

EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
OCTOBER 1, 2013
5:30 P.M.

Commissioners Present: John Simpson, President; John Brown, Vice President; Dick Helgeson, James Manning, and Steve Mital

Others Present: Jeannine Parisi, Mel Damewood, Cathy Bloom, Deborah Hart, Edward Yan, Mark Freeman, Joe Harwood, Todd Simmons, Steve Mangan, Lance Robertson, Brad Taylor, Kevin Biersdorff, Sue Fahey, Harvey Hall, Anne Kah, Lena Kostupolos, Steve Mangan, Wendi Schultz-Kerns, Dave Churchman, Greg Armstead, Wally McCullough, Frank Lawson, Julie Bivens, Tom Williams, Erin Erben, Adam Rue, Matt Sayre, Janice Lee and Taryn Johnson of the EWEB staff; Vicki Maxon, recorder.

President Simpson convened the Regular Session of the Eugene Water & Electric Board (EWEB) at 5:35 p.m.

AGENDA CHECK

President Simpson noted that agenda items 6 and 7 will be done in reverse order and that Items from Board Members will be abbreviated due to expected time constraints.

ITEMS FROM BOARD MEMBERS

Commissioner Mital stated that today is the beginning of EWEB's annual charitable giving drive, and that over the last 10 years EWEB has surpassed \$1 million in donations to United Way and other agencies.

He then stated that over the very wet weekend, there were approximately 30 power outages, but mostly small ones; activity was able to be monitored via the internet, and all outages were repaired quickly. He gave kudos to the EWEB crews who worked all day and through the night day all weekend long.

PUBLIC INPUT

Ed McMahon, Executive Director of the Homebuilders Association of Lane County, spoke to the potential increase that EWEB is considering for meter and service installation fees, which will be almost double the current fees. He wondered how he would react as a Commissioner if staff brought him such a substantial increase now instead of annually. He asked the Board to pause and look at the history of this fee, and he recalled that chronological history. He said he realizes that permit activity is increasing and that he does not expect a subsidy, and that home builders are willing to pay their fair share. He noted that the Homebuilders support the fee increase with two suggestions: 1) since EWEB's fee is still higher than some other

utilities, to please continue efforts to streamline the process and lower the cost of installation; and 2) all Homebuilders Association members are fully aware of what will happen on January 1, and some non-members may feel blindsided when they go for a permit. He suggested that flyers be distributed at the permit center and possibly in the Register-Guard to be sure people are aware of the increase. He appreciated EWEB staff for helping the Homebuilders Association with the proposal and for contacting them.

Regarding advanced metering infrastructure (AMI), **Mark Conley** stated that he does not like being put on the defensive and that EWEB representatives should be intelligent enough to recognize a bad thing and disallow it accordingly. He added that the public shouldn't have to come to a meeting and tell the Board the obvious or add drama to a meeting, and that he feels it is a form of extortion. He urged the Board to make the right decision and reject smart metering, as the body of evidence against it is compelling.

Alexandra Rempel (EWEB Board Ward 2) is a building scientist who studies energy use in buildings. She stated that she was taken aback by Mr. Conley's comments, as all of her clients and collaborators in her field (many in Eugene but also in Seattle, Portland and California) are deeply interested in reducing their total electricity use, and especially their peak electricity use, and are very interested in giving our community the tools to reduce especially their peak use. This is motivated by two primary factors: 1) avoiding the need for acquiring additional peaking energy sources, which almost by definition would not be renewable; and 2) facilitating the transition of electricity use to all renewable resources given the increasingly apparent effects of climate change and increasingly apparent dangers of fossil fuel extraction. She added that she and her husband have been begging for a smart meter for a long time, but they are sympathetic to the people who are afraid of smart meters, and believe they should be given whatever opt out options they want. She added that she isn't concerned about privacy, as she figures the NSA has everything on us they want already, and she is quite willing to believe the research she reads that states that it is hard to separate out the effect of a smart meter from all the other electromagnetic field (EMF) signals between radios and cell phones and all other gadgets that are around us. She reiterated that she is strongly in favor of smart meters and time of use pricing to help her make the very important transition to renewable resources that are intermittent and can't be just turned on and off at peak hours. She ended by saying that the more the Board can do to help customers manage their use with renewable resources, the better off our community will be.

Alan Rempel (Ward 2) stated that as a ratepayer, he believes that his bill should reflect the cost of electricity that he uses, and that electricity costs vary with wholesale costs enormously throughout the day, with peak electricity cost being much higher than off peak. He strongly supports time of use pricing, which will only be made possible if smart meters are implemented and, for that reason, he would like his smart meter now.

Regarding AMI, **B.K. Hoffman** gave the following testimony:

"The smart meter is a poorly planned device.

Scores of websites, scientific studies, medical testimony, and accounts from those who have lived with them, and experiences and research have not been positive.

Will not go into an area where smart meters are installed - businesses, grocery stores, restaurants, or entertainment venues.

Granddaughters had illnesses that my daughters never had, and my daughter and her husband had their smart meter removed.

Poorly studied by EWEB. I propose Option Zero.”

Regarding AMI, **Ray Wiley** gave the following testimony:

“I served the community for 14 years at BPA with experience in electrical energy.

Two years ago my meter was changed out from analog to digital; I don’t think smart meters match the average life of analog meters. My understanding is that smart meters have an average life of 10 years, and maybe as little as five.

I want to save ratepayer jobs in Lane County; we need more jobs. I propose we try having meter readers on bicycles in certain areas where appropriate. In my neighborhood a meter reader parks his car in a central location and walks around the neighborhood to read meters. Why can’t you do that on a bicycle? Please look at this and use it in your evaluation of digital vs. smart meters.”

Regarding AMI, **Carlis Nixon** gave the following testimony:

“I ask the Board to vote for moratorium on smart meters. It seems there has been more than enough comment in favor of a moratorium, in fact the evidence is overwhelming.

Organizational decision-making has very powerful momentum. Changing direction is very difficult. Most of us are resistant to a feeling that someone is trying to get us to change our minds.

I ask everyone to stand on the bank and not in the river, and to try to find clarity and strength to see that a moratorium is the only sensible choice even given that EWEB has been moving toward smart meters for several years. Many Boards of other public utilities are voting for moratoriums, and I ask that you also choose Option Zero.”

Regarding AMI, **Jack Dresser** gave the following testimony:

“I’ve reviewed the 13-page September 24 memorandum distributed by General Manager Gray to the Board in preparation for tonight’s meeting. It almost exclusively addresses the ‘business case’ that was first approved over three years ago.

I’m not concerned with your business model, which in your own words, ‘focuses almost solely on ‘hard’ tactical benefits and meter reading operational efficiency,’ meaning layoff of your meter readers and servicing staff.

The memorandum refers only casually and dismissively to our concerns with ‘radiofrequency (RF) and other alleged issues raised by smart meters.’ Throughout its 13 pages, there are only 10 lines of reference to these ‘alleged’ issues, which reflect nothing more than token, minimally obligatory lip service but no serious consideration given by the Board to any of these concerns.

