letter from Springfield Utility Board (SUB) who was appreciative of the collaborative efforts for them to use EWEB's McKenzie water treatment facility, although they declined to take advantage of it.

Adjourn

President Carlson adjourned the Regular Session at 8:49 p.m.

Assistant Secretary

President

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a Price Agreement with Consolidated Supply Co. for Dry Barrel Fire Hydrants.

Board Meeting Date: 10/1/2019

Project Name/Contract #: Dry Barrel Hydrants / 19-062-G

Primary Contact: Karen Kelley Ext. 7153

Contract Amount:

Original Contract Amount: \$300,000 (over 5 years)

Additional \$ Previously Approved: \$0

Invoices over last approval: \$0

Percentage over last approval: 0%

Amount this Request: \$300,000 (over 5 years)

Resulting Cumulative Total: \$300,000 (over 5 years)

Contracting Method:

Method of Solicitation: Formal Invitation to Bid

If applicable, basis for exemption: N/A

Term of Agreement: Annual

Option to Renew? Yes, up to 5 years

Approval for purchases "as needed" for the life of the Contract Yes No

Proposals/Bids Received (Range): 3 bids received (\$40,000 - \$46,000 annually)

Selection Basis: Lowest responsive/responsible bidder

Narrative:

Operational Requirement and Alignment with Strategic Plan

The Utility purchases and installs dry barrel fire hydrants as required and specified by the City of Eugene and EWEB standards. Dry barrel fire hydrants get their name from the fact that water is drained or pumped from the barrel when the hydrant is not in use. The City of Eugene reimburses EWEB for the cost of approximately 90% of the hydrants installed/replaced throughout the water distribution system.

Contracted Goods or Services

Provision of various depths of dry barrel fire hydrants. EWEB uses approximately 36 hydrants per year, depending on the size of the hydrant, prices range from \$1558-\$1786 per hydrant.

Prior Contract Activities

EWEB has contracted with Consolidated Supply in the past, the most recent contract was for Ductile Iron Fittings from 2011-2016. EWEB also completes spot purchases averaging around \$60,000 per year for stores materials from Consolidated Supply. Consolidated has completed the contracted responsibilities and spot purchases as expected.

Purchasing Process

A formal Invitation to Bid was posted to ORPIN in July 2019. Three bids were submitted with Consolidated Supply's bid deemed to be the lowest responsive and responsible offer.

Bidder/Proposer Information

Consolidated Supply Co.
Ferguson Waterworks
HD Fowler

Bidder/Proposer Location

Eugene, OR
Eugene, OR
Eugene, OR

ACTION REQUESTED:

Management requests the Board approve a Price Agreement with Consolidated Supply Co. for Dry Barrel Fire Hydrants. Approximately \$30,000 was planned annually for these goods in the Water Division 2019 budget of \$13,165,000. 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 Price Agreement with DeWalch Technologies, Inc. for locking meter devices.

Board Meeting Date: 10/1/2019

Project Name/Contract #: Locking Meter Devices/ 19-083-G

Primary Contact: Tyler Nice Ext. x7419

Contract Amount:

Original Contract Amount: \$1,100,000 over 5 years

Additional \$ Previously Approved: \$n/a

Invoices over last approval: \$n/a

Percentage over last approval: n/a%

Amount this Request: \$1,100,000 over 5 years

Resulting Cumulative Total: \$1,100,000 over 5 years

Contracting Method:

Method of Solicitation: Initiation to Bid

If applicable, basis for exemption: n/a

Term of Agreement: 5 years

Option to Renew? n/a

Approval for purchases "as needed" for the life of the Contract Yes No

Proposals/Bids Received (Range): 5 responses / \$360,960 – 558,574.60 (annual estimate during meter deployment years)

Selection Basis: Lowest responsive and responsible bidder

Narrative:

Operational Requirement and Alignment with Strategic Plan/Contracted Goods or Services

This contract is for ongoing purchase of locking meter devices, including locking meter rings and ring less locking devices for AMI electric meter installations. Electric meters are currently being visited monthly by meter reading staff, which currently provides regular visual inspection for tampering or damage to meter bases. With installation of AMI electric meters, assets in the field will be visited less frequently. Locking meter devices under this contract will increase security of the meters and help assure field assets are operated in a manner that is safe to the public.

Prior Contract Activities

EWEB has not had a prior contract with DeWalch Technologies.

Purchasing Process

In June 2019, EWEB issued a formal Invitation to Bid (ITB 19-083-G) for the purchase of locking meter devices. The solicitation was publicly advertised and five bids were received. DeWalch Technologies, Inc. was determined to be the lowest responsive and responsible bidder, having met all bid and technical requirements.

Bidder/Proposer Information

DeWalch Technologies, Inc.
Inner-Tite
Anixter
Graybar Electric
General Pacific

Bidder/Proposer Location

Houston, TX
Holden, MA
Portland, OR
Eugene, OR
Fairview, OR

Competitive Fair Price (If less than 3 responses received)

n/a

ACTION REQUESTED:

Management requests the Board approve a Price Agreement with DeWalch Technologies, Inc. for Locking Meter Devices. Approximately \$361,000 is expected to be spent annually for the first three years of deployment. A small portion of the 2019 spending will be funded from the \$37M 2019 Electric Capital Budget, with the majority of spending funded from the \$10M 2019 Electric O&M budget. 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 contract with The Energy Authority (TEA) for a Slice BPA Contract optimizer software access and support.

Board Meeting Date: 10/1/2019

Project Name/Contract #: Slice Optimizer Software Access & Support

Primary Contact: Susan Ackerman Ext. 7185

Kevin Cardoza Ext. 7338

Contract Amount:

Original Contract Amount: \$1,400,000 over 5 years

Additional \$ Previously Approved: \$0

Invoices over last approval: \$0

Percentage over last approval: 0%

Amount this Request: \$1,400,000

Resulting Cumulative Total: \$1,400,000 over 5 years

Contracting Method:

Method of Solicitation: Direct Negotiation

If applicable, basis for exemption: Sole Source

Term of Agreement: **10-1-19 to 9-30-24**

Option to Renew? Yes

Approval for purchases "as needed" for the life of the Contract Yes No

Proposals/Bids Received (Range): N/A

Selection Basis: N/A

Narrative:

Operational Requirement and Alignment with Strategic Plan

The Board is being asked to approve an on-line services agreement with TEA for an on-line hosted Slice Customer Interface with a Slice optimizer component. Board resolution No. 0838 authorized the original signing of a Bonneville Power Administration (BPA) Slice contract that requires EWEB to build or procure a simulator that models a 6-project simulation of the Federal Columbia River Power System. With this software EWEB will have the tools to maximize the value of our BPA Slice contract. This is in line with our Strategic Plan of providing our customers with efficient performance of our long term contracts. TEA's solution has been considered a sole-source and findings are on file to support an exemption from solicitation. Total cost over 5 years include annual hosting, maintenance and support fees (approximately \$262,949 the first year and escalating yearly approximately 3%) is ~\$1.4M. Staff expects to recover approximately \$385,000 - \$400,000 of this total 5 year cost from our scheduler client Clatskanie PUD due to our current services contract.

