

EMERALD PEOPLE'S UTILITY DISTRICT
Board of Directors' Meeting
April 21, 2020
Minutes

Convene	President Parker convened the meeting at 5:30 pm at the Emerald offices, 33733 Seavey Loop Road in Eugene.
Attendance and Introductions	Directors: Patti Chappel (by phone), Ron Davis, Charles Kimball, Brian Parker and Kevin Parrish. Staff: Doug Barab, Alicia Burgess (by phone), Sara Cline, Scott Coe, Kyle Roadman, Kelli Strange (by phone) and Wendi McKay. Guests: None.
Agenda Timeline	There were no additions to or deletions from the agenda.
Public Comment	A public call-in number was made available on the EPUD website for the meeting. No public comment was made.
Deferred Items	None.
Finance/ Treasurer's Report	The Accounts Payable Check Register for the period from March 1 – 31, 2020 was reviewed and discussed. Staff clarified several expenditures for the Board. A payment for David Evans and Associates for a substation seismic evaluation was discussed. The evaluation reports have been received and staff is waiting on quotes for some recommended improvements to the substations. Cline noted an IT software system license for in-house IT staff. It is a ticketing system so requests can be tracked. Cline gave some examples of the types of requests that are typical within the utility. Chappel asked about three different power purchases on the register. Roadman said these are some longer term hedging purchases that were done directly with the counterparties.
General Manager's Report	Coe presented his GM Report to the Board with the following updates: <ul style="list-style-type: none">• The upcoming Public Power Council meetings will be virtual, they will allow each utility two portal numbers to access the meeting.

- Coe discussed billing assistance for customers. The federal stimulus package includes \$900 million directly to LIHEAP, however staff does not know all the terms and conditions but will continue to follow this as more information is released. Regardless, with this funding and additional unemployment funds, staff does not foresee a need for a large amount of additional EPUD funding at this point for customers. Coe encouraged customers to continue to call directly and discuss payment arrangements. Equal pay will also be opened up early this year to encourage customer enrollment.
- Year-to-date loads are about 4.2% lower than this time last year, likely due to warmer weather in January and February. So far loads for April are comparable to last year.
- Coe said he took a field visit recently, showing a picture of work done by the tree crews. When a customer will allow tree removal in lieu of trimming, crews are happy to accommodate. It slows them down in the short term, but long term it is actually more efficient since they won't have to come back to trim in a few years. While Coe was in the field, he met the property owner, Sigrid Rasmussen, who was one of EPUD's original Board directors.
- There was a Governor's staff call earlier in the day which Coe was on. The call included plans on what it would take to re-open Oregon in various segments of the economy. The official plan is due on May 4 and will give some direction on when these segments will be opening up. A note came out shortly after the call, from the Lane County Operations Center. There were 26 active cases of COVID-19 in Lane County, with only one of those requiring hospitalization. The rest were recovering at their homes. Coe said one EPUD employee was showing symptoms and was able to get tested right away. This is a huge improvement from just a couple of weeks ago.
- Next, Coe discussed how EPUD is operating currently. The customer service reps are 100% working from home, with the exception of two days a week an employee comes in for accounts receivable procedures. Locates and meter support have taken a company vehicle home and are working out of their homes. The stakers are doing something similar. The accounting and energy services departments is mostly working from home aside from coming in for certain procedures. The mechanics and Short Mountain staff are not able to telework so they are still business as usual.

Crews are working with limitations including staggered work schedules, driving with only one person per vehicle, and keeping 6 feet of separation. Kimball asked about plans for re-opening and Coe said staff will continue to follow guidance provided by the state. There hasn't been any push back from customers on re-opening and operations seems to be running very well the way they are.

- Coe said there was a recent fire at Short Mountain due to warm weather, however there was no damage to EPUD facilities. Two new generators are on site. As a reminder, one generator was damaged and sent off for a repair and when it came back it only lasted a day or so. Staff put this out for re-bid and an estimate came back actually a few thousand less to purchase brand new ones rather than to rebuild. One of them will be installed this week, the other is a spare. Coe gave kudos to Jason Rice at Short Mountain for all of his meticulous records.
- Coe said a breaking news item just came out before the Board meeting. MeriAnne in accounting received an email from the State of Oregon stating payment will be released this week for the FEMA reimbursement from last year's storm. The payment for \$3.2 million will be received no later than April 29. This is great news!
- Coe said he had a trip previously scheduled during the May Board meeting, and Cline was slated to fill in for him. Now the trip has been canceled but he still plans on having Cline run the next meeting.

Audit Results - Moss Adams

Coe introduced Keith Simovic from Moss Adams to present the 2019 Audit Results. Coe said the results this year are outstanding. Moss Adams has conducted Emerald's audit for the past seven years, however this is the first year under the new contract following the Request for Proposal that went out last year. One of the stipulations with renewing the contract with Moss Adams includes changing the concurring partner who reviews the audit. This year the new concurring partner is Laurie Tish.

