

HERMISTON CITY COUNCIL

Work Session

September 9, 2019

Mayor Drotzmann called the work session meeting to order at 6:00pm. Present were Councilors Primmer, Barron, Smith, Kirwan, Hardin, Myers, and Davis. Councilor Gutierrez was excused. Staff members in attendance were City Manager Byron Smith, City Attorney Gary Luisi, Mark Morgan, Chief Edmiston, Mark Krawczyk, Clint Spencer, Nate Rivera, and Lilly Alarcon-Strong. Media present was Jade McDowell of East Oregonian and Michael Kane of NE Oregon Now.

Umatilla Electric Cooperative (UEC) Updates

UEC General Manager and CEO, Robert Echenrode, presented a PowerPoint Presentation (attached) regarding recent updates, to include:

- Infrastructure, both in and around the City of Hermiston, to include:
 - Rebuilding substations to conform with updates and safety standards
 - Current and future lines to accommodate residential area growth, specifically in the north of the City
 - Rural Columbia - River Substation to accommodate agricultural growth in the region
 - Update SCADA System
 - Working with HES to update poles
 - Working with communication technology to install 5g capabilities
- Mobile Home Replacements
 - Working with and seeking partners to help customers, in the area, replace mobile homes, manufactured prior to 1976, where customer energy bills are \$500 to \$600 per month
- Reviewed rates, revenues and costs
 - Despite rising Bonneville Power Administration (BPA) costs, UEC remains one of the lowest electric providers
- Annual Membership Dinner and Meeting will be held at EOTEC on Saturday, April 18, 2020 from 5-7pm. The members participating in this meeting outgrew their current UEC meeting room and had to be moved to EOTEC last year

Mr. Echenrode stated Hermiston is a great community to work with and for and thanked HES General Manager, Nate Rivera, for his efforts working with UEC.

Hermiston Energy Services (HES) Updates

HES General Manager, Nate Rivera, presented a PowerPoint Presentation (attached) regarding recent updates, to include:

- 5,229 current customers, with HES serving 63% of Hermiston with UEC and Pacific Power servicing the other 37%
- Cost of Service Analysis (COSA) with information regarding:
 - Bonneville Power Administration (BPA) annual rate increases and previous HES rate increases and unknown potential increases from BPA and how those increases may impact HES customers
 - HES costs
 - HES budget, revenues and deficits
 - Residential Bill Comparisons showing HES is tied for second with the lowest cost in service in the region
 - Conservation programs offered by HES
 - HES's SmarHub portal that allows customers to manage their accounts online
- Construction Work Plan (CWP) with information regarding:

HERMISTON CITY COUNCIL

Work Session

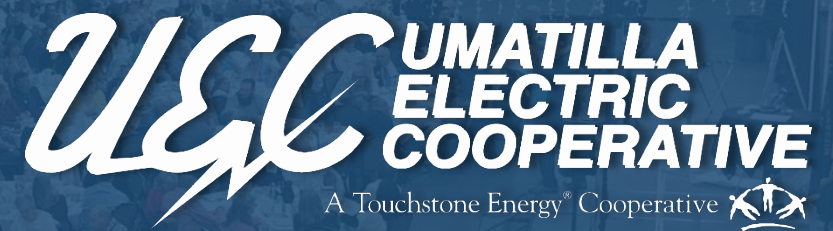
September 9, 2019

- Changing from a two-year to a three-year work plan to lessen the impact of a rate increase to customers
- Previous, current and future work planned and funds associated with each project
- Investments in infrastructure to bring updates and safety standards current and help prevent power outages

There was some discussion regarding electrical poles left in place after electric services have been disconnected and how difficult it is to have other companies disconnect from these poles in a timely manner, even with agreements in place; however, HES will continue to work on this front.

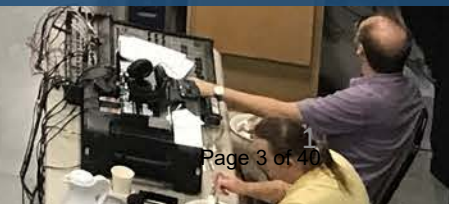
The Council thanked UEC for working with HES and the City to help provide electric services to the City and thanked UEC and HES for all their efforts to improve infrastructure, help bring costs down and continue to help Hermiston grow.

