

## SPRINGFIELD UTILITY BOARD

223 A STREET, SUITE F  
SPRINGFIELD, OR 97477  
MINUTES

February 13, 2019

The regular session of the Springfield Utility Board was called to order by Chair DeWenter at 6:05 p.m.

ATTENDANCE: Board: John DeWenter, Chair; Mike Eyster, Vice Chair; Pat Riggs-Henson; David Willis; Virginia Lauritsen – excused absence. Staff: Jeff Nelson; Bob Fondren; Sanjeev King; Greg Miller; Tracy Richardson; Nick Amann; Bart McKee; Cindy Flaherty; Joe Leahy/Matt Dahlstrom, Attorneys for the Board. Others: John Brown, EWEB Commissioner, Frank Lawson, EWEB Chief Executive Officer and General Manager; Mel Damewood, EWEB Chief Water Engineer and Operations Officer.

### ACTION ITEMS:

#### CONSENT AGENDA

#### 1. MINUTES:

- 1.a. December 5 Budget Committee Meeting
- 1.b. December 12 Special Session

#### 2. ACCOUNTS PAID: January 2019

#### 3. AWARDS/APPROVALS OF BIDS/PROPOSALS:

- 3.a. Proposal: SOQ Process: Engineering Services, South Hills Pump Station. Water Division staff recommended award of this proposal to OS Engineering for engineering services for the South Hills Pump Station for a total amount of \$69,150.00 (Exhibit A).
- 3.b. Bid No. OF18.03: Lead Abatement, Steam Plant. Water Division staff recommended award of this bid to MT2, LLC, for Steam Plant lead abatement for a total amount of \$323,497.00, for the lowest bid meeting specifications (Exhibit B).
- 3.c. Bid No. 2019-08: Stock Material for Thurston Transmission Pipeline Phase 11. Water Division staff recommended award of this bid to Consolidated Supply for the purchase of material for stock in the amount of \$82,225.06, and to Core & Main in the amount of \$14,460.66, for a grand total of \$96,685.72 (Exhibit C).
- 3.d. Bid No. 2019-09: Ductile Iron Pipe for Thurston Transmission Pipeline Phase 11. Water Division staff recommended award of this bid to Consolidated Supply for the purchase of 8-inch and 30-inch ductile iron pipe, in the amount of \$245,494.44 (Exhibit D).
- 3.e. Bid No. 03.19: Distribution Transformers. Electric Division staff recommended award of this bid to Hees Enterprises/ERMCO for the purchase of 36 distribution transformers for a total amount of \$168,934.00 (Exhibit E).

- 3.f. MOU-01: City of Springfield Memorandum of Understanding – Mill Street Paving. Water Division recently entered into a Memorandum of Understanding (MOU) with the City of Springfield to establish an asphalt replacement plan as related to the reduced scope of trench restoration standards, beings the paving would be excavated when the City re-builds Mill Street. The City accepted SUB's proposal to split the cost savings of \$106,114.50, as this is the type of collaboration TEAM Springfield is based upon. This MOU included a lump sum payment from SUB to the City for 50 percent of the estimated cost savings in the amount of \$53,075.25 (Exhibit E).

- \* Pat Riggs-Henson motioned, and Mike Eyster seconded, to approve the consent agenda, as presented. This motion **CARRIED** unanimously.

BUSINESS FROM  
THE AUDIENCE:

None.

BUSINESS FROM  
THE BOARD:

Proposed Electric Rate  
Increase, Effective  
May 1, 2019

Jeff Nelson offered the Board a PowerPoint presentation on the Proposed Electric Rate Increase (Exhibit G). He shared that during the discussions with the SUB Budget Committee, the Board provided direction to spread a recommended rate increase out in smaller phases. The Budget Committee recommended a 5 percent increase in electric rates effective May 1, 2019. To recap the process, The Board discussed and decided that with the rate effective on bills effective the first of the month, following the Board approval to adopt a rate increase, and based on customer feedback and discussion with SUB staff, Mr. Nelson explained, the Board decided to begin the public hearing process three months in advance of bill dates. The Board also recommended to plan for annual rate adjustments every year, instead of larger rate adjustments every other year. He noted that there will be two public hearings for a proposed electric rate increase, the first one being held tonight, and the second to be held during the March 13, Board meeting, with the rate being effective April 1, 2019, on bills rendered on or after May 1, 2019.

Mr. Nelson briefly reviewed statistics on rate revenue, using 2018 data, and rate changes by year by customer class. He noted that there are two sets of proposed rates provided for the Board's consideration (Exhibit H). One scenario is 50 percent

of the increase put to the base charge, and 50 percent put towards the usage charge, and the other scenario is 25 percent of the increase put to the base charge, and 75 percent put towards the usage charge. He shared a graph on monthly base charges for residential electric service as compared to four other local utilities, showing data on both scenarios for SUB. He then discussed graphs and data on other customer classes and the revenue split on those classes.