There is no mention of RF radiation and DNA damage. The words ‘World Health Organization or ‘American Academy of Environmental Medicine’ or ‘precautionary principle’ do not appear.

There is no mention of vulnerability to hacking and statements by cyber security experts that the smart meter and grid technology cannot be secured.

There is no mention of privacy invasion violating our 4th Amendment protections and the statement by CIA director David Petraeus that the government is likely to use smart meters to spy on U.S. citizens.

There is no mention of the lawsuits proliferating worldwide against RF-transmitting technology, including two large class-action smart meter lawsuits in California against Southern California Edison and PG&E charging fraud and deceit, negligence, and product liability. The potentially ruinous costs of these probable lawsuits is not included in your cost projections.

We owner/ratepayers and future courts will clearly see from your paper trail that EWEB has failed in its fiduciary and due diligence duties to fully inform and protect the rights of the public it serves, exposing EWEB and the resources of its owner/ratepayers to similar litigation and its costs.

The questions of biological harm, compromised security, 4th Amendment violations of privacy, and financial liability will be decided in future courtrooms should you recklessly proceed with this ill-advised project.

The opt-in alternative resolves some of these problems but by no means all of them.”

Regarding AMI, **Megan Clark** gave the following testimony:

“I read the AMI Statement of Principles and was pleased to see how closely you were listening to the concerns expressed by your customers. Regarding the principle Minimize RF, it reads, ‘Minimize the number and duration of RFs transmissions wherever feasible without compromising the objectives of the project. Make information about smart meter transmission frequency, duration and strength available to public.’

This is a very good start, but for me to sign on to it, I need to know more specifically what you’re proposing to do. A general statement this vague does not allay my fears, especially a phrase such as ‘wherever feasible without compromising the objectives of the project.’ My health concerns are not going to go away so easily. You will need to deal with my concerns and the concerns of others.

I recommend that you get with your engineers and see what they're coming up with that will do no harm, and let the public know so that trust can be restored. Eugene is a community which, for better or worse, is highly educated. As such, we require more information from our leaders. We know you can do a better job of picking an AMI program than other communities, because we know from past experience that you are very careful to protect your customers. I have seen you listen to our local medical experts and mull it over, searching for ways to implement a program that won't bombard us with networking RF. That is to your credit.

I look forward to hearing more specifics. As we hear that you have a means of addressing the health concerns that have been raised, you will find the public support that you need to proceed with the technology you desire for our future needs. Let us know what your engineers recommend, and it's likely that the public will calm down, go away, and ignore you once again."

Regarding AMI, **Mariah Leung** gave the following testimony:

"I want to make it clear to the Board tonight that I DO NOT want 'Smart Meters' installed on my property.

I am deeply concerned with the surveillance potential and surveillance intentions of these meters.

As our household appliances and electronic devices are progressively replaced with new units designed to communicate with the meters, our household activities will become visible and profiled by EWEB and anyone else who gains access to these data.

Whether I favor the stove or the microwave. What time we go to bed, get up and shower. Are we away from home, how often, how regularly, when, and how long. Do we watch TV, when and what programs. How many computers and what type we use. What appliances have and haven't been replaced with new, so-called 'smart' varieties?

According to hacking experts, these data cannot be secured. They can be sold to marketers. They can be stolen by tech-savvy criminals. And most threateningly, they can be provided to or taken by government agencies in violation of our 4th Amendment protections against search and seizure without court authorization.

Director of the CIA, General David Petraeus, stated that smart meters will allow the government to spy on its citizens, and it will undoubtedly do so.

I deeply honor the courageous risks and sacrifices of Bradley Manning and Edward Snowden. We must honor their sacrifices by heeding their warnings about a surveillance state out of our control.

Smart meters are a powerful potential instrument of that state that would allow not only surveillance but control of our central power supplies – communications could be shut down at any time. If we expect to retain any hope of a free society, we must never allow this."

Mindy Stone lives in Oakland, California. Regarding AMI, she stated that smart meters in Oakland have been a disaster, with higher rates and higher bills, even though she knows she is

not using more power since they have been installed. She is concerned about security and surveillance. She wondered how EWEB guarantees that smart meters will not be hacked, and she doesn't see how people can have their homes monitored and also have their 4th Amendment rights protected. She noted that she turns off her appliances in order to not cause outages in peak times, and in order to control her energy use. She said that replacing an analog system with smart meters is a dumb move, and she asked the Board to opt for Option Zero.

Shawndeya Costello lives in Marcola and has a smart meter. In the past she has had difficulty sleeping, fatigue and brain fog, and was taking supplements because she thought she had Alzheimer's. Since she installed a filter for her smart meter, her health has improved. She is concerned about the vulnerable population—pregnant women, babies, and the elderly, as she has been shown that RF can cause autism, and autism is rising at an alarming rate.

Regarding AMI, **Jim Stauffer** (Ward 7) worked in the wireless communication industry for 15 years and in military radar for 12 years before that, and he distrusts industries that pursue profit over safety. He stated that the possible ill effects from EMF are complicated and that he has heard both sides, but he is not convinced that the issues of safety have been fully resolved or understood. He hopes that the Board will not approve an infrastructure that will require updating and maintenance to keep up with safety standards and, given that a number of municipalities have delayed smart metering, he asked the Board to be sure they have all the information they need before making a decision.

Regarding AMI, **Kathy Ging** gave the following testimony:

“You heard ratepayer-owner views cautioning you, as public stewards, not to undertake an experimental technology rife with numerous controversies, not the least of which is pending litigation in several states and countries.

Where EWEB went wrong was in not following primary advice in how to try to matriculate the smart meter program by setting up a citizen advisory committee – which your staff in early emails said they thought was a good idea.

Good Company's triple bottom line report on smart meters which EWEB authorized, dated August 2011, recommended focus groups and gave the impression that these should be an ongoing public involvement process. Instead, only one focus group was held at the early stage (to the best of my knowledge).

Those questioning smart meters and outright opponents were not invited. No ongoing attempt to involve the broad intellectual and experiential skills of our unique community in doing a DISCOVERY was in evidence – the sine qua non for major public policy undertakings like smart meters that have been called the biggest electric utility development since power lines.

Good Company's Executive Summary, Page 1: ‘Any AMI strategy will succeed only if it engages the community as a whole. Eugene is known for a high bar of public involvement, but AMI efforts elsewhere have suffered when they have failed to engage the public on AMI’ and ‘A careful and open approach will reap both good will and an energy future worth aspiring to.’

Page 4 of Good Company's report recommends conducting focus groups, yet outreach did not allow input by the public increasingly educated and wanting to be more involved, not

only in discovery but also in the display of info on EWEB's website. Little or no information critiquing smart meter potential problems was available to the public either by newsletters like the Pipeline, the website, Facebook, or public forums sponsored by EWEB (no members of Families for SAFE Meters were invited to present). Public input questioning smart meters or alerting the Board to risks was allowed and recorded in the minutes but few ratepayers read minutes.