Mayor Drotzmann ended the work session at 6:50pm. The Councilors took a short recess before the regular City Council meeting convened at 7:00pm.



Robert Echenrode
General Manager and CEO

September 9, 2019









City of Hermiston Infrastructure

Existing service line to Hermiston Butte Substation

New McNary – Hermiston Butte Transmission Line

Hermiston Butte

Hermiston East

Columbia Switchyard

Feedville

Rural Hermiston Infrastructure



Pole Attachments

Slide 2

Slide 7



Mobile Home Replacement

- Seeking partnerships to replace homes with significant energy bills



Of 800+ rural electric
co-ops in the U.S.

UEC Rates, Revenues & Costs

Sales

25th largest
in the nation

		US Total	
		Median	Rank
TOTAL MWH SOLD			
2018	2,532,517	329,946	25/814

Source: National Rural Utilities Cooperative Finance Corp. Key Ratio Trend Analysis

Residential Revenues

		US Total	
		Median	Rank
RESIDENTIAL REVENUE PER KWH (Cents)			
2018	8.21	12.30	802/814

lowest 2%
in Residential
revenue per
kWh in the
nation

Avg. Residential rates of **8.21 cents/kWh**
compared to **12.30 cents** for the nation

Source: National Rural Utilities Cooperative Finance Corp. Key Ratio Trend Analysis

Cost of Electrical Service

	US Total		
	Median		Rank
COST OF ELECTRICAL SERVICE PER KWH (Cents)			
2018	4.55	10.91	814/814

Lowest
Among
Cooperatives in
the nation

4.55 cents per kWh compared to
10.91 cents for the nation

Source: National Rural Utilities Cooperative Finance Corp. Key Ratio Trend Analysis



UEC Rates

- Impact of BPA on UEC Rates
- Cost of Service Review



UEC UMATILLA
ELECTRIC
COOPERATIVE
A Touchstone Energy® Cooperative

Annual Membership Dinner

Saturday, April 18, 2020
5 -7 p.m.



Eastern Oregon Trade and Event
Center



ENERGY SERVICES

Council Update – September 9, 2019



Hermiston Energy Services

- HES is a Consumer Owned, Non-Profit Electric Municipality formed October 1, 2001 after acquiring PacifiCorp's Hermiston distribution facilities.
- HES currently serves 5,229 customer-owners, with annual sales of 110 million kilowatt-hours.
- HES's facilities consists of 36.3 miles of overhead and 19.6 miles of underground primary distribution lines.
- HES serves approximately 63% of Hermiston.



HES Costs

- Agenda
 - HES Cost of Service Analysis (COSA) Update
 - Construction Work Plan (CWP) Update



Cost of Service Analysis (COSA)



