

EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
DECEMBER 3, 2013
5:30 P.M.

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

Others Present: Cathy Bloom, Deborah Hart, Susan Eicher, Sue Fahey, Jason Heuser, Brad Taylor, Harvey Hall, Edward Yan, Joe Harwood, Lance Robertson, Matt Sayre, Adam Rue, Mark Freeman, Jeannine Parisi, Frank Lawson, Tom Williams, Sheila Crawford, Mel Damewood, Lena Kostopulos, Wendi Schultz-Kerns, Steve Newcomb, Erin Erben, Steve Mangan, Dave Churchman, Todd Simmons, Lisa McLaughlin, Roger Kline, and Taryn Johnson of the EWEB staff; Vicki Maxon, recorder.

President Simpson convened the Regular Session of the Eugene Water & Electric Board (EWEB) at 5:33 p.m.

AGENDA CHECK

There were no items.

ITEMS FROM BOARD MEMBERS

Commissioner Manning stated that he had attended a presentation regarding the plans to repair Leaburg Dam. He added that the Board received feedback from residents regarding both the repair of the dam and considerations for modifications to the speed humps/bumps on Leaburg Dam Road.

Commissioner Mital stated that this meeting completes a one-year cycle for him and that he has loved the entire experience and is richer for it. He thanked staff, General Manager Roger Gray, and Taryn Johnson, Assistant to the General Manager and Board, for their help. He singled out President Simpson and Vice President Brown for their mentorship and patience with him.

He then stated that he joined 1,100 Eugene residents for EWEB's annual Run to Stay Warm on November 24, 2013, which raised \$22,000 for EWEB's Customer Care program that assists low-income, seniors, and other qualified customers with paying their EWEB bills. He noted that it is the only event that EWEB puts on where EWEB is the recipient and people pay EWEB to participate, and that it showcases the positive feelings and spirits of EWEB and the community. He acknowledged Shelley Stevenson, Energy Management Specialist II; Zulema Jones, Customer Service Analyst; and Cheryl Froehlich, Administrative Assistant II, for their assistance.

He then stated that he attended a Springfield Utility Board (SUB) Board meeting about 3-4 weeks ago, as EWEB is looking at ways to strengthen and continue its relationship with SUB and its Board. He said that their Board meetings are very different from EWEB's with significantly fewer people attending, zero public testimony, and the entire meeting lasting 1-1/2 hours, which SUB staff had said was one of their longer meetings. He said it is clear that SUB is a significantly more simple organization and noted that replacement of their metering system is up for debate, with no discussion about replacing their existing meters with advanced metering infrastructure (AMI) but ways to make meter reading more efficient and no two-way radios. He noted that SUB is a 100% Bonneville Power Administration (BPA) customer and that peak shifting is not an issue for them, and that in his monthly meeting with General Manager Gray, they had invited the general manager of SUB, Jeff Nelson, to continue discussions about how EWEB and SUB might work together to resolve EWEB's water reliability issues and SUB's needs as well, and that when that is complete, there may be some ways for EWEB and SUB to work together.

He then related that his disabled brother had bought a condominium in a Eugene low-income 60-unit development and they considered conversion to a modern heating system instead of ceiling heat, and asked for a cost estimate for the conversion. When he called the homeowners association to ask for permission to install a ductless heat pump, the manager was very familiar with ductless heat pumps, but told him that no one had ever asked for permission to do that. He said he was amazed that there are 60 identical units in this condominium complex, all with ceiling heat, and that no one has converted to ductless heat pumps yet, and he pointed out that it is important for EWEB to find ways to more aggressively support low-income customers with its energy conservation programs. He reiterated his request for a staff backgrounder to get more information on what EWEB is doing in this respect, and to identify opportunities for improvement. He added that he would like to discuss this at the January Board meeting in order to make a decision about asking to place this issue on the agenda for the joint EWEB/City Council meeting to see if there are ways to partner to encourage greater adoption of energy conservation programs for low-income residents.