Another problem of which new Board members should be aware is Good Company's report did NOT investigate, then include, the increasing number of smart meter moratoriums that had surfaced by August 2011, in California and elsewhere. As a result, the Board did not receive an accurate state-of-the-technology analysis or the growing public resistance to the smart meter and grid--emerging controversies like fraudulent representations by utilities of signal emissions and effects, cost-benefits, fires and explosions, privacy and cyber grid vulnerability concerns, 4th Amendment violations and more.

The report SHOULD have been more investigative instead of perfunctory and should have been updated in 2012 and 2013, but was not. Instead, staff, uninformed or blissfully ignorant about whirling controversies exploding worldwide, often assumed a supercilious attitude toward the public that marginalized responsible citizens trying to educate themselves because a vacuum in leadership was notable at EWEB. EWEB continually presented the technology to the public as if it was a DONE DEAL, not an experimental technology to be tested and evaluated. No health warnings appeared on their web site.

'I know of no safe depository of the ultimate powers of the society but the people themselves; and if we think them not enlightened enough to exercise their control with a wholesome discretion, the remedy is not to take it from them but to inform their discretion.'

The tragedy of the EWEB Commons is that EWEB management and staff, apparently operating under misguided board directives particularly, it would seem, of the two longer-serving Board members, neglected to involve the public sufficiently, so EWEB has experienced and will continue to suffer from a huge backlash if AMI options 1 or 2 are approved. The safe alternative is to vote for ZERO.

The fait accompli approach that marginalized questions by an increasingly informed public led to the still growing mistrust of EWEB as a utility on which owner-ratepayers can rely. Many reasons exist for that stance which I won't pursue here but will be explored if relevant in future statements.

Finally, a man contacted me who had been in public office and knows about health consequences of RF/MW and was the funding source for the recent Register-Guard ads. He also stated his intention to help with a petition campaign if needed.

Thank you for taking the RIGHT action so that the public does not have to pay penalties later."

Regarding AMI, **Barbara Shaw** stated that the concept of smart meters is great, but she is not convinced (as a physiologist) that it is the best option. She asked the Board, given the liability issues, to look at all options, the medical research, other communities' problems with it,

and to take Eugene residents' concerns seriously. She hopes for an opt-in program, as it is probably the best method to test smart metering.

Mark Robinowitz is against AMI and especially against the monitoring of customers' energy use. He stated that EWEB wants to reduce electricity use, yet nobody on any side talks about how electricity consumption in the U.S. peaked six years ago and has dropped 10% since 2007, not because of smart meters or climate change, but because the price of fuel has gone up and the limitations on availability are starting to kick in. He said that smart meters are a great way to turn off houses, neighborhoods and rolling blackouts if there is not enough to go around, but we're going to see major stability problems with the grid. He added that smart metering is about monitoring everything that everybody does all the time, and that he would like to see the tens of millions of dollars that are planned for AMI instead be used for a solar hot water factory in Eugene that would create jobs and allow rooftops to be retrofitted for solar.

Regarding AMI, **Dr. Paul Dart** reiterated his previous presentation and testimony in which he had encouraged the Board to adopt the principle of minimizing radiofrequency, and he said he is pleased that it is now part of EWEB's AMI information. He noted that it is difficult to reassure the public about AMI until they are told what EWEB is planning to do.

Regarding AMI, **Dr. Kathleen Cordes** echoed Dr. Dart's comments and encouraged the Board to continue to study the health effects of AMI.

Regarding AMI, **Bob Cassidy** told the Board that their job is to monitor EWEB's financial situation and its effect on EWEB customers. He noted that the opt in feature for AMI is supposed to provide incentives to stay with meter reading in the future, but there was no mention of how that will affect customers. Assuming that there are two tiers of rates, he wondered what the cost will be to customers who decide not to opt in.

Artie Gilad is opposed to AMI and stated that there has been no concerted effort to inform customers of privacy issues and opt in costs. He wondered if this constitutes informed consent.

Karen Olch (Ward 1) wonders what the benefits of AMI are, as there is a long list of negative effects regarding installation, biological and health risks, EMF frequency variations, and also privacy and rights violation issues. She wonders who will be responsible for possible litigation and whether that will fall into the lap of ratepayers. She also noted that there has been a documented increase in rates in areas where AMI has been installed, and she reminded the Board that they have fiduciary responsibility to their ratepayers to not do anything that would increase rates. She also noted safety concerns, i.e., meters catching fire, and that there is no guarantee that insurance will cover the damages if a meter caused a fire.

Regarding AMI, **Lisa-Marie DiVincent** reminded the Board to "do no harm"—to protect ratepayers from injury, obsolescence, cost overruns, negative cost implications; to protect the community from a long, drawn-out fight which is dividing the community now and will only divide it further the more educated people get. She asked the Board to protect EWEB and

themselves as legally responsible elected officials and to protect EWEB's reputation and their legacy as public servants by not taking on this burden. She noted that many other utility boards are voting for moratoriums, and she asked the Board to make up their minds tonight fresh with the input of their customers, and to vote for a prudent and wise moratorium.

Bill Evans (Ward 2) stated that AMI plans seem to be proceeding even though he feels AMI is not safe. He wondered why the Board is throwing precautionary principle to the wind, and why EWEB would charge into something that may not be safe. He also wondered why the Board isn't going to its ratepayers for permission, as there is so much evidence of the harm AMI can do, not just to people, but ecology. He asked the Board to go the other way or at least delay AMI.

Regarding AMI, **Matt Nelson** (Wards 1 and 8/At Large) stated that it is ironic that the Board isn't listening to its customers and watching the AMI process. He said that a group of customers has helped bring citizens of all stripes together for various reasons because they're aware and educated about smart meters, and they don't want them. He reiterated that many other utility boards are voting for moratoriums, and he urged the Board to choose Option 0.

Regarding AMI, **Cindy Allen** gave the following testimony:

"In regard to having an 'Indefinite Moratorium' on the smart meter, there is much to be hopeful for this evening.

I'm grateful to the hundreds of opposition groups world-wide.

I'm grateful to the thousands who have shared their negative smart meter comments and experiences on the internet. People seem to agree on one thing...they don't want one and they certainly do not want a 'world-wide' smart meter grid with all of its security issues.

I'm grateful to Josh del Sol, the producer of Take Back Your Power. This two-year-in-the-making documentary features the former Prime Minister of British Columbia, the state Attorneys General of Illinois and Massachusetts, the former Director of the CIA, several doctors and many others. Another major film about the 'smart meter agenda' is soon to be released.

Here in Eugene, we still have our working analog meters and we don't have the problems of other areas.

We are not in the situation as the people in Fountain, Colorado. Citizens obtained signatures to place a recall of the smart meters on their November 2014 ballot.

We don't have the class action lawsuits that California has, or Washington, or British Columbia. Concerns cited include health, security, fires, illegal entry, fraud, etc. FRAUD: the smart meter is brought in under the 'disguise' of saving money but bills go up not down.

Commissioners, in regard to the \$26 million smart meter contract, I think you were misled about the benefits but that can no longer be said. You've had time to study the large amount of negative information, you've watched the documentary Take Back Your Power, and you've researched the reasons for the class action lawsuits.

There are so many, many questions and concerns about the smart meter.