Contracted Goods or Services

TEA has developed an on-line hosted software application accessible via the Internet (the "TEA System") that, among other things, assists electric utilities with the optimization, management, and scheduling of the 2011 Slice/Block Power Sales Agreement between electric utilities and the Bonneville Power Administration ("BPA"). This contract provides access to the software and related support services.

Prior Contract Activities

In 2013, EWEB contracted with TEA (Contract #024-2013) for \$1.8 million after EWEB staff determined that TEA is the only company that had a commercially off-the-shelf (COTS) product that met EWEB's requirements to access and support the Slice Optimizer. TEA supplied the services in this previous contract and has been a good business partner in meeting the contractually agreed upon requirements of EWEB. They have done this on time and on budget.

Purchasing Process

This is the only software available on the market that accomplishes optimizing our BPA Slice Contract. Seven years ago EWEB along with other utilities did an RFP for this type of software which led to TEA being selected as the software solution to support the Slice Optimizer. Staff have recently surveyed the market and The Energy Authority (TEA) remains as the only company that has the product available as a commercially off-the-shelf (COTS) solution.

ACTION REQUESTED:

Management requests the Board approve a contract with The Energy Authority (TEA) for a slice optimizer software access and support. Approximately \$263,000 is planned for these services in the Trading Operations 2020 budget of \$2.6M. 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 an Intergovernmental Agreement (IGA) with Bonneville Power Administration (BPA) for engineering and construction services to transfer TOP services to BPA.

Board Meeting Date: 10/1/2019

Project Name/Contract #: Engineering and Construction Activities Associated with Transmission Operator Provider Service Requirements

Primary Contact: Rod Price Ext. 7122

Contract Amount:

Original Contract Amount: \$155,000

Additional \$ Previously Approved: \$0

Invoices over last approval: \$0

Percentage over last approval: 0%

Amount this Request: \$155,000

Resulting Cumulative Total: \$155,000

Contracting Method:

Method of Solicitation: Direct Negotiation, Intergovernmental Agreement

If applicable, basis for exemption: Exemption Rule 6-0110(1)(a)

Term of Agreement: **six months**

Option to Renew? No

Approval for purchases "as needed" for the life of the Contract Yes No

Proposals/Bids Received (Range): N/A, Direct Negotiation

Selection Basis: Direct negotiation, Intergovernmental Agreement

Narrative:

Operational Requirement and Alignment with Strategic Plan

EWEB was registered as a Transmission Operator (TOP) in the WECC/NERC compliance program. EWEB transferred our TOP registration responsibilities to Bonneville Power Administration on May 1, 2019. For BPA to assume EWEB's TOP responsibilities, they need to monitor our Bulk Electric System equipment, which required software and hardware upgrades to their Supervisory Control and Data Acquisition (SCADA) system. This contract is to reimburse BPA for that upgrade work.

Contracted Goods or Services

BPA SCADA upgrade work included: (1) Technical assistance, project management, and engineering review and consultation to EWEB, as needed, to help facilitate the proposed TOP plan of service. (2) At BPA's Control Centers: (A) Design, provide, and install software additions to BPA's SCADA, TRED, DART, and COS systems to include EWEB's 115 kV and 230 kV systems and (B) Update the transmission grid displays to show the new EWEB 115 kV and 230 kV systems data.

Prior Contract Activities

Engineering and Construction services for Holden Creek substation connection to the Thurston - Blue River 115 kV line. \$450,000.

Purchasing Process

EWEB has negotiated an Agreement with BPA for upgrades to the BPA SCADA system. Terms of the Agreement include termination with 90 days' notice, specific billing and payment processes, liability, and responsibilities of the parties.

Bidder/Proposer Information

N/A

Bidder/Proposer Location

N/A

Competitive Fair Price (If less than 3 responses received)

Staff completed a cost analysis and determined that the services provided by BPA will result in an overall savings. The original estimate was \$145,000 for these services, but final accounting ended up at \$155,000 due to unexpected difficulties modifying the BPA Dispatch mapboards at Dittmer and Monroe.

ACTION REQUESTED:

Management requests the Board approve an Intergovernmental Agreement with Bonneville Power Administration for Engineering and Construction Services to transfer Transmission Operator service. The total division budget for 2019 is \$22.7 million. Variances will be managed within the budget process and Board policy.



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Carlson, Mital, Helgeson, Schlossberg, and Brown
FROM: Sue Fahey, Assistant General Manager/CFO; Deborah Hart, Financial Services Manager; Leslie Kidd, Interim General Accounting Supervisor
DATE: September 20, 2019
SUBJECT: Use of Reserves for Public Employees Retirement System (PERS) Side Account
OBJECTIVE: Board Approval of Resolution No. 1927

Issue

Management has applied for, and EWEB was allocated, the maximum allowable match from Oregon's PERS Employer Incentive Fund. To receive the \$5.5 million match, EWEB must deposit \$22 million in a PERS side account. Board approval is required to use designated funds or reserves for the side account deposit.

Background

In 2018, the Oregon Legislature approved Senate Bill (SB) 1566, which gave public employers the opportunity to create PERS side accounts with deposits qualifying for up to a 25% match from an Employer Incentive Fund (EIF). Side accounts are employer accounts for lump-sum deposits which reduce the contributing employer's PERS rates. Side accounts earn the same return as the PERS fund, are typically amortized over a 20-year period, and the rate reduction is recalculated each biennium. The Board approved a resolution to apply for EWEB's maximum match from the EIF at the April 2018 Board meeting.