Commissioner Helgeson stated that he is pleased that the Board is going to meet with the City Council again, as he believes those meetings are important, largely for the purpose of maintaining and improving relationships with elected officials. Echoing Commissioner Mital's comments, Commissioner Helgeson said that it would be good for the Board to have a conversation between themselves and with staff about the joint meeting to set the agenda and to determine whether or not the Board anticipates if it will be similar to past meetings that don't produce follow-up or initiative, but are good for relations; or if the Board wants a different type of meeting.

Regarding Commissioner Mital's comments about the joint EWEB/City Council meeting, Vice President Brown stated that he is very much in support of the joint meeting, and asked that the staff backgrounder include what has been done in the past and the lessons learned, etc., as he wants to do it right.

Vice President Brown then noted for the audience that an April 12, 2012 memo from staff had explained that approximately half of EWEB's bill consists of City of Eugene charges that appear on EWEB's bill but are not EWEB charges. He reiterated his earlier request for an update on the above memo, regarding the City's stormwater and wastewater rate projections, as last year they had talked about an increase of 5.75% thru 2018, wastewater fees increasing to 4-6%, and some other items, and that those rates were projected to increase even more than EWEB's electric rates were.

He then clarified that on Thursday, December 5, he will be speaking to the Springfield City Club regarding river clean-up activities, and that his presentation has nothing to do with EWEB even though the Springfield City Club has announced him as an EWEB Commissioner.

President Simpson stated that he had attended the Northwest Public Power Association annual meeting with General Manager Gray and had heard several presentations regarding the changing landscape of the electric industry and comments relating to the economics of that.

He added that he is in favor of Commissioner Mital's request for a staff backgrounder and a discussion at the January Board meeting regarding energy conservation incentives and what programs EWEB has been involved with, and that it would be nice to see that contrasted with how the Board feels the landscape would be if more stringent code measures would be put in place.

General Manager Gray clarified that he had received five head nods regarding the above updates, and that for Vice President Brown's request for an update on proposed rate increases for the City's sewer and stormwater charges, a starboard report would be done if the memo still exists and, if not, the City will need to provide an estimate to staff.

General Manager Gray noted that the staff backgrounder regarding low-income energy conservation programs should provide a historical context of the program, what low-income programs were recently added, and specifically what EWEB can offer for incentives vs. what the City Council and EWEB would collaborate on, i.e., EWEB can't control code changes. He noted that former Commissioner Bob Cassidy had brought up the possibility of a mandatory audit, and that the Board can discuss that as well.

President Simpson stated that he would want to see some comments about what it would cost EWEB to do with a Code-based method.

General Manager Gray replied that staff will attempt that, and try to test some that are audit only and who will pay, and what will happen if mandatory improvements are put in place and whether or not EWEB would support those.

Commissioner Helgeson stated that the historical information would be useful because it would help more clearly define the problem we need to solve, as well as confirming that, despite EWEB's fairly robust low income conservation incentives, further code-based mechanisms may be needed to encourage rental property owners to participate going forward."

Commissioner Mital stated that he would like to know how much energy conservation funding has been made available to the residential sector over multi-number of years and what percentage was used by the low-income sector, whether or not they are taking advantage of it, if that money is subsidizing middle- and high-income customers' ability to take advantage of those programs, and whether or not there is a way to evaluate the amount of energy conservation opportunities remaining for the low-income or renter segments of customers. He added that they have shown that the City will continue down its sustainability path and that EWEB staff could share with them what they think is out there.

Commissioner Manning stated that he has been reflecting on what was discussed almost a year ago, that EWEB customers don't understand the various charges on their bills, and for that reason, the City charges are very important to identify and break out, so that EWEB doesn't continue to get the blame for all the fee increases, as it makes it look like EWEB is gouging its customers when that is not the case.