One of the major questions that everyone is asking is WHY?... Why this untested technology with its obvious flaws is being 'PUSHED'... 'FORCED'; on people who do not want it."

Regarding AMI, **Patricia Hoover** urged the Board to choose Option 0, as she was exposed to radiation for the first 18 years of life without her knowledge, and the current situation feels similar to that.

Regarding AMI, **Robin Irish** urged the Board to vote for a moratorium and choose Option 0. He stated that he is an industrial property owner and that his meter was changed out years ago, and that he doesn't believe enough research has been done on AMI.

Regarding AMI, **Laura Ohanian** requested an indefinite moratorium, as from what she has researched on it, she can't see much benefit for herself or the community, and the potential of global cyber grid fills her with fear and loathing. She noted that the radiation generated by the meters is frightening and the health effects really aren't known yet because the technology is relatively new. She added that she believes energy conservation is the way to go, because she believes AMI is going to increase rates, as it has in so many communities. She urged the Board to do what is right for the community and not buy into this global surveillance state.

Regarding AMI, **Lisa Arkin** (Wards 1 and 8) asked the Board for equity and fairness in energy conservation, energy use and rates; more efficient energy and heating, and use of the precautionary principle. She urged the Board to not put an additional burden on vulnerable families and children or the elderly and disabled.

Lela Trope' lives in Springfield. She asked the Board for more information regarding AMI and asked them to choose Option 0.

Regarding AMI, **Eve Woodward-Shawl** explained how Hertz (Hz) is measured and noted that humans thrive on 39 Hz. She explained the impact on cells and DNA, which are especially vulnerable to electromagnetic fields (EMF) of all kinds, and also explained how EMF is measured. She used a white box to represent a wireless smart meter, and presented the following testimony:

"This meter is now radiating across from this table, through your desk, through your body, instantly overloading your body's energetic system, at a frequency proven to damage your healthy cells.

This radiation is cumulative and is proven to have adverse neurological effects; it is starting to break up your DNA and playing havoc with your body's natural rhythms, as well as other well-researched and documented biological damage.

This radiation will gather around any metals in your body.

This radiation will instantaneously emanate through the window behind you, across the river, through the trees, affecting any animal or living entity in its path. Then invisibly and instantaneously beyond, through any building within range through the walls no matter how thick, through the bodies of anyone in range.

Radiofrequency interference causes malfunctioning of medical and critical care equipment, such as pacemakers, wireless insulin pumps, pain pumps, ventilators, and other medical equipment.

EMF and RF sickness is not a disease. It is an environmentally induced functional impairment recognized by the Americans with Disabilities Act (ADA). This radiation is not just a 'sensitivity' but a chronic and invisible poisoning to the entire population."

Regarding AMI, **Jerry Shawl** stated that the Board is elected to make decisions for EWEB and Eugene in accordance with the people's will, but that with all the people testifying this evening, it looks to him like things aren't being done according to the people's will.

Regarding AMI, **Abraham Likwornik** stated that customers have no way to insure that the Board will act in their best interest, and that the people must have the last word on any policy implications regarding the health, safety and well-being of the community. He strongly recommended that the Board's bylaws be amended to make EWEB truly a public utility in the full meaning and power of that title, and that an issue as important as digital meters be decided by a vote of the citizens of Eugene. He added that there is no reason for people to struggle to convince the Board or any other agency to implement policies that are in the best interest of the customers, and that the combined knowledge and wisdom of the customers currently in the room is at least as great if not greater than the Board's knowledge and wisdom. He urged the Board to listen to its customers and place a moratorium on AMI.

Regarding AMI, **Joshua Parker** (Ward 1 and 8) noted that radios are not transmitting devices but smart meters are. He believes it is a disservice to the public to refer to smart meters as radios, as they are transmitters, and that the public sentiment is clear, as the Board has now heard public testimony from 20 people who have recommended that they vote for a moratorium. He noted that only two have spoken in favor and one spoke about something different, and five discussed questionable topics and were unclear of the exact direction. He added that the Board, as stewards of public opinion, should make the right choice and choose Option 0 with at least a 10-year moratorium. He reminded the Board that they may be personally liable if they make the wrong decision, and that it is their fiduciary responsibility to give the public what they are requesting.

Jane Katra lives in southeast Eugene and has a Ph.D. in public health, taught at the University of Oregon and LCC, has served on the Lane County Health Advisory Committee, and is a past member of the Academy of Environmental Medicine. Regarding AMI, she stated that many other health agencies and the Environmental Protection Agency (EPA) have done research showing the adverse effects of the type of radiation the Board is considering, and that as elected officials, she can't imagine that the Board would subject its customers to such known health risks

and surveillance. She said she doesn't want to pay to opt out, and she asked the Board to protect its customers.

Regarding AMI, **Brian Bender** (Wards 1 and 8) submitted the following testimony via e-mail:

"I've been following the smart meter issue for quite some time, and it's become clear to me that EWEB has been in favor of implementing the wireless meters from day one, often with very little concern for the potential health risks from chronic exposure to the meters.

With increasing lawsuits, bans, protests, and stories of smart meter-induced sickness, my question to EWEB is this: Is your bias to implement smart meters based purely on convenience, finances, and a relentless pursuit for the most up-to-date metering gadget?

EWEB's decision is clearly not based on the voice of the people, or else they'd give pause and serious thought to pursuing safe metering technology: fiber optics, analog meters, or radio-off meters.

Thanks for volunteering your time and representing the people."

President Simpson closed the public input session.

Vice President Brown thanked the public for attending. He stated that EWEB has studied AMI for a long time and that the Board is not through discussing it, and that he is going to wait until later in tonight's meeting to choose one of the three options.

Commissioner Mital thanked the public for attending and for their valuable feedback, and added that the Board had also received approximately 50-60 e-mails in the last few days, and that those were approximately 4:1 against AMI, and largely supported Option 0. Conversely, the Board has received survey results from an annual statistically valid survey that showed approximately 45% support for and 40% against AMI, and 16% unsure. He noted that he is not rendering an opinion based on this survey because it was not conducted on 100% of EWEB's customers (which would be impossible to do), but rather a sample of customers. He added that in the last 18 months the proposal that staff has put forward for the Board to render a vote on has changed dramatically, and that is as a result of public debate that has been ongoing and inspired by the customers who are here this evening. He noted that the original design of the AMI system is now gone, and that the recommended meters have the smallest RF-generating footprint plus guiding principles, and that the program is no longer an opt out program, but an opt in. He acknowledged the significant give and take from staff over the last 18 months, and he thanked staff for listening to customer concerns, and that those are reflected, whether or not customers believe that they were listed to.

Commissioner Helgeson appreciated the public turnout this evening and stated that he believes that there have been changes made in staff's proposal that are responsive to concerns that the public has expressed. He added that he won't comment on specific issues but that he will have some questions for staff later tonight.

Commissioner Manning thanked the public for attending and voiced appreciation for their comments. He told the audience that the Board has certainly heard them and that he has done some research on his own. He reiterated that the Board has received an equal amount of e-mails from those for and against AMI. In reference to one customer's testimony this evening, he guaranteed that EWEB will not bring a gun to a customer's home in order to force them to install a smart meter.