Management discussed the possibility of the contribution for matching funds with the Board as part of the annual reserve transfers discussion in May and with the long-term financial plan update in July. Senate Bill 1049, which was enacted during the 2019 legislative session, appropriated \$100 million to the EIF.

SB 1566 and SB 1049 have provided EWEB with an opportunity for an immediate 25% return on a \$22 million deposit. As a public agency, EWEB is restricted by statute to only invest funds in high quality, low-risk investments, and the current annual average return is 2.3%.

Discussion

PERS finalized rules for how EIF funds would be provided to employers in August, and on September 3, 2019 PERS began accepting applications for matching funds on a first-come, first served basis. Management submitted EWEB's application for an EIF match on a \$21,980,000 side account deposit as soon as the window opened, and PERS has allocated \$5,495,000 of EIF matching funds to EWEB, the maximum allowed. In order for EWEB's PERS employer rates to be reduced as soon as possible,

funds need to be deposited by November 1, 2019. PERS estimates EWEB's rates will be reduced 4.6 percentage points resulting in annual average savings of \$2.5 million and that the total \$27.5 million deposit will save \$47.5 million in PERS costs over the 20-year amortization period.

In 2015, the Board created the rate stabilization funds (RSF) to enhance the agility of funds during financial challenges and to minimize price impacts to customers. Funds are intended for one-time expenditures and emergent items and are allocated based on board direction. Management believes that using rate stabilization funds for the PERS side account deposit meets that intent.

The Electric Utility's share of the side account deposit is \$16.7 million. Management recommends using the following sources to fund the deposit:

- \$325,000 from the Pension & Post-Retirement fund. By Board Policy, budgeted PERS costs in excess of actual expenses are transferred to this fund. In December 2018, this fund was depleted to pay the PERS transition liability from joining the PERS State and Local Government Pool.
- \$3.8 million from excess Working Cash. Current projections do not anticipate working cash reducing further in 2019.
- \$12.6 million from the RSF. The RSF includes \$15.8 million transferred from the prior Carmen-Smith Reserve, transfers from other funds above target, and cash from the sale of the riverfront property with a current balance of \$37.0 million. To date, \$23.5 million from the Electric RSF has been used to defease debt. The long-term financial plan has historically presumed that \$21.5 million of the RSF would be used to reduce future borrowings due to the Electric Utility's previous debt service coverage challenges. Recent debt restructurings and defeasances have eliminated debt service coverage pressure based on current long-term financial plan assumptions. The proposed transfer will leave \$24.5 million, or 19.5 million above target, in the Electric RSF. The current long-term financial plan assumes the fund will be used for one-time or emergent expenses in 2019 and then reduced to its target in 2021 for \$15 million in capital costs. As always, the Board will have the opportunity to discuss reserve transfers in the second quarter of 2020.

The Water Utility's share of the side account deposit is \$5.3 million. Management recommends using the following sources to fund the deposit:

- \$147,000 from the Pension & Post-Retirement Medical Fund
- \$2.3 million from Working Cash
- \$2.8 million from the RSF, which would bring the fund to its \$1 million target.

Attachments 1 and 2 provide the reserve balances and recommended use of reserves for the Water and Electric Utilities, respectively.

Recommendation and Requested Board Action

Management is requesting approval of Resolution No. 1927, authorizing use of reserves for deposit to a PERS side account in order for EWEB to receive its 25% EIF match.

Attachment 1 – Water Utility Schedule of Cash Reserves

Attachment 2 – Electric Utility Schedule of Cash Reserves

ATTACHMENT 1

Water Utility Schedule of Cash Reserves

Reserve/Fund	Financial Policy Reference	Target	Balance 8/31/2019	In Excess of Target	Recommended Use of Funds	Balance After
Working Cash	Rate Sufficiency	\$ 3,400,000	\$ 7,314,120	\$ 3,914,120	(2,320,947)	\$ 4,993,173
Operating Reserve	Rate Stability	1,000,000	1,012,184	12,184	-	1,012,184
Self-Insurance Reserve	Rate Stability	280,000	288,712	8,712	-	288,712
Capital Improvement Reserve	Capital Reserve	7,000,000	11,241,325	4,241,325	-	11,241,325
Rate Stabilization Fund	Rate Stability	1,000,000	3,807,263	2,807,263	(2,807,263)	1,000,000
Water Stewardship Fund- Septic Repairs		-	73,922	73,922	-	73,922
Business Growth & Retention Loan Fund		-	209,546	209,546	-	209,546
Alternate Water Supply Fund		-	6,377,023	6,377,023	-	6,377,023
Pension & Post Retirement Medical Fund		-	147,000	147,000	(147,000)	-
Working Cash & Designated Funds Total		\$ 12,680,000	\$ 30,471,095	\$ 17,791,095	\$ (5,275,210)	\$ 25,195,885

ATTACHMENT 2

Electric Utility Schedule of Cash Reserves

Reserve/Fund	Financial Policy Reference	Target	Balance 8/31/2019	In Excess of Target	Recommended Use of Funds	Balance After
Working Cash	Rate Sufficiency	\$ 36,000,000	\$ 39,896,156	\$ 3,896,156	(3,800,000)	\$ 36,096,156
Operating Reserve	Rate Stability	4,000,000	4,082,704	82,704	-	4,082,704
Self-Insurance Reserve	Rate Stability	1,720,000	1,773,975	53,975	-	1,773,975
Power Reserve	Rate Stability	17,000,000	17,000,000	-	-	17,000,000
Capital Improvement Reserve	Capital Reserve	22,000,000	24,550,430	2,550,430	-	24,550,430
Rate Stabilization Fund	Rate Stability	5,000,000	37,048,759	32,048,759	(12,579,832)	24,468,927
Business Growth & Retention Loan Fund		-	1,999,416	1,999,416	-	1,999,416
Pension & Post Retirement Medical Fund		-	325,000	325,000	(325,000)	-
Working Cash & Designated Funds Total		\$ 85,720,000	\$ 126,676,440	\$ 40,956,440	\$ (16,704,832)	\$ 109,971,608