PUBLIC INPUT

Carole Grappo voiced the following comments and concerns:

- Questions about rate changes and why EWEB built the Roosevelt Operations Center (ROC), which was unnecessary, as they have the headquarters building
- Concerns about management and long-term choices that have been made, especially since she saw a chart that shows that EWEB's rates are higher than utilities in Seattle, Vancouver, Bellevue, Salem and Tacoma, and are twice as much as SUB
- Questions about the kWhr rate and EWEB's lawsuit against its wind power provider.
- Concerned that EWEB rate increases impact all customers, especially the low-income, and whether there is enough assistance provided to low-income customers
- There should be no shutoffs the morning after a bill isn't paid
- Sell the headquarters building or the ROC and then EWEB wouldn't have to hire more employees
- Customers are being punished because of the loss of Hynix as a major commercial customer
- Customers pay more than three times what Medford, Oregon customers pay for water

Sandy Wenzel lives in the West 5th Avenue area. She sent an e-mail to the Board about a broken water main she had in October, noting that her water was turned off for an entire weekend in order to have a contractor snake the line and install new pipe. After talking to Customer Service, EWEB reduced her water bill from \$160 to \$90, which represents over four times her monthly water bill of \$20. She said she is here tonight to appeal that decision and hopes that something closer to her standard water rate will be given to her, especially since she

took every measure possible once she realized the significance of the problem. She wondered how she will be notified regarding her appeal.

President Simpson asked Ms. Wenzel to go to the back of the room and speak to EWEB customer service staff, who will take her name and contact info and make sure the appeals process addresses her issue.

Nancy Olson asked the Board seven questions:

- Did you believe staff's 131-page memo to the Board regarding 2014 budget and rate approval would serve as an opportunity for your customers to perform their own due diligence regarding budget decisions for 2014 water and electric rate increases?
- Was it because you didn't believe it was possible for customers to use EWEB's memorandum to perform due diligence, and allowed only 20 minutes for public comment?
- Are you aware that the electricity you sell powers retail electric heat systems that are ineffective and that non-electric power sources which continue to be developed and connected to efficient ones might draw your customers to their own power sources and, as a result, EWEB could lose even more opportunities for revenue before our country gets out of this extended economic downturn?
- Is it true that even though EWEB rhetorical marketing devices include "Rely On Us," EWEB will soon, as the General Manager stated in his October 27 Register-Guard column, be relying on us customers for "self-service on EWEB's website and elsewhere" if EWEB is to offer affordable electricity, i.e., should we not rely on you?
- What does customer/owner mean?
- Who outside of EWEB is charged with oversight of EWEB operations?
- Who outside of EWEB audits your books?

B.K. Hoffman stated that long-term solutions trump the smart metering agenda, as smart metering is an agenda, not a short- or long-term solution. He noted that rates have increased in areas of the United States where smart meters are installed. He urged the Board to strongly consider voting against smart metering.

Steve Robinson lives in the North Gilham area. He called the Board's attention to a problem with EWEB billing policies and requested a refund for an overcharge due to his water meter malfunctioning and recording an extra 100,000 gallons of water which he did not use, which resulted in an extra \$370 on his bill. He detailed in chronological order the troubles with his water meter dating back to October 2011, and also detailed various examples of his normal water usage and various efficiency options such as low-flow toilets, and his theory about what caused the overcharge. He then stated that the EWEB Appeals Committee had told him they were not able to authorize a credit due to "unexplained water loss" and suggested that he have his irrigation system tested. He voiced frustration that EWEB staff seems unable to logically look at his situation or even consider a system error, and that this policy seems to put all the risk on customers in the case of an error like this.

He requested that he be issued a \$370 refund for the overcharge and that EWEB review their overcharge credit policy, especially regarding what would happen if a low-income customer experienced such an overcharge, which would result in them not having money to buy food or pay rent. He added that EWEB needs an overcharge credit policy that accommodates the customer in the case of what he believes was a metering error in his situation.

Moshe Immerman is a former science and ecologic advisor to an Air Force safety center and 2,000 churches; a research ecologist; and the founder of Citizens for Public Accountability. He stated that EWEB is a special entity and that global warming and climate change are coming. While he doesn't know what the correct rate increase should be, he does know that EWEB is going to have to be profoundly active in using whatever funds that are generated to deal with a green sustainable future and deep cycle megatrends. He believes that the Columbia electricity generating station should be shut down, as it is cheaper now to disinvest from BPA power, and that EWEB should listen to what Fukushima is doing to us, as we are not prepared to deal with a 9.5 earthquake. He hopes that EWEB will conduct a hearing about the Spanish electric technology that uses molten salt, which is not toxic, to meld that with excess power from wind or solar, and then it reconsolidates and generates heat. He asked EWEB to be proactive in all ways in looking at what the snowpack will do as climate change kicks in, and to focus proactively on future scenarios, do more planning, and invite the community to participate.