There are two documents the Board receives from Moss Adams every year, one is the financial document and the other is what's called the SAS, or System of Accounting Standards. The second document is for "Communications to those charged with Governance and Internal Control Related Matters". Coe said, normally this document includes several additional pages for internal controls however, this year's documented ended at page three. Coe said in 2013, there were 5 additional pages of comments which included some financial mischaracterizations including a \$10 million balance sheet issue. At the time, staff went above and beyond what to find out other items we needed to improve on and corrected those as well. Coe said he views the audit firm as a partner and the 2019 audit is a milestone for the utility.

Simovic began his review of the audit via web conference. He said his entire firm has been teleworking due to COVID-19.

He noted each year since his firm began auditing EPUD, the list of action items reduces as staff takes measures to correct them, to the point where the audit is today.

This is a great story which shows the progress that has been made over the last several years, and it comes from the top down – from the Board, to management, and down to staff.

Included in the the audit report on the financial statements there is now a separate section with Emerald's retirement benefits that were administered throughout the year. These include any plan activity - such as contributions and distributions that were made.

Simovic discussed the field work that is broken up into segments to look at internal controls that are in place. If they find any holes in internal controls, they pull larger samples and dig deeper to get more comfort over those balances. The process is very important for risk assessment.

Information technology continues to grow in relevance and is crucial to review. They want to make sure those who have unlimited access in the network, or a "super user", have a set of controls over them to monitor if what they're doing is in their job description. Accounting procedures is another area that is heavily investigated and looked at to ensure there are controls in place.

Simovic said there were no compliance findings in the Oregon Minimum Standards Report which looks at investments, ensuring deposits are accurate, and ensuring procurement process guidelines are being followed.

There were no material audited adjustments this year, which says the internal audit control system is strong. Simovic said when auditors arrive on site to begin the process, everything is ready to go from day one for the audit and they aren't waiting on books to be closed. Any piece of documentation and any question the auditors asked for, was received in a timely manner.

There was an internal control comment from last year's audit; the issue has since been addressed by staff and they saw evidence it was resolved. It involved a checks and balance issue for an IT matter with the super user. There is now an audit log to keep track of accuracy and system changes taking place.

Simovic wrapped up the review and said there are many people involved in the audit, and all of the help and partnership with Emerald makes for a good and smooth audit process.

The Board took a brief break at 6:40 and resumed at 6:45 pm.

Grid Management Initiative - Update

Coe presented the GMI report. Some of the dates from the original timeline have changed however the total budget cost has actually decreased from the original budget.

An update on AMI was given, single-phase meter installs have been completed and the poly-phase will be complete in 2020. Out of all the installed meters, 99.87% are reporting. The benefits to these meters reporting include outage notification response, system visibility, allowing customer programs such as pre-pay, and also energy efficiency visibility.

Coe shared an example of a customer's information who has solar. All the information is available because of the Advanced Analytics program and AMI. It is beneficial for the energy service staff when helping customers with their energy needs.

The Meter Data Management System (MDMS) was completed in 2019. The system is used in several departments at the utility, it has some long term storage and enables SmartHub for customers. Roadman said it's also crucial in advanced analytics to get information to The Energy Authority.

The mapping system (Geographic Information System) is targeted for completion in 2021, which has changed notably from the original timeline due to an issue with a previous contract. Emerald moved to ESRI's Utility Network Model for a number of reasons. It will reduce dependence on other vendors, it has the potential for very detailed connectivity, and it allows for web and mobile access. It slowed the project down in the short term, but long term, this is the better option for customers and the utility.

MacLean gave a demonstration of the new mapping GIS system and all of the options available for staff to use. It allows staff to easily look at the actual system and find most of the information they need all in one place and relatively quickly.

2020 Strategic Planning

Coe began the update on 2020 Strategic Plan, saying the goal from this discussion is to obtain feedback from the Board to ensure staff is headed in the right direction with the plan.

Davis asked about a formula for calculating the true cost of service so rate payers can understand it better. Coe said last month Steve Anderson from EES presented the report on the COSA. Unfortunately, it is not a simple calculation of just adding up some figures and dividing it by the amount of customers; it is much more complex and has hundreds of data points to consider. Coe said other utilities are not aligned with their true cost of service, they will eventually get there but most are misaligned at this point. It's a difficult issue for any utility to handle, there is no perfect rate structure that will work for all customers. With a basic charge that is close to the true cost of service, there won't be as many subsidizations happening between customers. If the charge is too low, the energy charge would have to be artificially too high, and customers would have much higher bills during the cold months. The basic charge is a way to cover costs and still keep the energy charge low.