**RESOLUTION NO. 1927
OCTOBER 2019**

**EUGENE WATER & ELECTRIC BOARD
USE OF RESERVES FOR OREGON PUBLIC EMPLOYEES RETIREMENT
SYSTEM SIDE ACCOUNT**

WHEREAS, the Eugene Water & Electric Board (EWEB) 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 State of Oregon has established an Employer Incentive Fund (EIF) that provides a 25% match on qualifying side account contributions to encourage public employers to reduce their Oregon Public Employees Retirement System (PERS) unfunded actuarial liability;

WHEREAS, the PERS has established a process for distributing EIF money within the requirements of Oregon Senate Bills 1566 and 1049;

WHEREAS, EWEB's Board of Commissioners authorized EWEB management to apply for EWEB's maximum qualifying EIF match with Resolution 1812;

WHEREAS, EWEB Management applied to PERS for EWEB's maximum qualifying match from the EIF on September 3, 2019;

WHEREAS, PERS has approved EWEB's application to receive EIF matching funds based on a PERS side account deposit of \$21,980,042;

WHEREAS, PERS has allocated 25% of the intended contribution, \$5,495,000, in matching funds from the EIF, to apply to EWEB's side account;

WHEREAS, EWEB management has recommended to the Board sources of funds to make the deposit to PERS;

THEREFORE BE IT RESOLVED that the Eugene Water & Electric Board hereby authorizes the General Manager to use the following funds for a PERS side account deposit:

Water Utility

- 1) \$2,807,263 from the Rate Stabilization Fund
- 2) \$2,320,947 from Working Cash
- 3) \$147,000 from the Pension & Post-Retirement Medical Fund

Electric Utility

- 1) \$12,579,832 from the Rate Stabilization Fund
- 2) \$3,800,000 from Working Cash
- 3) \$325,000 from the Pension & Post-Retirement Medical Fund

Dated this 1st day of October 2019

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 October 1, 2019 Board Meeting.

Assistant Secretary

**RESOLUTION NO. 1930
OCTOBER 2019**

**EUGENE WATER & ELECTRIC BOARD
BOARD LIAISON FOR GENERAL MANAGER EMPLOYMENT AGREEMENT**

WHEREAS, Board Policy GP12 provides for the use of committees, outside appointments and liaisons to staff work as a means of gathering and disseminating information, representing the Board and providing preliminary input to Board decisions; and

WHEREAS, Board Policy GP12 further states that all committees, outside appointments and liaisons be created by resolution and that all appointments to said committees, outside appointments and liaisons be made via resolution; and

WHEREAS, the Board met on September 3, 2019 and following discussion, authorized EWEB's Chief Human Resources Officer to work with legal counsel on amendments to the General Manager Employment Agreement. An amendment to the Employment Agreement or a revised Agreement shall be presented to the Board for consideration and potential future approval.

WHEREAS, the Board discussed and approved the creation of a new Board liaison assignment to work with the Chief Human Resources Officer on the General Manager Employment Agreement.

NOW, THEREFORE, BE IT RESOLVED that the Eugene Water & Electric Board creates a Board liaison to work with the Chief Human Resources Officer on the General Manager Employment Agreement. Furthermore the Board appoints John Brown as said liaison. The term of this assignment shall expire upon execution of a signed agreement or amendment, or no later than January 8, 2020.

Changes to this assignment may be made at the direction of the Board.

Dated this 1st day of October 2019

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 October 1, 2019 Regular Board Meeting.

Assistant Secretary



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Carlson, Mital, Helgeson, Schlossberg and Brown
FROM: Deborah Hart, Financial Services Manager; Leslie Kidd, Interim General Accounting Supervisor; Aaron Balmer, Senior Accounting Analyst
DATE: September 20, 2019
SUBJECT: Resolution No. 1931, Annual Investment Policy Review
OBJECTIVE: Board Action

Issue

The Investment Policy provides guidance for staff to follow in the execution of investment decisions. If investments are made with a maturity beyond 18 months, ORS 294.135 calls for EWEB to have a written Investment Policy which should be submitted to the Oregon Short Term Fund (OSTF) Board for comment prior to adoption. In addition, the statute requires the Investment Policy be adopted annually by the EWEB Board.

Background

During 2018, staff submitted the Investment Policy to the OSTF Board for review and comments were presented to the EWEB Board at the September 4, 2018 meeting. EWEB's Investment Policy was guided by the OSTF Sample Investment Policy and conforms to best practices presented therein. The Board last adopted the Investment Policy at the October 2018 meeting with Resolution No. 1824.

Discussion

Annual adoption promotes regular review of the Investment Policy. There have not been any updates to the OSTF Sample Investment Policy. In addition, staff have reviewed other industry best practices and determined EWEB's policy aligns with those recommendations as well. The policy has been functioning well to guide investment activity over the past year.

OSTF review of EWEB's Investment Policy is not required this year because there have not been any changes made to EWEB's policy since OSTF's last review. Additionally, no updates are proposed to the EWEB Investment Policy at this time.

Recommendation and Requested Board Action

Management recommends approval of Resolution No. 1931 to readopt the Investment Policy.

Attachments: EWEB Investment Policy-2019
Resolution No. 1931



**Eugene Water & Electric Board
Investment Policy
Reviewed September 2019**

Eugene Water & Electric Board Investment Policy

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Eugene Water & Electric Board Investment Policy

The Eugene Water & Electric Board (EWEB) is chartered by the City of Eugene and is responsible for the operation of the water and electric utilities. The responsibilities delegated to EWEB pursuant to the City's charter are conducted under the direction of a publicly elected Board of five commissioners.

The Electric System and the Water System are accounted for as separate and independent entities. The investment and safeguarding of funds are performed in a joint manner, while maintaining accounting records to properly reflect system ownership.

This Investment Policy defines the parameters within which funds are to be invested by EWEB. This policy also formalizes the framework, pursuant to ORS 294.135 (Investment maturity dates), for EWEB's investment activities to ensure effective and judicious management of funds within the scope of this policy.

These guidelines are intended to be broad enough to allow designated investment staff to function properly within the parameters of responsibility and authority, yet specific enough to adequately safeguard the investment assets.