BPA/HES Rate History

B O N N E V I L L E
P O W E R A D M I N I S T R A T I O N

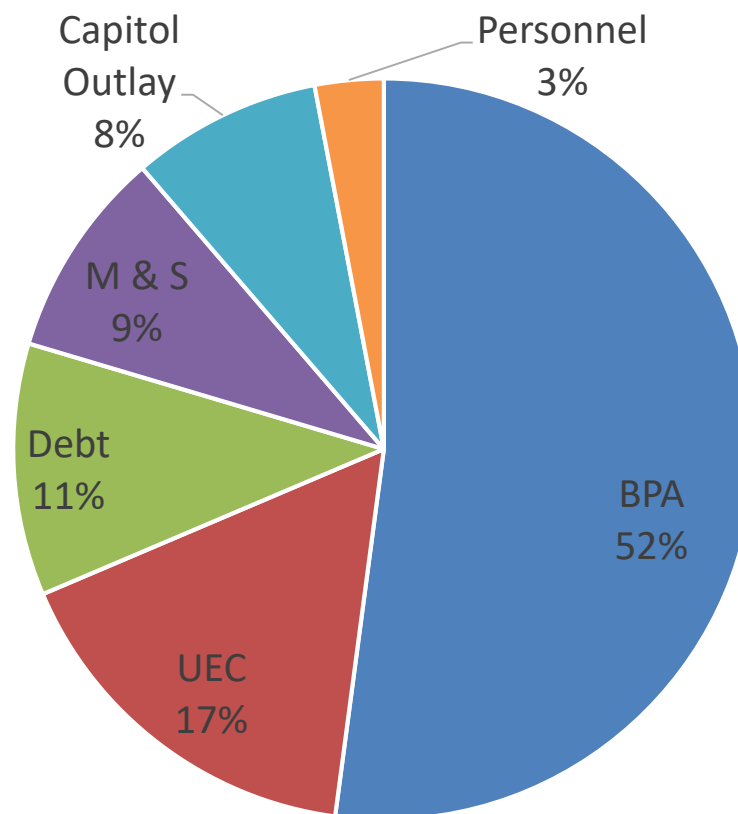


HERMISTON
E N E R G Y S E R V I C E S
TM

YEAR		
2009	7.0%	
2011	8.5%	
2013	11.5%	
2015	7.2%	10.95%
2016		2.59%
2017	6.5%	
2018		1.87%

HES Costs

- BPA Bill
 - Power & Transmission
- UEC
 - Distribution O & M, Customer Accounts & Administrative and General
- Debt
 - System Purchase in 2001
 - CWP Bond Finance
- Materials & Services
 - Accounting, Travel, Insurance, Phone, Street Lights, In Lieu of Taxes, Conservation, Energy Assistance, Dues, Misc. Contracts, Office Supplies and Misc. Equipment.
- Capitol Outlay
 - Transformers, New Services, Meters, System Repair/Maintenance.
- Personnel
 - Me, Barb & Part of Byron



HES COSA Results & Rate Actions

The Start of FY-19:

HES had a \$-5,951 (.06% deficit in revenue).

To Get Here:

1.87% Rate adjustment in 2018.

Using \$250,000 from previous savings in FY-17 to offset **deficit**.

Reduced spending in the Capital Improvements budget from **\$812,176** to **\$443,500**.

Using **\$443,500** from the **33 Capital Improvements Bond Fund** instead of the **08 Capital Improvements Fund**.

Converted our Construction Work Plan from two years into three.