President Simpson thanked the public for attending and echoed his colleagues' comments. He reiterated that the Board and EWEB will never, ever do anything to harm the community and that the Board will make the right decision, but that tonight's testimony clearly does not represent the entire community's viewpoint. He noted that he has received many comments in support of AMI, and that many Boards and hundreds of EWEB staff members have considered it for over a decade. He added that he has reached out to many organizations in order to understand their preference regarding AMI, and he again thanked the public for testifying regarding the issues that the Board needs to hear.

CONSENT CALENDAR

MINUTES

- 1a. July 23, 2013 AMI Information Session
- 1b. August 6, 2013 Regular Session

CONTRACTS

- 2. 4C's Environmental, Inc. – For construction of a fueling facility on-site at the Roosevelt Operations Center – \$500,000. Electric Operations. Contact Person is Todd Simmons.
- 3. Coffman Engineers, Inc. – For engineering consulting, design, and support during construction for the refurbishment of the Carmen powerhouse crane – \$226,000. Engineering Department. Contact Person is Mel Damewood.
- 4. Nation's Mini-Mix, Inc. – For the purchase and delivery of redi-mix concrete on an "as needed" basis – \$150,000 (over five years). Electric Operations. Contact Person is Todd Simmons.

INTERGOVERNMENTAL AGREEMENT (IGA)

- 5. Lane Council of Governments (LCOG) – For geographic information system (GIS) services, under the GIS Cooperative Project Agreement – \$400,000 (over five years). Information Technology. Contact Person is Matt Sayre.

OTHER

6. Request for Qualifications on Land Disposition – Contact Person is Steve Newcomb.

Vice President Brown pulled items 2 and 6.

It was moved by Vice President Brown, seconded by Commissioner Manning, to approve the remainder of the Consent Calendar. The motion passed unanimously (5-0).

ITEMS REMOVED FROM CONSENT CALENDAR

Regarding item 2, Vice President Brown stated that he was on the committee that identified budget reductions for the Roosevelt Operations Center (ROC), and that staff had said this item wasn't financially feasible, and that he had argued about overtime, extra trips across town, etc., that are required in order to fuel trucks at a gas station or commercial fueling station. He wondered what has changed since then, and he noted that he is all for what staff is doing, but he wonders what now makes this contract financially feasible.

Todd Simmons, Electric Operations Supervisor, replied that he completely agrees that this should have been done back then, and that EWEB's fleet is a lot newer now, so it allows staff to leverage fuel buying and to buy fuel that staff can mix themselves, and that sometimes they end up using B-15 or B-18, and sometimes they use B-25, when they couldn't do that before. He added that the other items were a result of a great triple bottom line (TBL) analysis that looked at all the different factors.

Roger Gray added that he was not General Manager when the previous decision was made, but that when he arrived, he was tempted to say Vice President Brown was right, and he believes this is the right decision, as on-site fueling is the norm for institutions like EWEB. He added that the Cascadia analysis is also telling staff that loss of fuel will be a major issue.

President Simpson stated that he believes that this was a cost-cutting measure to help make the price tag for the ROC a little more palatable but that, in retrospect, considering that the economy has been fairly poor since 2008, maybe that wasn't such a bad idea. He thanked staff for the answers to Vice President Brown's questions that were included in the backgrounder, and added he is 100% behind having an on-site crew and a commitment to emergency preparedness.

Commissioner Helgeson stated that he supports this request, as some of the concerns about on-site fueling were driven by the previous facilities at the headquarters site that were not up to current code and also in close proximity to the river, and that a number of cautions have been taken to continue this.

Commissioner Mital stated that he is not supportive of this request, as EWEB's liability concerns are high and he feels this pushes them much higher. He said that he doesn't believe it is in EWEB's best interest at this time given its \$500,000 price tag and that the gas savings will be about \$45,000 a year, but that it will take 15 years, give or take, before it's paid back. He

reiterated that, given EWEB's financial situation and the likelihood of rates escalating, he will vote against it and hope to hold off on this until a date when EWEB's financials are better.

Vice President Brown asked the Board to remember that these crews work 10 hours a day, with five guys in a rig and a four-ton truck, and that they have to find a gas station or commercial fueling station in order to gas up, and are being paid overtime. He added that every crew truck has to be fueled up every night in order to be ready for an emergency, and that they shouldn't have to drive clear across town to find an open gas station or commercial fueling station in order to gas up.

President Simpson recalled the 2012 sudden snowstorm and asked if there were problems during that time that would have been eliminated by EWEB having its own fuel station. Mr. Simmons replied that the usual facility that EWEB gets fuel from had both power and network problems and couldn't fuel EWEB's trucks at all during that time. He added that when crews rely on a service, they have to rely on others' emergency preparedness, and that other emergency managers around the state are also worried about fuel availability, as even those with exclusive contracts aren't able to get service in bad weather or any other type of emergency.

Commissioner Manning stated that Commissioner Mital raises some excellent points but that he also agrees with Vice President Brown's point. He recalled that when he was in the military, they had a motor pool which made all those things available at all times, especially when crews needed to refuel and be ready to roll. He voiced support for the request.

President Simpson called for a vote for approval of item 2. The vote was 4-1 (Mital opposed).

Regarding item 6, Vice President Brown asked why the developers said that they didn't have the resources to buy the property. Steve Newcomb, Environmental Manager, replied that he believes that statement was worded wrong.

Vice President Brown then asked if staff has an idea what that amount is. Mr. Newcomb replied that staff will know the amount when they see the Request for Quotation (RFQ).

It was then moved by Vice President Brown, seconded by Commissioner Helgeson, to approve item 6. The motion passed unanimously (5-0).

ADVANCED METERING INFRASTRUCTURE (AMI) PROJECT - Resolution #1322

Using overheads, General Manager Gray briefly summarized the background the Board received and also the history of AMI at EWEB, strategic considerations, and the updated alternatives:

- Alternative 0 – no AMI (business as usual)
- Alternative 1 – tactical AMI (big bang, 2017)

Alternative 2 – strategic AMI (opt-in)

He gave a detailed review of the radiofrequency level generated from cell phones including when e-mails are sent from them (which was the electronic means that some customers used to send their concerns and complaints about AMI), routers in the Board room at the moment, laptops on desks and on people's laps in the Board room at the moment, visible light, etc. He also showed the Board (via overhead projector) an e-mail from a customer who had asked for a moratorium on AMI, yet they sent that e-mail from an iPhone. He noted that the level of RF from a Sensus meter is 900 Hz (similar to the level of cell phone transmission) and that if data were pulled from the meter once a month, the meter would only be on for less than one second, and customer opt-in would require the meter to be on only a few seconds per month.

President Simpson asked General Manager Gray to speak to a comment that was heard regarding the potential for a smart meter to cause a fire, and he asked General Manager Gray if smart meters are more prone to that.

General Manager Gray replied that he is not aware of any smart meter that has caused a fire, and that fires can be caused by any meter change-up, as the back of a meter plugs into a socket. He added that the problem is the change that occurs if the plug-in is not installed properly or if the meter socket is damaged and plugged in. He noted that he has seen plenty of fires from analog meters.