1.0 GOVERNING AUTHORITY

EWEB's investment program shall be operated in conformance with Oregon Revised Statutes and applicable Federal Law. Specifically, this Investment Policy is written in conformance with ORS 294.035 (Investment of funds of political subdivisions); 294.040 (Restriction on investments under ORS 294.035); 294.052 (Definitions); 294.135 (Investment maturity dates); 294.145 (Prohibited conduct for custodial officer); and 294.810 (Local governments authorized to place limited funds in pool). All funds within the scope of this policy are subject to regulations established by the State of Oregon. Any revisions or extensions of these sections of the ORS shall be assumed to be part of this Investment Policy immediately upon being enacted.

2.0 SCOPE

This Investment Policy applies to all cash and cash equivalents, short-term investments, operating and capital improvement funds, and funds restricted for construction purposes by bond indenture or otherwise. Funds held and invested by trustees are excluded from this policy; however, such funds are subject to the rules set forth by the applicable trust indenture, as well as Oregon law

Portfolios managed by EWEB include:

- Trojan General Fund
- EWEB Unrestricted Funds
- EWEB Designated Funds
- EWEB Restricted Funds

The amount of funds falling within the scope of this policy over the next three years is expected to range between \$120 million and \$220 million.

3.0 OBJECTIVES

The primary objectives, in priority order, of investment activities shall be:

3.1 Preservation of Invested Capital Investments shall be undertaken in a manner seeking to ensure the preservation of capital in the overall portfolio. The goal is to mitigate credit risk and interest rate risk.

3.2 Liquidity The investment portfolio shall remain sufficiently liquid to meet all reasonably anticipated operating requirements. Furthermore, the portfolio should consist largely of securities with active secondary or resale markets. A portion of the portfolio also may be placed in the Oregon Local Government Investment Pool (Oregon Short Term Fund) which offers next-day liquidity. Where possible and prudent, the portfolio should be structured so investments mature concurrent with anticipated demands.

3.3 Return / Yield (Performance Yardstick) The investment portfolio shall be designed with the objective of exceeding the one year Constant Maturity Treasury (CMT) rate, as published by the Federal Reserve Board, taking into consideration the safety and liquidity needs of the portfolio. The investment program shall seek to achieve returns above this rate, within the risk limitations described in this policy and prudent investment principles. When comparing the performance of EWEB's portfolio, all fees involved with managing the portfolio shall be included in the computation of the portfolio's rate of return. Although return consists of both principal return (gains and losses due to market value fluctuations) and income return (yield), this policy discourages active trading and turnover of investments. Investments should generally be held to maturity.

4.0 PRUDENCE

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. An investment official/officer is someone who has been delegated investing duties by the Treasurer. Investment Officers acting in accordance with written procedures and this Investment Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported and appropriate action is taken to control adverse developments within a timely fashion as defined in this policy.

The "prudent person" standard states:

“Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.”

5.0 ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. Disclosure shall be made to the governing body. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and investment officials shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of EWEB. Employees and investment officials shall comply with ORS Chapter 244 (Government Ethics) and any Code of Ethics applicable to employees the Board may adopt in the future.

6.0 DELEGATION OF AUTHORITY

The Treasurer will retain ultimate fiduciary responsibility for invested funds. The Board will receive reports, pursuant to, and with sufficient detail to comply with 294.155 (Annual Audit Report).

This policy shall constitute a written order from the Board, per ORS 294.035 (Investment of Funds of Political Subdivisions), which has final authority in reviewing the managed portfolios. The Treasurer may further delegate authority to invest EWEB funds to additional investment officials. The Treasurer, or an Investment Officer who is responsible for the daily administration of this policy, will administer an active cash management program with the goal of maintaining historical cash flow information such as cash receipts, expenditures, debt service payments and extraordinary expenditures.

All participants in the investment process shall seek to act responsibly as custodians of the public trust. No officer or designee may engage in an investment transaction except as provided under the terms of this policy and supporting procedures.

6.1 Investment Committee

Should investing duties be delegated beyond the Treasurer, an Investment Committee shall be formed. The Investment Committee shall include all personnel to whom significant investment duties have been delegated. The Treasurer shall preside over the Investment Committee, which will meet on a quarterly basis to review EWEB's investment portfolio and cash flow, as well as set short and long term investment strategies.

6.2 Investment Advisers

A list will be maintained of approved advisers selected by conducting a process of due diligence.

- i. The following items are required for all approved Investment Advisers:
 - a. The investment adviser firm must be registered with the Securities and Exchange Commission (SEC) or licensed by the state of Oregon; (Note: Investment adviser firms with assets under management >\$100 million must be registered with the SEC, otherwise the firm must be licensed by the state of Oregon)
 - b. All investment adviser firm representatives conducting investment transactions on behalf of EWEB must be registered representatives with FINRA
 - c. All investment adviser firm representatives conducting investment transactions on behalf of EWEB must be licensed by the state of Oregon
 - d. Certification, by all of the adviser representatives conducting investment transaction on behalf of this entity, have read, understood and agreed to comply with this Investment Policy
- ii. A periodic (at least annual) review of all authorized investment advisers will be conducted by the Investment Officer to determine their continued eligibility within the portfolio guidelines. Factors to consider would be:
 - a. Pending investigations by securities regulators
 - b. Significant changes in net capital
 - c. Pending customer arbitration cases
 - d. Regulatory enforcement actions
- iii. The Investment Officer may want to establish guidelines or policy for engaging investment advisers' services that are more restrictive than stated in this policy. Additional requisites or due diligence items may include:
 - a. Positive references from at least three other local government clients of a prospective investment adviser firm
 - b. As part of the periodic due diligence review, inquiries with other local government clients of approved investment advisers with regard to their recent experiences with the adviser and any change in the relationship status
 - c. Requirement that approved investment advisers provide notification within 30 days of a relationship termination by an Oregon based local government
 - d. Requirement that approved investment adviser provide notification within 30 days of any formal investigations or disciplinary actions initiated by federal or state regulators
 - e. Requirement that prospective investment advisers have an established history of advising local governments with similar amounts of assets under management.