HES Rate Pressure

Since Last Rate Action in 2018

Power/Transmission Purchases (BPA)
Rate Increase

B O N N E V I L L E
P O W E R A D M I N I S T R A T I O N

2.79%

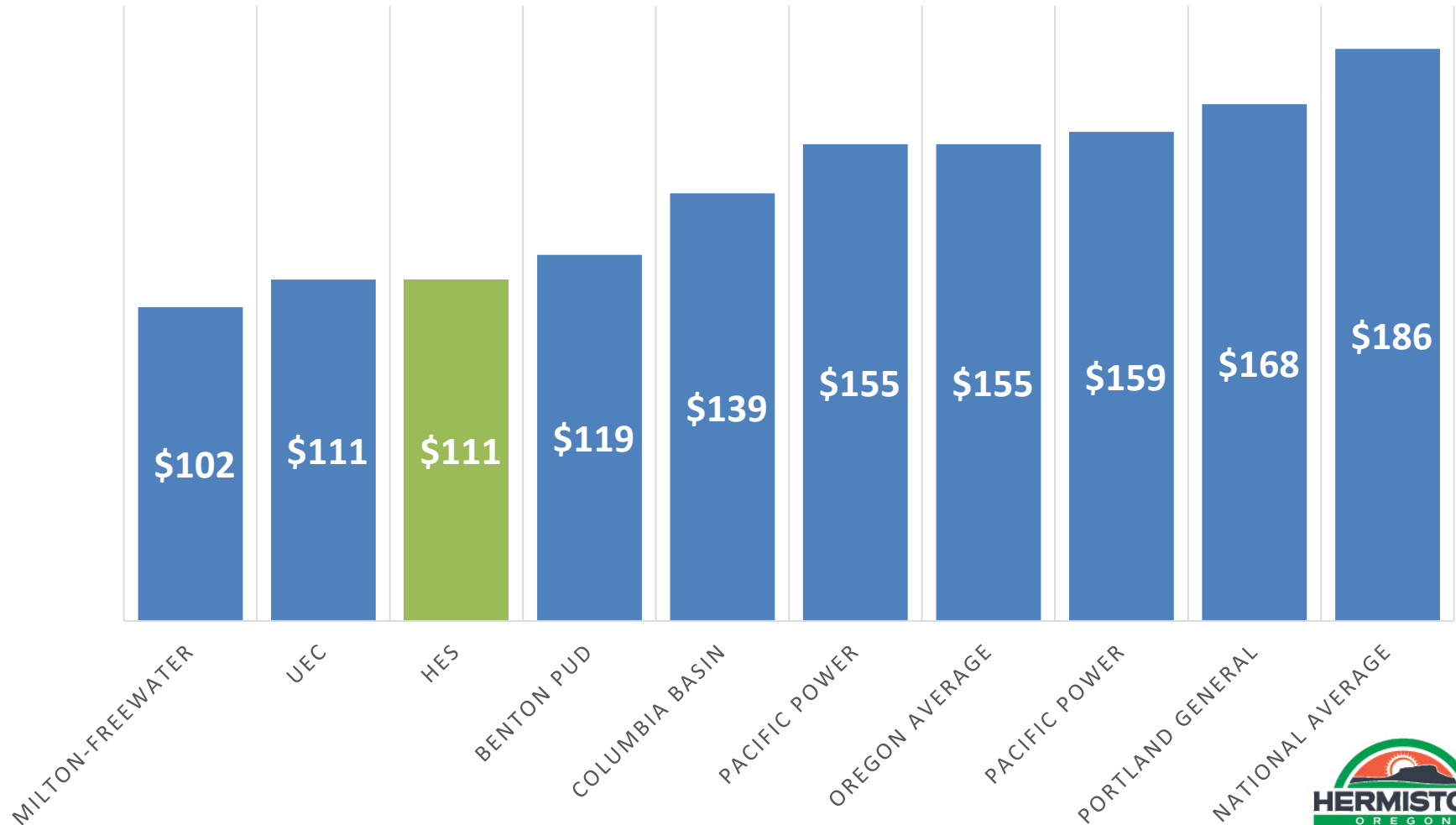
\$119,475

Current Unknown Related to BPA:
Substation Use-of-Facilities
Distribution Rate Calculation

\$425,420



Residential Bill Comparison



* Based on 1,400 kWh per-month



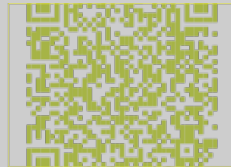
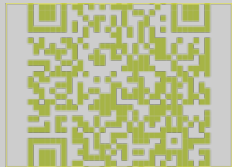
Conservation Programs

- Energy Audits
- Heat Pump Replacement
- Weatherization Programs
 - Windows Replacement
 - Insulation Upgrades
- Clothes Washer Rebates
- Water Heater Rebates





HES's SmartHub portal allows customers to manage their account from a computer or mobile device.



Download today and manage your account anywhere!

Construction Work Plan (CWP)



Construction Work Plan (Department 13)

- To reduce the revenue needs in FY's 2018 and 2019, HES converted our CWP from a two-year to three-year plan.
- This recommendation was part of the plan to minimizing the impact of rate increases.



Construction Work Plan (Department 13)

Miscellaneous Distribution	2018-19	2019-20	2020-21
Transformers*	\$ 40,000	\$ 40,000	\$ 40,000
New Member Connects / Extensions	\$ 55,000	\$ 55,000	\$ 55,000
CTs	\$ 12,000	\$ 12,000	\$ 12,000
Meters*	\$ 13,500	\$ 13,500	\$ 13,500
Automation/Sectionalizing*	\$ 25,000	\$ 25,000	\$ 25,000
Capacitors*	\$ 10,000	\$ 10,000	\$ 10,000
System Repair/Miscellaneous*	\$ 250,000	\$ 250,000	\$ 250,000
Miscellaneous Plant Addition*	\$ 30,000	\$ 30,000	\$ 36,500
Lights	\$ 8,000	\$ 8,000	\$ 8,000
Yearly Total	\$ 443,500	\$ 443,500	\$ 450,000
Three-Year Total	\$ 1,337,000 from \$1,510,000		