Sean and Sarah Curran-Hardy (siblings) hope that EWEB can establish new payment arrangements for low-income customers, as they just moved to Eugene and are struggling with paying bills. They noted that their former utility in California allowed them to make payment arrangements so their power would not be cut off, and that they have been close to that many times with EWEB. Mr. Curran-Hardy noted that EWEB bills are an extreme issue for them and that they are always past due and right up to the point of service disconnection, that communication from customer service representatives is minimal to short, and that the representatives are sometimes rude to them when they call. He stated that he has issues with EWEB around honesty and trust, and his sister stated that they can only get low-income assistance once a year and sometimes twice, and she wonders what they are going to do for the other 11 months. They asked for more flexibility to pay as much as they can, as they pay at least 75% of their bill but then get a door hanger threatening disconnection because of the 25% that remains to be paid.

Loretta Huston is a former 11-year EWEB employee (meter reader) who feels that she was let go because she believes in transparency and in speaking out. She stated that she has seen dirty, cruddy water meters that have been in the ground for 45-50 years and that she has complained about them for years. She wonders who will pay for the \$26 million for smart metering and she doesn't see the opt-in as being free or how it will save money. She also wonders about hybrid cars that will be plugged into the grid 24/7, but she is proud that EWEB has led the way in energy conservation, as it is the only true way to conserve energy.

Janet O'Bryant is displeased with what she has read about EWEB projects and was not impressed with her ward's former EWEB commissioner. She noted that EWEB painted one side of a building red to reflect the "red badge of courage" but that there is nothing courageous about

that building when so many people are out of work, and she noted that the EWEB headquarters building was supposed to have a 50-year life. She called upon Commissioner Manning to truly carry that red badge of courage and listen to customers who speak about issues that EWEB seems too often ignore. She also noted that EWEB rarely presents their budget to the public so that the public is fully aware, and she is concerned about the “sweetheart” and “secret handshake” deal with Seneca, and is angry about EWEB’s lack of transparency. She called upon the Board to work to endeavor to show true courage in representing its customers.

President Simpson appreciated the public testimony. He stated that he has served on the Board for seven years and has seen his share of misread meters, appeals, and rate increases, and was on the Board in 2008 when the economy went south. He assured the audience that EWEB is very dedicated to the appropriate technology and response to climate change and global issues. He said he is currently unemployed, so he hears customers that a \$4 per month electric rate increase means something, and that rate increases are not taken lightly by the Board. He reminded the audience that EWEB doesn’t raise rates flippantly, but in order to maintain rate sufficiency and maintain sufficient metrics so that bond rating agencies won’t berate EWEB to junk bonds, which cost significantly more than A or AA bonds. He noted that EWEB’s metrics and credit rating were recently downgraded to A+, and that will have an impact on EWEB’s ability to borrow money.

Regarding the ROC, he said that building it was a wise decision, in his opinion, and that the community supported it and it was necessary in order to maintain EWEB’s electric and water systems going forward for the next 100-150 years. He added that EWEB’s waterfront property was not appropriate for that portion of EWEB’s business, and that having industrial operations located on the waterfront property is not the way the community wants EWEB to operate, so the ROC serves not only the needs of the organization but its customers as well.

Regarding those who provided testimony regarding potential disputes of their bill or low-income payment arrangements, he asked them to speak to EWEB staff in the back of the room and they will follow up on their concerns.

He thanked Ms. Olson for her seven questions, and stated that the Board is aware of public sentiment that the budget is a foregone conclusion and that public testimony in December is just an act. He reminded the audience that the Board has remodeled the public input process to encourage testimony all year long, beginning with the strategic planning session in January and February, and that this is the time when the public needs to engage to help direct EWEB on a major level instead of waiting until the end of the rate or budget process when the Board is discussing a 4% rate increase that supports the strategic decisions that were made throughout the year. He reiterated that the public should participate early and provide testimony all year long.