7.0 TRANSACTION COUNTERPARTIES AND FINANCIAL INSTITUTIONS

7.1 Broker/Dealers

Broker/dealers and other financial institutions shall be selected by the Investment Officer on the basis of their expertise in public cash management and their ability to provide service for EWEB's account. It shall be the policy of EWEB to purchase securities only from institutions and firms that meet the following minimum criteria:

- i.** Broker/Dealer firms must meet the following minimum criteria:
 - a.** Be registered with the Securities and Exchange Commission (SEC);
 - b.** Be registered with the Financial Industry Regulatory Authority (FINRA);
 - c.** Provide most recent audited financials;
 - d.** Provide FINRA Focus Report filings.
- ii.** Approved broker/dealer employees who execute transactions with EWEB must meet the following minimum criteria:
 - a.** Be a registered representative with the Financial Industry Regulatory Authority (FINRA);
 - b.** Be licensed by the state of Oregon;
 - c.** Provide certification (in writing) of having read; understood; and agreed to comply with the most current version of this Investment Policy.
- iii.** Periodic (at least bi-annual) review of all authorized broker/dealers and their respective authorized registered representatives will be conducted by the Investment Committee. Factors to consider would be:
 - a.** Pending investigations by securities regulators
 - b.** Pending customer arbitration cases
 - c.** Regulatory enforcement actions
- iv.** Periodic (at least annual) review of all authorized broker/dealers and their respective authorized registered representatives will be conducted by the Investment Officer. Factors to consider would be:
 - a.** Pending investigations by securities regulators
 - b.** Significant changes in net capital
 - c.** Pending customer arbitration cases
 - d.** Regulatory enforcement actions

7.2 Depositories

All financial institutions who desire to become depositories must be qualified Oregon Depositories pursuant to ORS Chapter 295 (Depositories of Public Funds and Securities).

7.3 Competitive Transactions

The Investment Officer shall obtain and document competitive bid information on all investments purchased or sold in the secondary market. Competitive bids or offers should be obtained, when possible, from at least three separate brokers/financial institutions or through the use of a nationally recognized trading platform.

If EWEB is offered a security for which there is no other readily available competitive offering, then the Investment Officer shall document quotations for comparable or alternative securities.

When purchasing original issue instrument securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

If an investment adviser provides investment management services, the adviser must retain documentation of competitive pricing execution on each transaction and provide upon request.

8.0 ADMINISTRATION AND OPERATIONS

8.1 Delivery vs. Payment

All trades of marketable securities will be executed (cleared and settled) by delivery vs. payment (DVP) to ensure securities are deposited in EWEB's safekeeping institution prior to the release of funds.

8.2 Third-Party Safekeeping

Securities will be held by an independent third-party safekeeping institution selected by EWEB. All securities will be evidenced by safekeeping receipts in EWEB's name. Upon request, the safekeeping institution shall make available a copy of its report under Statement on Standards for Attestation Engagements (SSAE) No. 18 AT-C sec 320 (Reporting on Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting).

8.3 Internal Controls

The Treasurer is responsible for establishing and maintaining an adequate internal control structure designed to reasonably assure funds are invested within the parameters of this Investment Policy, and protected from loss, theft, or misuse. Specifics for the internal controls shall be documented in writing. The established control structure shall be reviewed and updated annually by the Investment Committee.

The concept of reasonable assurance recognizes the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management. The internal controls shall address the following points at a minimum:

- i.** Compliance with Investment Policy
- ii.** Control of collusion
- iii.** Separation of transaction authority from accounting and record keeping
- iv.** Custodial safekeeping.
- v.** Avoidance of physical delivery of securities whenever possible and address control requirements for physical delivery where necessary
- vi.** Clear delegation of authority to subordinate staff members

- vii. Confirmation of transactions for investments and wire transfers in written or digitally verifiable electronic form
- viii. Dual authorizations of wire and automated clearing house (ACH) transfers
- ix. Staff training
- x. Review, maintenance and monitoring of security procedures both manual and automated

8.4 External Audit

An external auditor shall provide an annual independent financial audit of EWEB to assure compliance with Oregon state law and EWEB policies and procedures and internal controls. Such audit will include tests deemed appropriate by the auditor.

9.0 SUITABLE AND AUTHORIZED INVESTMENTS

The following investments are permitted pursuant to ORS 294.035, 294.040, and ORS 294.810.

EWEB has further defined the eligibility of investment types and transactions as follows:

i. State of Oregon Local Government Investment Pool (LGIP)

Organized pursuant to ORS 294-805 through 294.895(Local Government Investment Pool). Participation in the Pool shall not exceed the maximum limit set annually by ORS 294.810 (Local governments authorized to place limited funds in pool). However, this limit may temporarily be exceeded by local governments for 10 business days due to pass-through funds. Investments of debt proceeds subject to arbitrage tracking requirements may be made in the LGIP in excess of the maximum limit as the law allows.

ii. U.S. Treasury Obligations

EWEB may invest in Treasury Bills, Treasury Notes, Treasury Bonds and Treasury Strips with maturities not exceeding three years from the date of settlement.

iii. US Government Agency Securities

Debentures, discount notes, callable securities and stripped principal or coupons with final maturities not exceeding three years issued by US federal agencies and instrumentalities or US government sponsored enterprises (GSE). Qualified agencies include, Federal National Mortgage Association (FNMA), Federal Farm Credit Banks (FFCB), Federal Agricultural Mortgage Corporation (FAMCA), Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Resolution Funding Corporation (REFCORP), Financing Corporation (FICO) and Tennessee Valley Authority (TVA).

iv. Commercial Paper

Purchases of commercial paper must have maturities not exceeding 270 days from the date of purchase, and be issued in United States dollars (\$USD) by a commercial, industrial, or utility business or issued by or on behalf of a financial institution.

Commercial paper must be rated at least A-1 by Standard and Poor's, and P-1 by Moody's, for issuers outside the state of Oregon. Issuers within Oregon must have a Standard and Poor rating of A-2 and a Moody's P-2. Ownership of commercial paper and corporate bonds shall be limited to a combined total of thirty-five percent of the portfolio, with no more than five percent of the portfolio held in any one issuer or its affiliates or subsidiaries.

v. Corporate Bonds

Corporate Bonds issued by a commercial, industrial, or utility business or issued by or on behalf of a financial institution must have final maturities not exceeding three years from the date of settlement. Authorized corporate bonds shall be limited to obligations of United States dollar denominated corporations organized and operating within the United States. A bond must have one rating from Standard and Poor's, Moody's, or Fitch, of at least AA, Aa, or AAA, respectively. Ownership of corporate bonds and commercial paper shall be limited to a combined total of thirty-five percent of the portfolio, with no more than five percent of the portfolio held in any one issuer or its affiliates or subsidiaries.