Construction Work Plan

HES Projects	2018-19	2019-20	2020-21
Pole Replacements (33 Fund)	\$ 333,750	\$ 203,000	-
Replace Underground Cable (33 Fund)	\$ 615,000	-	-
Overhead Reconductoring (33 Fund)	-	-	\$ 325,000
Backyard Conversion Test Site (33 Fund)	-	\$ 335,000	-
Miscellaneous Distribution (33 Fund)	\$ 443,500	\$ 443,500	-
Miscellaneous Distribution (13 Fund)	-	-	\$ 450,000
Yearly Total	\$ 1,392,250	\$ 981,500	\$ 775,000
CWP Total	\$ 3,148,750		

HES Funds	2018-19	2019-20	2020-21
2018-19 Budget (13 Department)	-	-	\$ 835,000
2016 Bond Funds (33 Department)	\$ 1,392,250	\$ 981,500	-
Yearly Total	\$ 1,448,750	\$ 1,038,000	\$ 835,000
Department 33 Funds	\$ 2,373,750		
Department 13 Funds			\$ 835,000*

Street Light Conversion - Phase IV



**PROJECT
A
UNDERGROUND
REPLACEMENT**



HERMISTON
ENERGY SERVICES

TM

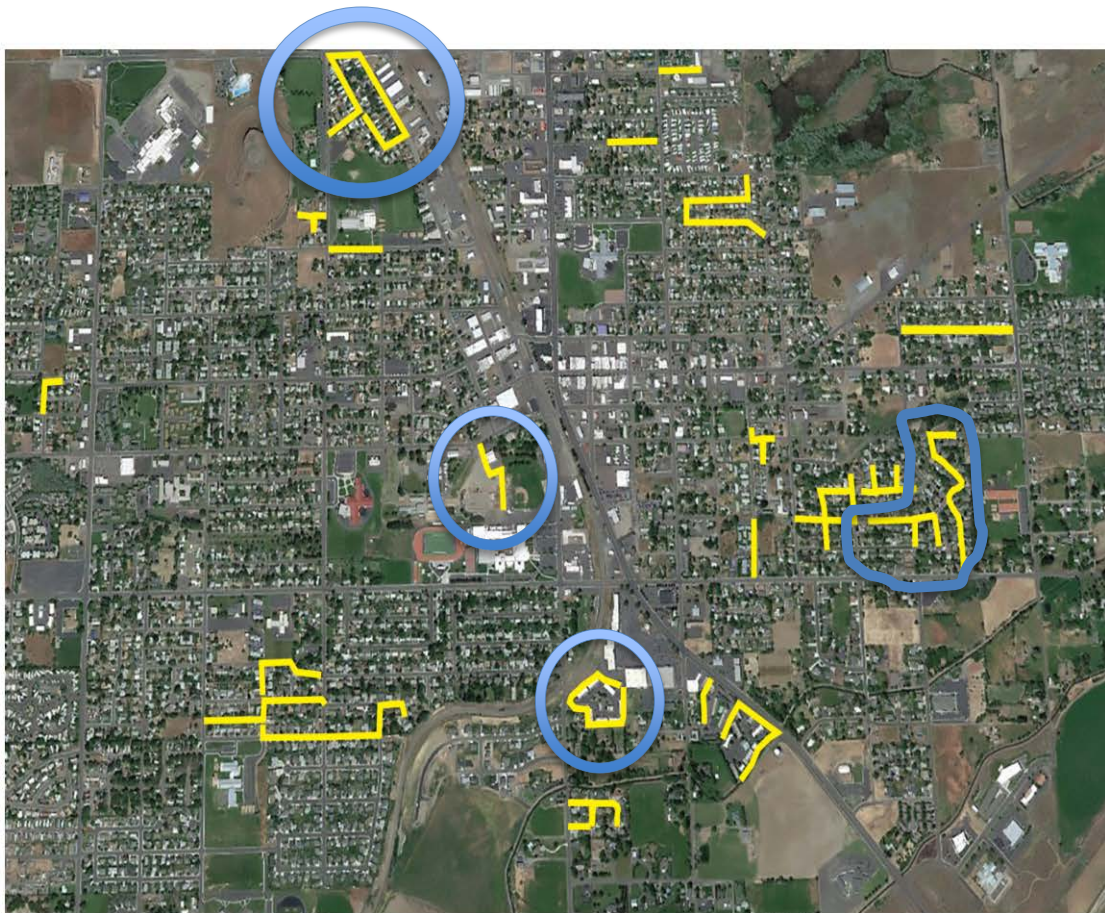
**2019
MAINTENANCE PROJECTS
MAY 13 - AUGUST 1**