Vice President Brown noted that splitting EWEB’s operations between two locations was a decision that was made by a previous Board, and that a decision was also made to either build at the present location or build elsewhere. He added that a portion of the EWEB headquarters building is currently being rented for \$40,000 a month and that the remainder of it will eventually be sold.

He told Ms. Wenzel that he empathizes with her water leak because he had two separate water leaks over the last several years and he didn't get an overage credit, either, and he thanked the others for their testimony.

Regarding water sales to Veneta, he told Ms. O'Bryant that EWEB has excess water and makes \$90,000 on those water sales, and that it costs them nothing. He noted that Medford water rates are lower than EWEB's because they are a regional water provider and sell to other communities. He added that staff can explain to her why EWEB's rates are higher than SUB's.

Regarding the testimony stating that EWEB provided only 20 minutes for public input at a previous meeting, Commissioner Helgeson believes that that was in reference to a rate hearing. He explained that the amount of agenda time for public input is an estimate, and that he doesn't recall the Board not accommodating anyone who came to speak.

He said that he also struggles with the overcharge credit process for water bills, and that he knows the difficulties. He asked for more information regarding what the practices of other utilities are regarding water overcharge credits and whether or not there are policies elsewhere that might help EWEB find a better balance.

He told the audience that he hears their concerns about rate increases, and that he wants to be clear that EWEB's rates are higher than some of their peers, and he wants EWEB to be clear about reasons for that. He reiterated that the rate increase has nothing to do with the ROC because the ROC was necessary and required to replace EWEB's worn out facilities that were located on the riverfront property. He explained that there was a past small rate action to cover debt service on that facility but it was in the single digit range, and it is no longer a factor in today's rates. He briefly noted that the main reason for the rate increase is generally because of EWEB's investment in renewables, and that he believes it's the right investment to make in the long run, as it puts EWEB in surplus not only for hydroelectric power, but as they look to the future, and that market rates for power are very low because of the recession and low natural gas prices.

In regard to the siblings' testimony regarding their struggle with paying their EWEB bill, he hoped that they will speak to EWEB staff tonight and be sure they have availed themselves to all programs that exist, and that he believes that EWEB's payment policies are reasonably flexible, and he wants to make sure there is no misunderstanding.

Commissioner Mital noted that the consistent theme in public input at almost every Board meeting is concern about rate increases. He noted that after one year on the Board, observing Board meetings for the last two years, and reading the paper for the last 10 years, his sense is that 6-8 years ago, cost was not a primary concern, because EWEB was responding to community desire to see investments made in other more expensive power that would be greener and consistent with community values. Now the community is very sincere about managing costs, and that is actually how staff and Board are responding, with a 2014 budget that is several million dollars less than it was a year ago, mostly as a result of significant hits EWEB has self-inflicted, including decisions to cut staff by 12-14% over the last couple years, which is

obviously not an easy task. He added that he realizes that low-income customers can't afford their bills and that he doesn't think EWEB is doing enough to help them, but he believes that EWEB is doing a good job based on the input the Board gets from the community, which is to provide for low-income customers and be sure to manage costs.

Commissioner Manning stated that "perception is the killer of good dreams and bad ideas." He briefly reviewed his background in the Army, the Pearl Buck Center board, the United Way campaign, as a member of the Eugene Police Commission, and as a mediator for Circuit Court. He said he feels fortunate to be elected to the Board and that he understands that during good times there is a small segment of population that does extremely well and a small section that sustains, and that the bottom portion is the foundation of America, who struggles. He said he was a member of that bottom portion as a child, was homeless, and fortunately met people who gave him a hand up and out.

He continued by saying that he has served on all his former and current Boards without pay because of his commitment to helping people, and that he lives off retirement, and is not "corporate-owned." He reminded the audience that the Board doesn't make decisions without public input and that they are here to oversee the public's interest and hear what they want. He closed by saying that he believes that the public doesn't know the character and makeup of the Board and that they are easy targets and get "beat up" at every meeting, and that it is hurtful and he doesn't believe the Board deserves that.