Commissioner Mital noted that most of the concerns he heard are health-related (including those General Manager Gray had just mentioned) and privacy-related.

Regarding privacy, General Manager Gray stated that smart meters are capable of pulling 15 minutes worth of data (kwhr) over a one-month period, but there is no capability for staff to know what appliance is on; only how many kwhr an appliance is generating. He said he sees no reason to build analytics that will find out what customers' patterns are, and if law enforcement ever wanted that data, they would have to have a court order to get it.

Commissioner Mital then noted that he heard genuine concern over the last hour about graphical readouts of consumption - i.e., the customer was making tea, watching Breaking Bad, etc., and that he can't deny that fear, especially in the last couple of weeks. His response to that was that EWEB should insure that they never collect data so granular as to be able to provide that kind of information, whether it is EWEB staff looking for it, tapped into or an National Security Administration (NSA) legal right, or whatever. He reiterated that EWEB doesn't receive data at that level, but that they do have the ability to determine if people are using electricity at 2:00, 5:00, or whatever time of day, and he added that any more information than that is not necessary for EWEB, and therefore EWEB should make a commitment that they would not collect that data.

General Manager Gray stated that EWEB would only collect data necessary for time of use and pricing structure, and that he believes that EWEB's General Service rate standard is sub one hour. He reiterated that what customers are using their electricity for cannot be known, and

that he is not sure what people would find interesting about a stream of data. He noted that for his house in California, which his adult children live in, he can pull up hourly reads off his meter, but he only looks at whether the air conditioning came on, which of course creates a huge jump in his bill.

Commissioner Manning noted that Comcast offers its customers the ability to control heating, lights, etc. from a smart phone, and that he had talked to Amron, a utility in St. Louis, Missouri, and their smart meters transmit to a satellite. He said that he hears the concerns about the poor, elderly and disabled, and that he hears all the negatives against technology and people's legitimate fears. He added that he wants to expose the advantages of AMI, for example, low-income people who can't afford large deposits because their credit is bad have the opportunity with this technology to provide relief in the form of a reload program, "pay for what you use," so a customer does control their own destiny and costs. For college students moving in and out of apartments or houses, disconnect notices cost them money when they get their service reconnected. AMI technology will allow them to use a certain amount of electricity and then reload their device when they return to school, so it would help low-income and students control their usage and not have to come up with deposits because of disconnects. He also noted that he has received e-mails both for and against AMI, and that the survey Commissioner Mital mentioned was divided almost 50/50, and moving more toward favorable than against. He also stated that he agrees with Dr. Dart that the meters can be programmed at a reasonable time, but that he has been wrestling with the pros and cons for quite some time.

Vice President Brown asked General Manager Gray to expand on the social equity portion, i.e., assisting low-income customers, solar subsidies, etc.

General Manager Gray replied that staff hasn't yet adequately focused on that because of the RF concerns and privacy concerns. Regarding the benefits to a customer, for example, low-income customers, the model today is that a customer gets their bill and they don't have an idea of what their bill is during course of the month. One of the advantages of this meter pre-pay option is that the system can tell a customer every day what they have left in their account, and they can either reload or change their consumption pattern (real time information as opposed to an end of the month surprise). Utilities who have gone to the pre-pay option have eliminated deposit requirements, and they don't turn customers off, because the customer can use a credit card or some other form of payment and their power will be turned back on without requiring them to physically come to their utility's customer service department.

For customers who don't have a choice to change their consumption, General Manager Gray said he argues that solar and conservation don't benefit low-income customers, as low-income customers can't afford solar panels, and renters can't take advantage of conservation program because their landlords may not want to, even though it would allow the renter control of their bill.

Regarding time of use rates, General Manager Gray stated that if the wholesale power market spikes up tomorrow, customers pay that today, and EWEB doesn't give them an option to

not consume that, where if a portion of the demand is moved to off peak, spikes are avoided, which benefits all customers by lowering demand.

Commissioner Helgeson gave a brief summary of the implications of General Manager Gray's recommendations as they are significantly different than previous staff recommendations. General Manager Gray said that his summary is correct.

Commissioner Mital asked what a customer does if their meter is due for replacement. General Manager Gray replied that today's default electric meter is a non-communicating, non-AMI meter, and that staff is even further behind on water meter replacements, but that a traditional water meter body and a non-AMI register, which is a dial, would be installed. If a customer wants to opt in to AMI, their meter would be replaced with a communicating AMI register.

Commissioner Helgeson asked General Manager Gray to briefly speak to system security and what is already done for the existing system, and some of the regulations and requirements that are applied.

General Manager Gray replied that all information systems can be hacked, and that EWEB is federal- and State-regulated because they are on the federal grid, whether a customer has a smart meter or not, and that would include EWEB's dispatch center. He noted that smart meters and the smart meter grid are additional points of vulnerability which are also regulated, and they have low hacking ability, but not zero hacking ability. He said that he is leaving tomorrow for a conference in Seattle regarding cyber security that will include other utilities and government and agencies, and that staff is seeing see systems being designed to help avoid attacks and increase the response ability, independent of smart meters. He added that the best line of defense is to use highly secure systems, and he noted that the ability to "spy" on customers is possible with any type of meter.

Commissioner Mital asked if the \$26 million "big bang" contract with Sensus will be negated if the Board approves the current staff recommendation. General Manager Gray replied that it will negate it as it is currently negotiated, but not take it back to square one. He explained that it was authorized around Alternative 1, big bang, and oriented toward the tactical option first and the strategic later, with a testing and acceptance program as it goes along. Alternative 2 would require staff to renegotiate the contract with Sensus, as if EWEB ended up with 99% AMI meters, the pattern of distribution would be different, dollars would be spent more slowly, and other options would also be considered. A slower roll-in of AMI might consider service options rather than owning the infrastructure, i.e., possibly just the meter and communication system but not the software and hardware.

Commissioner Mital asked if the same warranty (up to 15 years) would still be in place. General Manager Gray replied that staff would hope to maintain the same price points but change the implantation pattern. He said that he can't speak for Sensus, but there might have to be a new RFP and a look at the re-planning effort based on Board direction, and then have a contract compatible with that, but that at this point he doesn't know what would happen.

Regarding the life cycle of smart meters, Commissioner Mital noted that what is available on the market today is digital only (100,000 at a time). He wondered if a 15- to 20-year life span can be expected (half of an analog life span, though analog is simply not available). General Manager Gray replied that a 15-year life is assumed with both an AMI and non-AMI meter.

Greg Armstead, AMI Project Manager, briefly discussed the 15-year warranty and how the cost percentage is allocated over 15 years.

Vice President Brown asked if Sensus is bonded. Mr. Armstead replied that a bond wasn't asked for.

Vice President Brown then asked if Sensus would go out of business, would EWEB have all the info necessary to reconstruct materials. Mr. Armstead said that they would, and that EWEB would be one of a large number of utilities who they provide meters to. General Manager Gray added that it is a common provision in contracts like these to put provisional materials in escrow.