**PROJECT B
UNDERGROUND
REPLACEMENT**

**PROJECT
C**

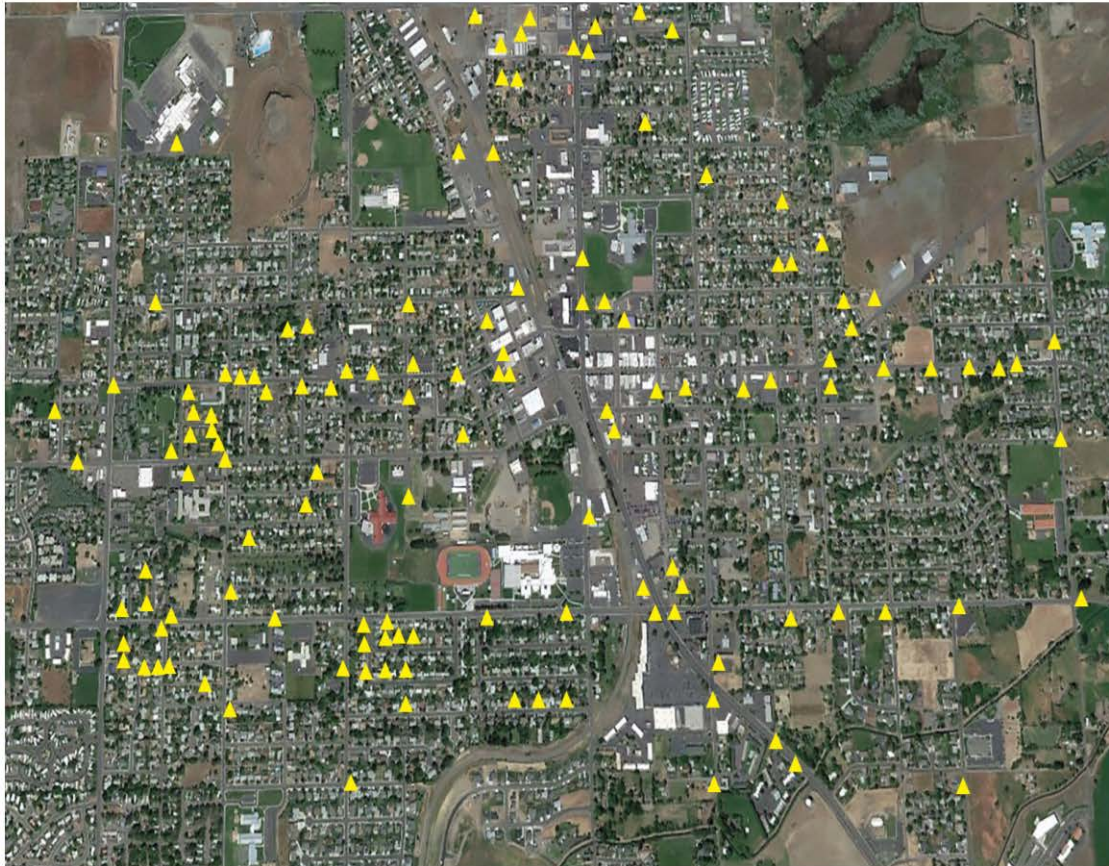
**OVERHEAD TO UNDERGROUND
CONVERSION**

**PROJECT D
UNDERGROUND & OVERHEAD
REPLACEMENT**



Hermiston Inventory