Regarding Ms. Olson's question about who oversees EWEB, President Simpson replied that the ultimate answer is that it is the people who are registered to vote in the city of Eugene, and that they have the vested authority to make those decisions on EWEB's Board. The Board is authorized by City Charter to make those decisions to lead the organization and they take community needs and desires into consideration and make the wisest decisions possible. He urged anyone in the audience to run for a four-year term on the EWEB Board, as it is a wonderful experience, and that he is proud to be on the Board even though there is no money in it.

VENETA PIPELINE PROJECT APPRECIATION

President Simpson presented a certificate of appreciation to Brad Taylor, Water Operations Manager, and commended the entire Water Operations Department. He recalled that EWEB applied for a third water right on the McKenzie River decades ago to not only meet the needs of future generations of Eugene residents but to enable EWEB to become a regional water provider. President Simpson and the Board recognized Mr. Taylor's team's efforts in seizing the opportunity, managing risks, and getting it done, and added that these contributions have helped form a new partnership with the City of Veneta, and have also paved the way for a regional approach to meeting community drinking water needs.

Mr. Taylor thanked the Board and stated that the ultimate success of any project comes down to whether or not it is a success, and that he has confidence that the partnership with

Veneta will endure, based on trust, partnership, commitment, listening to the community, and bringing a community solution to project.

CONSENT CALENDAR

MINUTES

- 1a. October 1, 2013 Regular Session
- b. November 5, 2013 Regular Session

RESOLUTIONS

2. Resolution No. 1325 - Declaring Surplus for Certain Real Property no longer needed for Utility Purposes. Contact Person is Steve Newcomb.
3. Resolution No. 1326 - EWEB's 2014 State Legislative Agenda. Contact Person is Lance Robertson.

CONTRACTS

4. Cascade Health Solutions - for EWEB's recruitment, hiring, safety, health and wellness programs. \$375,000 (for five years), Human Resources. Contact Person is Lena Kostopulos.
5. CH2M Hill - for engineering and inspection services for the Willamette 1325 Reservoir Replacement Project. \$20,000 (total \$169,994), Engineering. Contact Person is Mel Damewood.

BUDGET AMENDMENTS

6. BAM No. 17 - Oakway Substation Circuit Switcher/Breaker Upgrade. Contact Person is Mel Damewood.

OTHER

7. Economic Development Loan Program - Water Reserve Transfer. Contact Person is Mark Freeman.

Regarding item #5, Commissioner Helgeson voiced concern about the sizable investment for customers who live at upper elevations that isn't recovered from customers who live at lower elevations. General Manager Gray replied that he would provide follow-up via a starboard report and also a summary regarding how system development charges (SDCs) and rate structures vary by elevation.

It was then moved by Vice President Brown, seconded by Commissioner Manning, to approve the consent calendar. The motion passed unanimously (5-0).

2014 PROPOSED BUDGET AND RATES

With the aid of overheads, Cathy Bloom, Finance Manager; Sue Fahey, Fiscal Services Supervisor; Harvey Hall, Senior Financial Analyst, Edward Yan, Senior Financial Analyst; and Deborah Hart, Senior Financial Analyst, presented the 2014 budget and rates proposal.

Management recommended a 4% electric rate increase and a 3% water rate increase.

President Simpson voiced full support for electric rate proposal #1 (a 4% electric rate increase). He advocated for a 6% water rate increase to bring the organization in line with water source planning efforts, which would be a minimal monthly cost to customers in order to help EWEB get into an equity position to provide reliable water service in the event of a catastrophe that shuts down its single water source. He noted that there is no other community that depends on a single water source and that EWEB's customers agree that this is an important issue.

Commissioner Helgeson voiced concern regarding more coherent communication about this set of rate increases to the public, and noted that water rates are being adjusted in advance so that there will not be double-digit rate increases occurring back to back, and that second source water is a high priority for the Board and the utility. Regarding the electric rate increase, he added that he supports the Board's objective of maintaining credit worthiness.