Commissioner Helgeson stated that a customer had told him that they had had an analog meter for 45 years, which he doubted because they slow down over time because of their mechanics. He noted that EWEB's meter shop used to recycle meters in the old days but that it is no longer cost-effective to do that, though it usually just involves changing out the dial, which is actually cheaper than doing maintenance functions. He added that while the total life of a meter is shortened in a digital meter, the cost of deployment and maintenance is reduced.

General Manager Gray stated that the relative cost of metering has not climbed with the cost of power or water, and the need to meter properly is essential. He said that most bill increases are because of meter misreads or an old meter that is grossly under-reading, which is very common. He added that in particular, water meters slow down, and that whether an AMI, digital, or water meter which is traditionally analog, staff will be replacing them on at least a 15-year cycle no matter what. He also noted that EWEB's auditor also has issues with some of the metering issues because of finances and also fairness to all customers.

President Simpson asked if there are advantages to smart metering which will improve the efficiency of back office operations, engineering, design, reliability, and power restoration after storms, and he if that will save the customer money.

General Manager Gray replied that EWEB needs 17% of its customers to participate in the AMI program, and that would help staff to know when there are power outages, as with small outages, customers currently have to call in order for staff to know there is an outage; while the large-volume outages are identified quickly. A smart meter would help crews troubleshoot faster, respond faster, and would send a message to the customer that crews were aware of their outage, but many of those would be needed in order to create that advantage. He noted that Lane Electric Co-op knew instantly where there outages were in last year's snowstorm because they have smart metering.

Commissioner Mital asked General Manager Gray to address the “why now” question relative to EWEB’s situation. He recalled that EWEB is long on power and that there isn’t an anticipated change in that for as much as a decade except for a hit up against the peak demand issue and buying power in the spot market. He added that the financial struggles are likely to continue for reasons largely beyond EWEB’s control, but not entirely, and that there are big projects coming, i.e., Carmen-Smith costing \$200 million or more (because of legal issues), the expensive second source water project, and the PERS unfunded liability.

General Manager Gray replied that the “why now” is not tactical at all, and that AMI can be deployed in the year 2017 or after but that EWEB has the ability to test it and get it right if they do it now. He noted that EWEB’s Integrated Energy Resource Plan (IERP) is innovative as well as radical, and what it will come down to in order to make it work is marketing customer response and customer participation, and the need to test out economic and engineering theories. He added that EWEB and the region will run out of peak surplus in a few years, so if it works, great; but if not, then EWEB will go back to the traditional utility model. He said that he is convinced it will be the right thing to do and that he thinks customers will want to participate in an energy future, but that he doesn’t want to wait until an energy crisis hits. On the water side, EWEB will have a smaller alternate water source, and customers will need very quick large demand reduction. If that is not possible, an alternate water strategy is not viable, as it has to be customer and marketing viable as well. So to summarize, “why now” is because EWEB would have the time to figure it out before an energy crisis hits.

Commissioner Manning asked General Manager Gray to speak to the \$26 million contract for AMI. General Manager Gray replied that there has been a lot of misinformation about spending \$26 million in order to save \$9 million, as EWEB will save at least \$9 million no matter what. He noted that 2015/16/17 will consist of a small initial investment and then wait and see whatever ramp-in is received. He added that the majority of investment is in the meters, but that would not be \$26 million.

Commissioner Helgeson stated that he sees Alternate 1 as the most responsive, but that he is concerned that EWEB we will be running an old system indefinitely, and he worries that that will result in inefficiency and duplication of effort. He asked General Manager Gray if he is comfortable that this project is operationally viable and doesn’t impose costs, nothing that the advantage of the “big bang” alternative is that all of it will be done.

General Manager Gray replied that the big bang alternative is the most efficient (\$9 million) but that he favors the opt-in strategy because strategic benefits are somewhere between 0 and 50%, achieved with even only 5% opt-in, which might be the most economical business case. He added that if that is proven, EWEB can afford to carry inefficiency and loss of a dual system, but that the 50% point would not be strived for if the benefits can’t be proven out. He reiterated that a one size fits all approach is the most efficient, but to lose a bit of efficiency in order to provide customers with a choice is a good thing.

It was then moved by Commissioner Manning, seconded by Vice President Brown, to support Alternate 2 (opt-in) and enact Resolution #1322. The motion passed unanimously (5-0).

Commissioner Manning stated that, in his capacity as a certified mediator, he has never seen people get 100% of what they want but he has seen people compromise and, based on that and the amount of e-mails he has received against and an equal amount for, he believes people deserve a choice. He said that he sees benefits for low-income and college students with AMI, and that he has traveled in order to do some research on AMI on his own. He said that he is pretty comfortable that the meters can be programmed to do no harm.

Commissioner Mital noted that the resolution states "Alternative 1 or 2." President Simpson stated that "Alternative 1 or" will be struck from the resolution so that it will read "Alternative 2."

Vice President Brown agreed with Commissioner Manning's comments. He said his home has had a smart meter for 1-1/2 years and that the people who want one should have one, and the people who don't want one shouldn't have to have one, but that he wants to continue the experiment.

Commissioner Helgeson stated that in the past he has voiced concerns about the timing of this project, but that as a Board member and former utility official, he is convinced that EWEB will need to consider this technology at some point, and that his principal concern has to do with its impact on rates. He added that he wants to insure that whatever course is taken, it does not complicate EWEB's current financial situation, and that he has met with staff and is satisfied that the go-slow approach will not have a near-term rate impact and will be beneficial. He said that he can't support the Alternate 0 option because he thinks this is something that EWEB needs to do in the next five years or so, and that while this project will continue to be controversial, EWEB has to continue to communicate the value of what it has to offer.

President Simpson then called for a 10-minute recess.

2013 WATER POLICIES & PROCEDURES UPDATE – Resolution #1319

Mel Damewood, Engineering Manager, briefly reviewed the Board backgrounder, the principles of EWEB's W1 and W2 policies and procedures, a brief history of the service installation increases that Mr. McMahon had referred to in his testimony this evening, a breakdown of average water service installation costs, the impacts to the bottom line, and the cost of meter sets. He noted that there have also been price escalations in equipment, and that now is a good time to adjust these costs according to what EWEB's costs are now and will be later, as staff wants development to support itself eventually.

Vice President Brown wondered how he will tell a developer that this is a competitive number and that the developer can't go to C2 Construction or Emerald Construction and get the same thing done for less.

Mr. Damewood replied that EWEB's costs are in the ballpark compared to what other utilities charge, as listed in the Board backgrounder, and that some utilities charge more than EWEB, and some charge less.

Commissioner Mital asked why EWEB wouldn't make step increases over a two- to four-year period.

Mr. Damewood replied that in the past the timing has always been unfortunate, i.e., EWEB is either in the middle of a rate increase or the economy is bad. He noted that part of the negotiation with the Homebuilders Association was that they requested a three-month period to go to their constituency in order to give them advance notice about the increase.

President Simpson asked what the effect of a no vote would be. Mr. Damewood replied that the charges would continue to be subsidized through rates. He reminded the Board that staff is merely trying to recover actual costs and, as the economy improves, more of these service orders will be coming in. General Manager Gray added that that subsidy has now been eliminated for purposes of a later presentation.