Issue 1
**Concentric Neutral
Distribution Cables**
6 miles still in HES



Hermiston Inventory

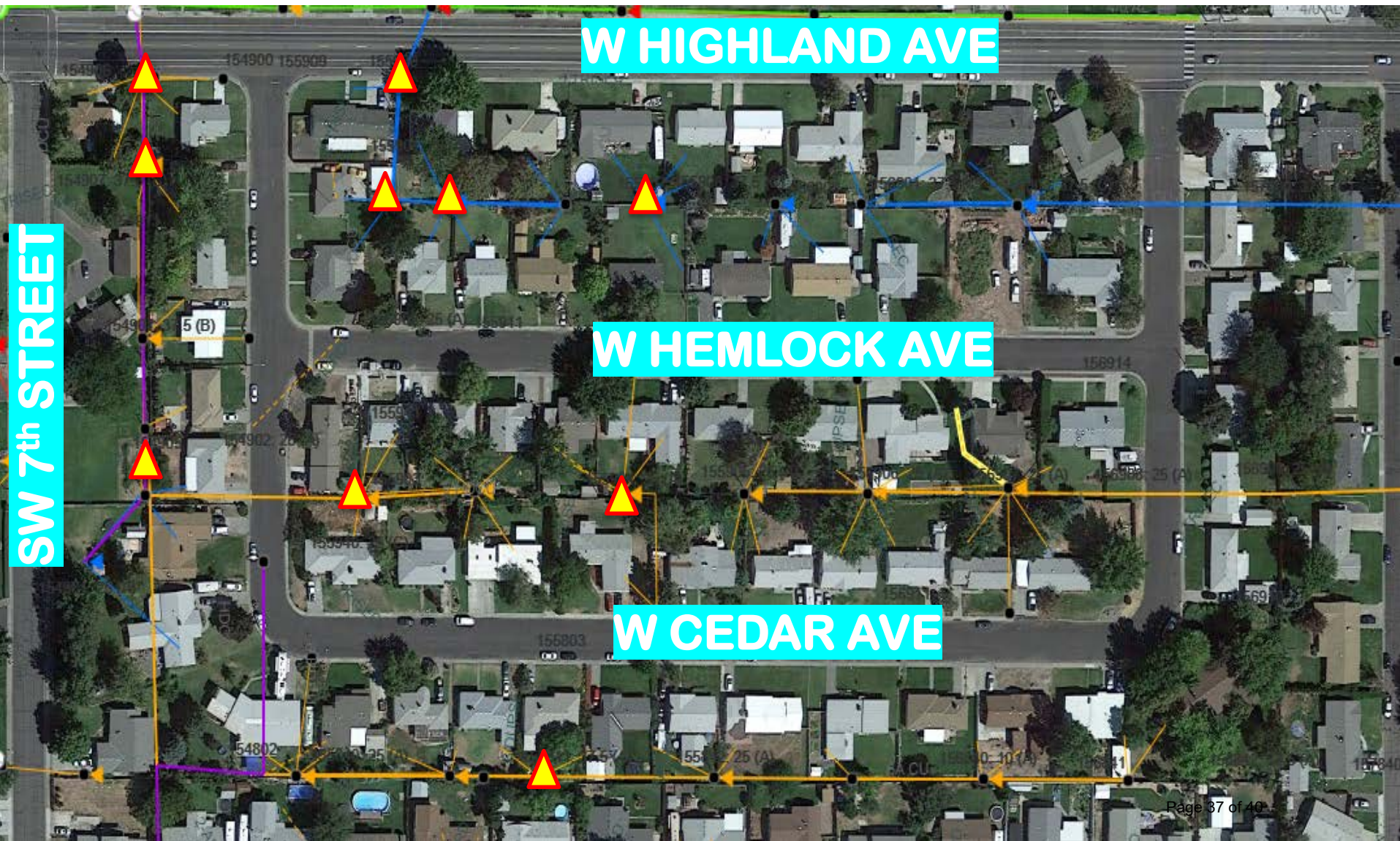
Issue 2
Poles Inspection
134 Poles Identified
89 Road Side
45 Back Lot