Commissioner Mital recalled that at the November meeting, the Board was interested in a 6% water rate increase with an additional 3% put into a fund for second source water, and that President Simpson and Vice President Brown had just reiterated that desire. He stated that if that 3% second source funding could be specifically identified on EWEB bills, he would endorse a 6% water rate increase.

Mark Freeman, Energy Management Services and Customer Service Manager, stated that an explanation on bills would be difficult to accomplish by February 2014 because rate codes would have to be separated and tested.

A brief discussion ensued regarding a 6% vs. 3% water rate increase and how that could be accomplished. Vice President Brown asked if the 3% funding could instead be explained in a bill insert. Mr. Freeman agreed to obtain a quote for the bill insert.

Commissioner Mital voiced concern about a disconnect between what EWEB does and what customers seem to experience and that he wants to close that gap, and that it seems like this disconnect recurs on a regular basis.

After further discussion and clarifying questions, Commissioner Mital voiced support for the electric and water rate recommendations, and also echoed Vice President Brown's desire to ramp up the second source project if it can be effectively communicated to customers (which will be the subject of discussion at a later meeting).

Commissioner Manning voiced the desire for transparency in decision-making and for Public Affairs to get the message out to news media in a clear and concise way. He agreed that second source should be a high priority but that the intent needs to be specifically explained, and that those explanations need to be done with stating the cost in dollars and cents and in layman's terms.

PUBLIC HEARING

Moshe Immerman appreciated the purity and sweetness of EWEB's water, and agreed that it is crucial to be proactive in funding a second source, but urged the Board not to combine a second source with the McKenzie River, as it will have a different pH and be acidic.

Loretta Huston stated that customers are living paycheck to paycheck and that costs are going up for everything - education, gas, food and housing. She wondered how the recent bonuses for EWEB employees were funded and if there is a way for those in the community who have good salaries and great benefits to take a decrease in their salary.

Carol Grappo stated that it doesn't seem complicated to print EWEB's bill in a smaller font for the billing portion and a larger font for the explanation portion, and that customers shouldn't have to pay for that explanation. She hopes that the Register-Guard and the EWEB website will explain what the debt service cost is for each customer and how much of a customer's bill goes toward that, and who made the decision to get EWEB into that debt. She also voiced concern about the corporate connection of Moody's debt ratings process, and said that she wants EWEB to get back to caring about people and about the public interest.

Regarding transparency, Commissioner Manning noted that the Board cannot meet with more than two Commissioners at a time behind closed doors and that the Board is concerned about rate increases, but that there are outside sources that drive those. He reminded the audience that EWEB's bill includes City of Eugene charges for stormwater and wastewater and that the EWEB portion of their bill is much lower than they think.

Regarding debt service coverage, Commissioner Mital stated that if Moody's lowers EWEB's bond rating, costs go up, and money will need to be borrowed for operations and maintenance. He then gave a more detailed explanation of debt service coverage.

2014 PROPOSED BUDGET AND RATES: RESOLUTION #1327-1329

The Board voted for each resolution separately.

It was moved by Commissioner Helgeson, seconded by Commissioner Manning, to approve Resolution #1327 for the 2014 budget. The motion passed unanimously (5-0).

It was moved by Commissioner Mital, seconded by Commissioner Helgeson, to approve Resolution #1328 for electric rate option #1, a 4% overall increase. The motion passed unanimously (5-0).

It was moved by President Simpson, seconded by Vice President Brown, to amend Resolution #1329 for a 6% overall average rate increase in lieu of a 3% average rate increase, with 3% set aside for future second source water supply costs. The motion passed 4-1 (Helgeson voted no).

Commissioner Mital reminded the Board that he is supportive of that amendment only if a bill insert can be done. General Manager Gray replied that the bill insert and reserve account can be accomplished by February 2014 but that a line item break-out cannot be done by then.

Commissioner Manning reiterated his desire that the explanation in the bill insert include what the dollars and cents impact will be.

President Simpson called for a 10-minute recess.

Commissioner Mital asked for clarification on why Commissioner Helgeson voted no on Resolution #1329.