vi. Municipal Debt

Lawfully issued debt obligations of the agencies and instrumentalities of the State of Oregon and its political subdivisions with a long term rating of "single A" (A) or an equivalent rating or better or are rated on the settlement date in the highest category for short-term municipal debt by a nationally recognized statistical rating organization. Lawfully issued debt obligations of the agencies and instrumentalities of the States of California, Idaho, and Washington and their political subdivisions having a long term rating of "double A" (AA) or an equivalent rating or better or are rated on the settlement date in the highest category for short-term municipal debt by a nationally recognized statistical rating organization.

vii. Bankers Acceptances

Authorized Bankers Acceptances must: (a) be guaranteed by and carried on the books of a financial institution located and licensed to do banking business in the State of Oregon. (b) be eligible for discount by the Federal Reserve System; and (c) the institution issuing a letter of credit shall have a short term rating in the highest category by one or more nationally recognized statistical rating organizations. Maturities shall be limited to 180 days from the date of purchase and ownership of bankers acceptances shall not exceed twenty five percent of the portfolio, with no more than ten percent of the portfolio held in any one issuer.

viii. Time Deposit Open Accounts, Certificates of Deposit, and Savings Accounts

May only be made in insured institutions as defined in ORS 706.008 (Additional definitions for Bank Act) that maintain an office in Oregon. Certificates of deposit purchased by EWEB shall be FDIC/NCUA insured or collateralized through the state collateral pool in accordance with ORS 295.015 (Maintenance of securities by bank depository) and ORS 295.018 (Increase is required collateral of bank depository). Ownership of time certificates of deposit shall be limited to twenty-five percent of the

portfolio, with no more than ten percent with any one financial institution at the time of purchase, and maturities shall not exceed three years.

9.1 Approval of Permitted Investments

If additional types of securities are considered for investment, per Oregon state statute, they will not be eligible for investment until this policy has been amended and the amended version adopted by the Board.

9.2 Prohibited Investments

Private placement or “144A” Securities are not allowed for purposes of the policy SEC Rule 144A securities are defined to include commercial paper privately placed under section 4(a)(2) of the Securities Act of 1933.

US agency mortgage backed securities such as those securities issued by FNMA and FHLMC are not allowed.

The Board shall not lend securities nor directly participate in a securities lending program.

9.3 Demand Deposits and Time Deposits

All demand deposits and time deposits (Examples of time deposits are: certificates of deposit and savings accounts) shall be held in qualified Oregon depositories in accordance with ORS Chapter 295.

Demand deposits in qualified depository institutions are considered cash vehicles and not investments and are therefore outside the scope and restrictions of this policy. Pursuant to ORS 294.035(3)(d), time deposits, certificates of deposit and savings accounts are considered investments and within the scope of this policy.

10.0 RISKS MANAGED

10.1 Credit Risk

Credit risk is the risk a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. Credit risk will be mitigated by the following guidelines:

i. Diversification It is the policy of EWEB to diversify its investments. Where appropriate, exposures will be limited by security type; maturity; issuance, and issuer. Allowed security types and investment exposure limitations are detailed in the table below.

ii. Recognized Credit Ratings Investments must have a rating from at least one of the following nationally recognized statistical ratings organizations (NRSRO): Moody’s Investors Service; Standard & Poor’s; and Fitch Ratings Service as detailed in the table below. Ratings used to apply the guidelines below should be investment level ratings and not issuer level ratings.

iii. Portfolio Average Credit Rating The minimum weighted average credit rating of the portfolio’s rated investments shall be Aa/AA/AA by Moody’s Investors Service; Standard & Poor’s; and Fitch Ratings Service respectively.

iv. Exposure Constraints and Minimum Investment Credit Ratings.

The following table limits exposures among investments permitted by this policy.

Instrument Diversification

<u>Instrument Type</u>	<u>Maximum % Portfolio</u>	<u>Minimum Ratings Moody’s/S&P/Fitch</u>
US Treasury Obligations	100%	
US Government Agency Securities	100%	
Per Agency	33%	
Oregon Short Term Fund (LGIP) per ORS 294.810	Max allowed	
Commercial Paper	35%	A1/P1/F1
Corporate Bonds	35%	Aa/AA/AA
Municipal Bonds	10%	Aa/AA/AA
Bankers Acceptances	25%	A1+/P1/F1+
Time Certificates	25%	

v. Determining a Security’s Rating A single rating will be determined for each investment by utilizing the lowest security level rating available for the security from Standard and Poor’s, Moody’s Investor Services and Fitch Ratings respectively.

vi. Restriction on Issuers With Prior Default History Per ORS 294.040 (Restriction on investments under ORS 294.035), the bonds of issuers listed in ORS 294.035 (3) (a) to (c) (US Treasury, US Agency, OR/WA/CA/ID municipal securities) may be purchased only if there has been no default in payment of either the principal of or the interest on the obligations of the issuing county, port, school district or city, for a period of five years preceding the date of the investment.

10.2 Liquidity Risk

Liquidity risk is the risk an investment may not be easily marketable or redeemable. The following strategies will be employed to mitigate liquidity risks:

i. The value of at least 25% of funds available for investing will be invested in the Oregon Short Term Fund, with a qualified depository institution, or investments maturing in less than 180 days to provide sufficient liquidity for expected disbursements.

ii. Funds in excess of liquidity requirements are allowed for investments maturing in greater than one year. However, longer-term investments tend to be less liquid than shorter term investments. Portfolio investment maturities will be limited as follows:

Under 6 months	25% minimum
Under 1 year	40% minimum
Under 3 years	100%

iii. Reserve or Capital Improvement Project monies may be invested in securities exceeding the maximum term if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

iv. Larger issuance sizes enhance liquidity as there are likely to be a greater number of investors. Issuance sizes above a minimum amount qualify a corporate or municipal debt bond issuance for index eligibility. Index eligible bonds have a significantly larger investor base which improves liquidity.

v. Limiting investment in a specific debt issuance improves secondary market liquidity by assuring there are other owners of the issuance. Care should be taken to limit ownership of a particular issuance.