Commissioner Helgeson stated that he would like to continue to make these installations as cost-effective as possible, and that he believes the services EWEB offers are competitive and of value. He complimented staff for the result that Mr. McMahon now supports the fee increase when a few months ago he did not.

Vice President Brown asked why EWEB's charges are twice as much as Springfield Utility Board's (SUB). Mr. Damewood replied that SUB doesn't include site restoration in their cost.

It was then moved by President Simpson, seconded by Commissioner Manning, to approve Resolution #1319 enacting the 2013 Water Policies & Procedures update. The motion passed unanimously (5-0).

2014 DRAFT BUDGET AND LONG-TERM FINANCIAL PLANS UPDATE; 2014 DRAFT ELECTRIC LONG-TERM FINANCIAL PLANS; 2014 DRAFT WATER LONG-TERM FINANCIAL PLANS

Cathy Bloom, Finance Manager, stated that staff is asking for Board direction regarding the budget assumptions and the timing and amount of a rate increase.

Harvey Hall, Senior Financial Analyst, recalled that the 4% electric rate increase was moved up to February from May, with a 3% water rate increase also in February, and that all future electric rate increases will move to February from May, which will then align them with water rate increases. General Manager Gray added that this is the result of a strong management recommendation to align rate increases to one event as closely as possible.

Commissioner Mital asked if the 4% electric rate increase would be embedded on top of Board adoption of a collapsing tiered rate and its impacts.

General Manager Gray explained that he is proposing that the Board adopt these terminologies of 4% and 3%, best characterized as revenue requirements or a budget increase, and to keep the rate design exactly the same, and that all elements would increase by those numbers. He noted that the rate design is not on top of this, but that the design has different impacts on different consumption patterns.

Commissioner Mital asked for confirmation that, if the Board approves both the 4% electric rate increase plus Erin Erben's previous proposal, the average ratepayer could see an 8-9% increase on the electric side.

General Manager Gray replied that the two are not additive, and that all rates would go up by that amount, and that if the rate design is changed, more dollars are put into the base and the tiers are changed, the revenue will be the same, but how it is collected will change. He noted that low consumption customers' bills will go up more than high consumption customers' bills.

Commissioner Mital wondered if it would be okay to impose that much change at once, with both a rate increase and a rate design change at the same time, as the Board hasn't discussed that until tonight.

Commissioner Helgeson stated that the BPA passthrough is fairly small (2.5%), and that if staff is looking for a year to have less impact, this would be the year. He asked the Board to postpone the rest of that discussion until the next presentation.

General Manager Gray recalled how the Board had dramatically revised the rate increase from being way more than 20% in some instances to way less in some instances, though he noted that these decisions are separable.

A brief discussion ensued regarding the timing of including a BPA passthrough in the rate increase. Mr. Hall reviewed previous BPA passthroughs and various staff proposals on how to handle them.

President Simpson asked for further information regarding the Harvest Wind expenditure. Ms. Bloom explained it, and also explained how the debt will be paid down.

Vice President Brown asked for an explanation of the cost of one-time legal fees for the Stateline project. Edward Yan, rate analyst, provided an explanation. General Manager Gray added that there is a possible legal dispute regarding the Stateline project, and that legal counsel should make a presentation to the Board regarding this in the future.

Commissioner Mital noted that last year staff had proposed a 30% water rate increase (which was reduced), and he wondered why that wasn't requested in this year's budget proposal.

General Manager Gray replied that the water rate increase will have an impact on both utilities eventually, and that staff doesn't want to reduce services too radically (such as what was done in customer service) because the customer service reduction had to eventually be reversed.

Commissioner Helgeson thanked staff for their hard work. He said that he is still concerned about what will happen with conservation programs though he realizes staff will be reinstating those. He asked for further information on that at a later time.

General Manager Gray replied that staff will present a follow-up on that but it might be more extensive than a starboard report.

Commissioner Mital stated that he is comfortable with staff's recommendations, but wondered if EWEB is running a risk with adopting a 1.74 debt service coverage ratio (which is below target). Ms. Bloom replied that there is a slight risk, but that some of the budget items are one-time expenditures so she feels the 1.74 ratio is still viable.

Commissioner Mital asked for confirmation that the Board is being asked to support budget Option 2. Ms. Bloom reiterated that the Board is approving a 4% electric rate increase, a 3% water rate increase, and their agreement with the budget assumptions, including specific follow-up regarding the reinstatement of conservation programs.

Commissioner Manning also voiced support for staff's recommendation.

PUBLIC HEARING ON ELECTRIC/WATER BUDGET, RATES AND FINANCIAL PLANS

There was none.

RATE DESIGN PROPOSAL FOR PRICING ACTION

Using overheads, Erin Erben, Power Resources & Strategic Planning Manager; Mark Freeman, EMS and Customer Service Manager; and Sue Fahey, Fiscal Services Supervisor presented the objectives of strategic changes to customer rate components coincident with the December 3, 2013 rate action. She reviewed business strategy 5 in the 2013 strategic plan, ratemaking principles from the March white paper, residential pricing options, residential bill impacts, residential bill comparisons, rates by usage tier, the existing new large load policy, the revised G-4 rate schedule, and the business growth and retention rider (BGR-1).

Staff requested Board direction on their preferred residential design option and whether or not to include BGR-1 and the revised G-4 tariffs in the November 2013 rate proposal.

Vice President Brown voiced support for Option 1 and the large load policy.

President Simpson stated that he would like to explore eliminating tier rates or doing something to simplify them, and that he is strongly in favor of loading the base charge to recoup fixed costs, and he values the demand concept, which he feels is highly under-valued. He also voiced support for Option 1 and the large load policy, but stated that he believes the Board should reexamine the value of a tiered rate structure.

Commissioner Helgeson commended staff for doing a great job with balancing a complex rate structure, and voiced support for Option 1 and the large load policy, but requested the possibility of flattening out the energy rate.

Ms. Erben stated that she believes the single energy charge gives staff more flexibility, with a minimum of two tiers but preferably one tier.

A brief discussion ensued regarding Commissioner Helgeson's request to flatten out the energy rate.

Commissioner Mital stated that Option 1 is fine with him but that he is "not quite there" regarding the rate design.

Ms. Erben reiterated that staff needs direction for December. Ms. Fahey added that staff needs to know what to build the rate recommendation on for the November Board meeting.

After a brief discussion, Ms. Erben offered to meet with the Board in order for them to become more versed regarding bill impacts, rate design, etc. The Board agreed.

Commissioner Helgeson stated that he believes the rate tiers are out of whack, but he would like to move forward for now, but meet with Ms. Erben in order to get more information.

Commissioner Mital reiterated that he needs more time to think about the rate design and will discuss this further with Ms. Erben at a later time.

CORRESPONDENCE & BOARD AGENDAS

Due to the lateness of the hour, General Manager Gray stated that he will address this agenda item via e-mail in the next 48 hours.

President Simpson adjourned the Regular Session at 10:25 p.m.

Assistant Secretary

President