Parker asked about the Board's decision to keep the cost of service at 90% instead of the full cost. Parrish said this decision was made years ago by a previous Board and should be adjusted to reflect the true cost of service. Parker also asked why irrigation customers do not pay the demand charge when industrial customers do. Roadman said historically, EPUD has not had the metering to charge all rate classes a demand charge, however the capability is now available. Residential demand is a difficult topic, a lot of times there isn't much that can be done to shift

demand in individual households so it becomes a frustration for them. This is typically why other utilities do not implement a demand charge for residential customers. Coe said we can do something similar to what a demand charge does but with time of use rates, it can have an effect on the demand and it's easier for the customer to control.

Parrish said his opinion on the COSA is to get it as close to the true cost as possible. Parker said he agreed the cost should be closer to 100% and rates will need to eventually reflect that, on a schedule. Chappel said she would be comfortable with moving forward with updating the COSA guidance to reflect that rate schedules will cover 100% of cost of service. She added that at this point, the Board needs to tread lightly with making any rate adjustments since there is no way of knowing the economic impacts of the pandemic. Coe agreed, saying this discussion is not about rate setting, just the guidance from the Board for the Strategic Plan. Coe said as staff begins the 2021 budget, Bonneville will be receiving a lot of pressure from utilities (EPUD included) to not raise rates and also to back off the financial reserves surcharge. The Public Power Council will include this in their letter to Bonneville.

Coe spoke next about load factor improvement. Load factor is a measure of the utility's load shape; a high factor means the load is flat and a low factor means it has peaks. Emerald has a low factor, largely due to a high percentage of residential customers with electric heat. From a power supply perspective, the single most variable cost in power supply cost is meeting that peak. Leveling the load is the path forward to reducing the supply cost.

Roadman said not only is important to level off the high peak times to help cut high power price purchase costs, but also raising usage during low peak times. Raising usage during low times is encouraged through programs like electric vehicle charging or time of use which promote energy usage at specific times of the day. Roadman said the system can be built out more efficiently too so EPUD doesn't have to go out and purchase more assets.

Davis recommended a video from MIT Professor, Donald Sadoway, on liquid metal batteries to help flatten out curves. Coe said long term battery storage is definitely something staff will keep an eye on in the long term, however technology just isn't quite there yet and prices are still high.

Chappel said depending on what happens with the pandemic, staff will need to be cautious about time of use and implementing it now. Roadman clarified that currently, time of use rates will always be voluntary.

System enhancements was discussed next. Coe said the cost of borrowing will likely be attractive and with the need for these system improvements, it's a good time to get this into the long term plan. Labor and material cost may be less over the next couple of years and much of the work will be completed by contractors.

Some of the system enhancement work would include strengthening existing substation infrastructure and preparing for future growth, replacing aging underground cable, replacing weakened overhead wire, and some other distribution system improvements.

Staff plans on continuing the current aggressive vegetation management program to keep trees clear of lines for reliability and fire mitigation reasons.

The Board was in favor of what staff presented and gave their approval for the plan.

For financing, Coe said Emerald is at 11% debt to asset ratio, which is a little low. Staff would put together modeling to show what it would look like if it were put in a partial debt-service payment plan. Coe said if all the system enhancements that are in the plan were to be accomplished, the debt to asset ratio would be closer to 20-25%. Over the next five years, this incremental spending for these projects is estimated at \$14 million.

Non-Public Executive Session

Parker adjourned the Board meeting at 7:45 pm to convene an Executive Session pursuant to ORS 192.660 (2) (i) to review and evaluate the employment-related performance of a public officer.

Present: Directors - Patti Chappel (by phone), Ron Davis, Charles Kimball, Brian Parker, and Kevin Parrish

The Board meeting was reconvened at 8:13 p.m.

General Manager Performance

Parker gave an update on what the Board discussed during their executive session. He said the entire Board is extremely pleased with Coe's performance. Due to the pandemic, they have decided to wait to make a decision on Action Item 20-03 for General Manager Retention and would also like to gather more information for comparable.

Consent Agenda

Motion

Director Chappel/Director Parrish motioned to approve the Consent Agenda.

Vote

Unanimously approved.

Action Item 20-03 –
General Manager
Retention

Motion Director Chappel motioned to table this action item regarding the General Manager's retention.

Vote Unanimously approved.

Action Item 20-04 –
Board Policy Update

Motion Director Parrish/Director Parker motioned to approve Action Item 20-04 for the Board Policy Update with an amendment to state the majority of the Board must approve individual director overages to their budget, prior to exceeding their budget allotment.

Vote Unanimously approved.

Review of Motions The motions made during the meeting were reviewed for accuracy.

Public Comment None.

Suggested Items for Future Meetings None, other than those discussed during the meeting.

Upcoming Meetings/Events The list of upcoming meetings and events was shared with the Board.

Directors' Concluding Comments None.

Adjournment President Parker adjourned the Board meeting at 8:40 pm.
Minutes prepared by Wendi McKay, Executive Assistant.