<u>Issue Type</u>	<u>Maximum % of issuance* (PAR)</u>
US Agency Securities	50%
Corporate Debt (Total)	-
Corporate Commercial Paper	100%
Corporate Bonds	25%
Municipal Bonds	25%

10.3 Interest Rate Risk

Longer-term investments have the potential to achieve higher returns but are also likely to exhibit higher market value volatility due to the changes in the general level of interest rates over the life of the investment(s). Interest rate risk will be mitigated by providing adequate liquidity for short term cash needs, and by making longer-term investments only with funds not needed for current cash flow purposes. Certain types of securities, including variable rate securities, securities with principal pay-downs prior to maturity, and securities with embedded options, will affect the interest rate risk profile of the portfolio differently in different interest rate environments. The following strategies will be employed to control and mitigate adverse changes in the market value of the portfolio due to changes in interest rates:

i. Where feasible and prudent, investment maturities should be matched with expected cash outflows to mitigate market risk.

ii. To the extent feasible, investment maturities not matched with cash outflows, including liquidity investments under one year, should be staggered to mitigate re-investment risk.

iii. No commitments to buy or sell securities may be made more than 14 business days prior to the anticipated settlement date, or receive a fee other than interest for future deliveries.

iv. The maximum percent of callable securities in the portfolio shall be 20%.

v. The maximum stated final maturity of individual securities in the portfolio shall be three years, except as otherwise stated in this policy.

vi. The maximum portfolio average maturity (measured with stated final maturity) shall be 1.5 years.

11.0 INVESTMENT OF PROCEEDS FROM DEBT ISSUANCE

Investments of bond proceeds are restricted under bond covenants that may be more restrictive than the investment parameters included in this policy. Bond proceeds shall be invested in accordance with the parameters of this policy and the applicable bond covenants and tax laws.

Funds from bond proceeds and amounts held in a bond payment reserve or proceeds fund may be invested pursuant to ORS 294.052 (Definitions). Investments of bond proceeds are typically not invested for resale and are maturity matched with outflows. Consequently, surplus funds within the scope of ORS 294.052 (Definitions) are not subject to this policy's liquidity risk constraints.

12.0 INVESTMENT OF RESERVE OR CAPITAL IMPROVEMENT FUNDS

Pursuant to ORS 294.135(1)(b) (Investment maturity dates), reserve or capital improvement project monies may be invested in securities exceeding three years when the funds in question are being accumulated for an anticipated use occurring more than 18 months after the funds are invested, then, upon the approval of the governing body of the county, municipality, school district or other political subdivision, the maturity of the investment or investments made with the funds may occur when the funds are expected to be used.

13.0 GUIDELINE MEASUREMENT AND ADHERENCE

13.1 Guideline Measurement

Guideline measurements will use market value of investments.

13.2 Guideline Compliance

i. If the portfolio falls outside of compliance with adopted Investment Policy guidelines or is being managed inconsistently with this policy, the Investment Committee shall bring the portfolio back into compliance in a prudent manner and as soon as prudently feasible.

ii. Violations of portfolio guidelines as a result of transactions; actions to bring the portfolio back into compliance and; reasoning for actions taken to bring the portfolio back into compliance shall be documented and reported to the Treasurer and General Manager.

iii. Due to fluctuations in the aggregate funds balance, maximum percentages for a particular issuer or investment type may be exceeded at a point in time. Securities

need not be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made to ensure appropriate diversification is maintained.

14.0 REPORTING AND DISCLOSURE

14.1 Compliance

The Investment Officer shall prepare a report at least quarterly to ascertain whether investment activities during the reporting period have conformed to the Investment Policy. The report should be made available to the Investment Committee. The report will include, at a minimum, the following:

- i.** A listing of all investments held during the reporting period showing: par/face value; accounting book value; market value; type of investment; issuer; credit ratings; and yield to maturity (yield to worst if callable).
- ii.** Average maturity of the portfolio at period-end.
- iii.** Maturity distribution of the portfolio at period-end.
- iv.** Average portfolio credit quality of the portfolio at period-end.
- v.** Average weighted yield to maturity (yield to worst if callable investments are allowed) of the portfolio.
- vi.** Distribution by type of investment.
- vii.** Transactions since last report.
- viii.** Distribution of transactions among financial counterparties such as broker/dealers.
- ix.** Violations of portfolio guidelines or non-compliance issues that occurred during the prior period or that are outstanding. This report should also note actions (taken or planned) to bring the portfolio back into compliance.

14.2 Marking to Market

The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly.

15.0 POLICY MAINTENANCE AND CONSIDERATIONS

15.1 Review

The Investment Policy shall be reviewed at least annually by the Investment Committee to ensure its consistency with the overall objectives of preservation of principal, liquidity and return, and its relevance to current law and financial and economic trends.

The annual review should also serve as a venue to suggest policies and improvements to the investment program.

15.2 Exemptions

Any investment held prior to the adoption of this policy shall be exempted from the requirements of the policy. At maturity or liquidation, such monies shall be reinvested as provided by the policy.

15.3 Policy Adoption and Amendments

This Investment Policy and any modifications to this policy must be formally approved by the Board as required by statute.

This policy must be submitted to the Oregon Short Term Fund (OSTF) Board for review if:

This policy allows maturities beyond 18 months unless the funds are being accumulated for a specific purpose, including future construction projects, and upon approval of the Board, the maximum maturity date matches the anticipated use of the funds (ORS 294.135(1)(b) and 294.135(3) (Investment maturity dates)).

And either:

- A. This policy has never been submitted to the OSTF Board for comment;
- Or
- B. Material changes have been made since the last review by the OSTF Board.

Regardless of whether this policy is submitted to the OSTF Board for comment, this policy shall be re-submitted as required by statute.

REVISION/ADOPTION HISTORY

Version	Section Revised/Description	Resolution No.	Approved	Effective
1	Initial Adoption	No. 1824	10/2/2018	10/2/2018
	Annual Adoption (no change)	No. 1931		

**RESOLUTION NO. 1931
OCTOBER 2019**

**EUGENE WATER & ELECTRIC BOARD
ANNUAL INVESTMENT POLICY REVIEW AND ADOPTION**

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 an Investment Policy which requires annual adoption by the Board of Commissioners;

WHEREAS, the Board of Commissioners has reviewed the Investment Policy;

THEREFORE BE IT RESOLVED that the Eugene Water & Electric Board hereby authorizes the General Manager to adopt and enforce the Investment Policy.

Dated this 1st day of October 2019.

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 October 1, 2019 Board Meeting.

Assistant Secretary