Mr. Nelson said that the energy charge for all lighting customers (private lights) are increased by 5 percent. There's also infrastructure charge associated with the lighting service that SUB provides. Combined, the infrastructure charge and the increase in energy charge results in an overall increase of 5 percent.

First Public Hearing  
to Gather Comment  
on a Proposed Electric  
Rate Increase

Chair DeWenter opened the public hearing at 6:15 p.m. for public comment.

As there were no public comments, Chair DeWenter closed the public hearing at 6:16 p.m.

Potential Board Action  
Following Tonight's  
Executive Session

None.

Discussion of Board  
Committees and Board  
Priorities and Tasks

Chair DeWenter shared that one of the tasks was to organize and review, and eventually post on SUB's website, policies specifically relating to the Board. Vice Chair Eyster will work with General Manager Nelson on this task. It is suggested to review potentially three policies at each subsequent Board meeting, and to complete this task before the end of the year.

**BUSINESS FROM THE  
GENERAL MANAGER:**

Presentation by EWEB  
Commissioner John Brown

EWEB Commissioner John Brown, introduced EWEB Chief Water Engineer and Operations Officer Mel Damewood, and EWEB Chief Executive Officer and General Manager Frank Lawson, who were also present to provide information or

address any questions from the Board. He wanted to thank the Board for this opportunity to speak about what they consider a potential opportunity to partner in agreement with SUB to be able to move forward and explore options in water treatment. Referring to his overheads, (Exhibit I) he discussed a map that detailed EWEB's Hayden Bridge Filtration Plant with a capacity of 88 Million Gallons per Day (MGD), with the ability to expand that, as they have water rights that include a 1963 water permit with approximately 118 MGD, as well as a 1925 and a 1976 permit for another 76 MGD on the McKenzie River. EWEB's maximum demand in peak summer is about 50 MGD, and their average last year was about 24 MGD. Their maximum projected by 2035 is 71 MGD. EWEB has plans for a future treatment plant on the Willamette River for a 10-15 MGD capacity facility, with a pre-1909 water right for 19 MGD, and noted they have to take the water from below the confluence of the Coast Fork of the Willamette.

Commissioner Brown then referred to his January 29, 2019, letter to Chair DeWenter (Exhibit J) and said that EWEB and SUB have had a long history of collaboration with both the water side and electric. He expressed their appreciation of all the help and cooperation they received from SUB during the 2016 Ice Storm, which helped them get through a very challenging time. He also wanted to acknowledge SUB in working with EWEB on emergency preparedness and the interties.

He noted that EWEB and SUB are planning significant capital improvements with EWEB planning a water treatment facility for the Willamette River and SUB planning one for the McKenzie River. A regional approach could benefit both utilities, due to fewer facilities and economics of scale. They feel a unique opportunity exists to collaborate in working together on a water treatment facility while adhering to our principles. He noted a research paper by Cable Houston (Exhibit K) on water rights, and how EWEB might be able to use SUB's water right to pull water to their location and still not jeopardize it or compromise it. It is his hope that we could explore and consider the options of working together in a collaborative way to hopefully serve our communities with clean, reliable, and affordable water in the future; recognizing that both utilities might have some capital investment in making it happen.

In response to the Board, Mel Damewood shared that EWEB has a perfected water right on the McKenzie River, as well as a 1961 water permit; and SUB has a 2002 water right on the McKenzie River. He explained that the Watermaster with Oregon's Water Resources Department essentially rules those rights. Because SUB has the junior water right on the McKenzie River, and if the McKenzie were to get to such a low flow, the Watermaster could call on SUB to stop their water right; and EWEB could continue to use their water right. However, Mr. Damewood said, EWEB has enough water to supply SUB with drinking water, in case that were to actually happen.

Discussion was shared regarding clarification of potential pricing and aspects related to joint ownership agreements, operating agreements, and supply agreements bi-directionally and between the two utilities, as related to a Memo from General Manager Frank Lawson to Commissioner John Brown (Exhibit L).

General Manager Nelson then shared a brief update on the collaborative work between SUB and EWEB in 2017, and noted that when he and Mr. Lawson met in 2017, they had identified joint collaboration on plant development, particularly on the Willamette River, as a topic they would want to explore at the end of 2018. He also gave a brief review on SUB's timeline for its water rights and shared a handout on SUB's potential surface water treatment plant locations (Exhibit M).