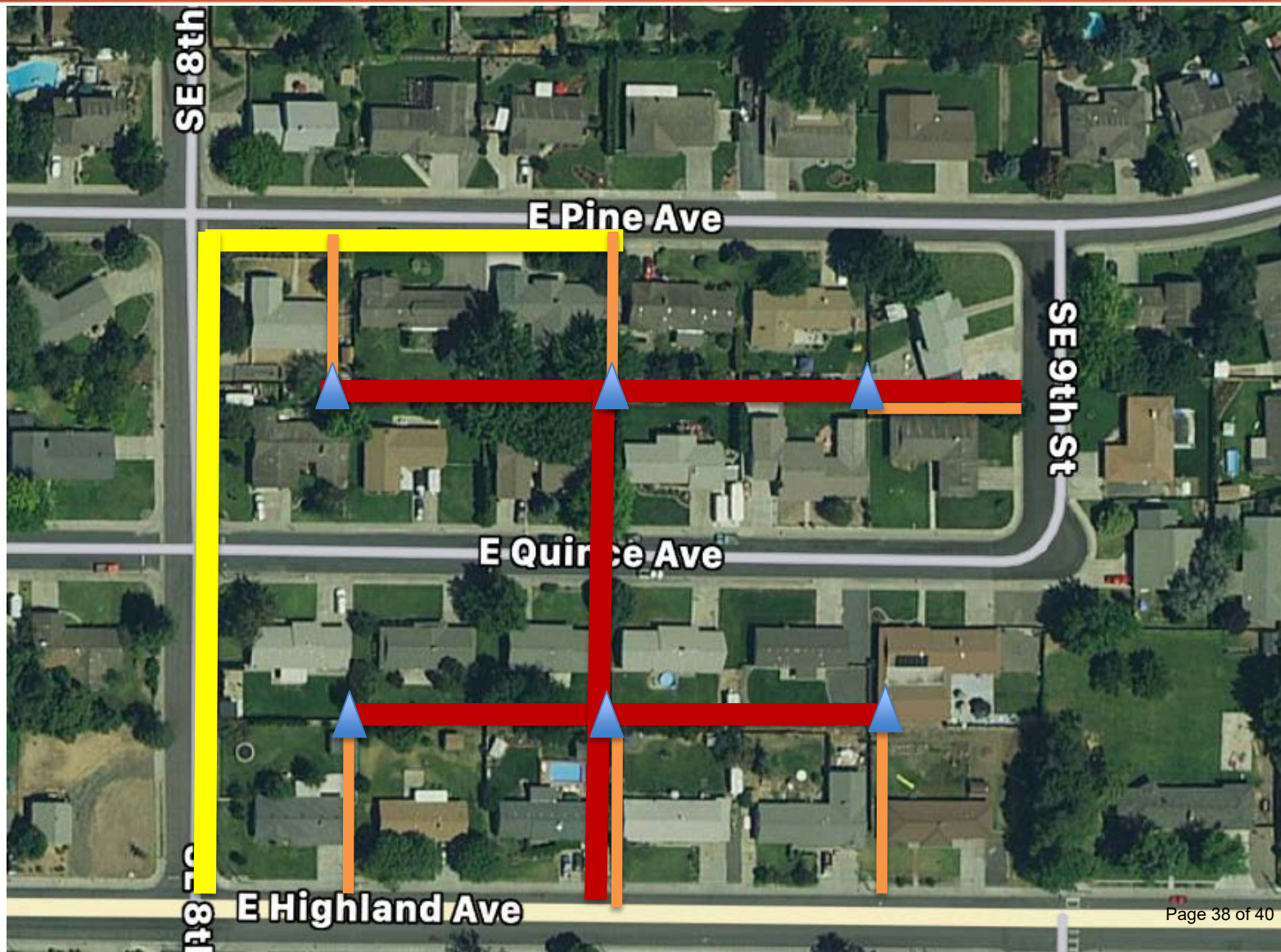
Hermiston Inventory

Issue 3 Backyard Overhead Distribution

Test Site



Test Site







Questions

Where Life is Sweet™