Bart McKee shared an update on SUB's three water systems connected with limited capacity interties, and how SUB is working towards transmission line construction with a goal to end up with one system that would have the ability to move water between source and storage and demand, system wide. He explained that, historically, demand was met by drilling wells where demands increased. That resulted in the Thurston Wellfields in the 1960's and 1970's, and Sports Way and SP/Maia Wellfields in the 1970's and 1980's to push water north. SUB has focused the last 15 years on building a transmission system that gives SUB the ability to move all of our source water to where we need it, and where demand appears to be growing. By the end of 2022, SUB will have the ability to move, at a minimum, 5 MGD from any part of the system to any other part of the system. If SUB

were to go forward with development of a treatment plant on the McKenzie, and put significant source capacity at a single location, SUB would be prepared to actually utilize that source to where it's needed in the system.

After discussion to clarify EWEB's timeline and plan for development on the Willamette, the Board expressed their appreciation of EWEB's proposal and presenting it to the Board. Chair DeWenter noted that the Board will need time to discuss and consider the proposal, as promptly as possible.

#### Presentation on Electrification Options for Transportation

Tracy Richardson began her presentation by referring to her overheads (Exhibit N) and noted that two efforts she has been participating in on behalf of SUB are the *Regional Electrification and EV Coalition Group* and the *Oregon Clean Fuels Program*. She said the *Oregon Clean Fuels Program* was implemented through legislation by the Oregon Department of Environmental Quality (DEQ) in 2016, and it created *Clean Fuels Standards* where fuels have a lower carbon intensity than the standard for the fuel it replaces. When the *Clean Fuels Standards* happened, that's when Lane Transit District (LTD) approached SUB in 2016 and asked if SUB would consider registering as a credit generator, because DEQ was assigning carbon intensity scores to those who wanted to be alternative fuel users. At that time, LTD was hoping to have five EV buses on the road in 2017. LTD uses SUB's electricity to power their EV buses, and in order for LTD to get a lower carbon intensity score, they wanted SUB to register as a credit generator. She explained that SUB gets to use BPA's lower score, and LTD would then be able to get credits from DEQ for using an alternative fuel source, and also get considerably more credits for having a considerably lower carbon intensity score. At the time when LTD engaged us in the conversation, they were estimating they would receive approximately \$60,000 per year. However, there was no market established at that time, but that was their estimate. Ms. Richardson added that SUB found value in registering, not only because LTD asked us to register, but because SUB could also receive credits for having EVs in its service zip codes.

SUB's registration as a credit generator was effective September 25, 2017, and is effective until SUB decides to opt out. Ms. Richardson added that a market has been created, and there is now a list of credit generators, as well as

regulated parties. Regulated parties are those that have fuel standard requirements that they have to meet and demonstrate compliance. She then reviewed overheads on SUB's Oregon Clean Fuels (OCF) credits generated and sold, OCF monthly credit transaction data, potential uses of proceeds from credit sales, and current incentives that include federal tax credit and Oregon State rebates, as well as a Charge Ahead Rebate.

After brief discussion, the Board thanked Ms. Richardson for her presentation.

#### APPA Legislative Rally Review

Jeff Nelson shared that he had provided the Board with the Resolutions that the APPA Legislative Committee sent out for consideration of the participants of the 2019 APPA Legislative Rally in Washington, DC, being held later this month. Mr. Nelson asked if the Board had any specific comments, or if there was a Resolution that had a significant importance to the Board, then perhaps David Willis could consider their comments, being SUB's Voting Delegate at the APPA Legislative & Resolutions Committee meetings in DC. His recommendation is to support all of the Resolutions, as presented.

- \* John DeWenter motioned, and Mike Eyster seconded, to adopt the recommendation to authorize David Willis to support, not necessarily sponsor, the APPA recommended legislative Resolutions 1, 3, 4, 5, 6, and 7, as presented (Exhibit O). This motion **CARRIED** unanimously.

#### Oregon Legislative Update

General Manager Nelson provided a brief update related to his Memo to the Board (Exhibit P) on some of the discussions that Oregon Municipal Electric Utilities (OMEU) had been having.

#### Review Draft Economic Development Strategy

Jeff Nelson explained that he provided the Board with this draft to provide a common framework and set of definitions for the Board to review and provide feedback and guidance on the Draft Economic Development Strategy (Exhibit Q).

After brief discussion, the Board thanked Mr. Nelson for such a thorough and well outlined document.

#### TEAM Springfield Update

TEAM Springfield will hold a meeting with the CAOs and the CEOs from each agency on February 20, at Willamalane. He had asked for a meeting with CAOs and CEOs to discuss the

feedback and concerns received during the October 2018 Joint Elected Officials meeting. That feedback was, essentially, that they'd like to see TEAM Springfield get back to its roots. Mr. Nelson asked the Board to consider what might not be working and what they see that is working, and to discuss that at the next TEAM Springfield CAO/CEO meeting.

ADJOURNMENT: The meeting was adjourned by consensus at 7:40 p.m.

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John DeWenter, Board Chair

ATTEST:

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Jeff Nelson, Board Secretary