Commissioner Helgeson clarified that he supports second source water but that he feels that EWEB is not yet in a position to coherently explain to customers where that project is headed and to address the argument that may be made against that proposal, and that he feels EWEB will be in a better position to do that after the first of the year.

A discussion was re-opened regarding second source and staff's recommendation for a 6% water rate increase. Commissioner Helgeson noted that second source is a top priority for him and that he wants to be clear that he wasn't voting against staff's recommendation, but rather that the voting process didn't give him disclosure regarding what his position is.

Commissioner Manning noted that second source was a priority topic at the Board's retreat and that it is not a new staff recommendation, but that it is possible that the language for the recommendation could have been packaged better.

2013 QUARTER 3 FINANCIAL REVIEW

Using overheads, Ms. Bloom and Susan Eicher, General Accounting and Treasury Supervisor, presented the 2013 Quarter 3 Financial Review.

- Operating revenue was up significantly from last year as a result of budget savings
- Wholesale revenue was better than expected
- Retail volume was the same but retail value was up from last year
- Water income and revenue were up significantly

A brief discussion ensued regarding capital project and (Public Employees Retirement System (PERS) liability expenses and deposits made to Other Post Employment Benefits (OPEB).

General Manager Gray noted that he received a very high-level legal opinion regarding the OPEB deposits.

Commissioner Helgeson asked Ms. Eicher for an explanation at a later time regarding the change in the statement of revenues for contribution in lieu of tax (CILT) payments.

General Manager Gray noted that the change was made for purposes of accounting but not for bill presentment, and that it will be broken out eventually as a separate line item on bills.

2013 AUDIT PLANNING

Using overheads, Ms. Bloom, Ms. Eicher, and Julie Desimone and Keith Simovic of Moss Adams LLP reviewed the process for EWEB's 2013 audit, and addressed comments and questions from the Board.

Vice President Brown asked how PERS liability affects EWEB's debt service coverage ratio. Ms. Desimone replied that the actuary will determine the future obligation as of December 31, 2014 and 2015, and then will determine net obligation, and that, even though it is a large obligation, it will reduce depending on how much cash has been paid in. Ms. Bloom further explained the process.

Commissioner Mital asked Ms. Desimone what the audit's main areas of emphasis will be, and noted that the Board has discussed making power cost and trading policies less conservative. He wondered if staff could ask the auditors to do that type of thing.

Ms. Desimone replied that they could not, and that the audit only looks at policies and procedures and financial policies to be sure they are in line with municipal and State standards and generally accepted accounting principles. General Manager Gray then gave a history of hedging policies up to the present time.

Regarding financial controls, President Simpson asked if the audit could suggest that policies be better written so as to better understand what the controls are and how they will be implemented. Ms. Desimone replied that the letters regarding those controls will be brought directly to the Board.

CORRESPONDENCE/BOARD AGENDAS

General Manager Gray noted that there will be a second Board meeting in both January and February dedicated solely to strategic planning for critical issues.

Commissioner Mital noted that new officers will be elected in January and that President Simpson won't be running for that position again, so there will be at least one position open. He wondered how to air one's interest for an open position.

Vice President Brown explained the process, and noted that he hasn't decided whether or not he is going to run again after his final year.

President Simpson proposed that the president and vice president be elected in a stand-alone election and not to combine them as a slate, and added that nominations can be taken from the floor for either oneself or a colleague.

Taryn Johnson, Executive Assistant to the Board and General Manager, stated that the election can't be done via secret vote but a straw proposal can be taken anonymously, and a motion still has to be made prior to the vote.

General Manager Gray suggested that the president be elected first and vice president second. President Simpson added that he would hand over the gavel immediately and the newly elected president would preside over the meeting.

Further discussion ensued regarding the nomination and voting process.

Vice President Brown stated that he has seen nothing on any upcoming agenda regarding disposition of the riverfront property, and asked if the Board can start thinking about that.

General Manager Gray replied that the balance of the property surplus will be declared and then proposals will be taken from people who have interest in the property that has not been declared surplus. He added that he believes that the Request for Proposal (RFP) has been extended to January or February.

Vice President Brown then voiced desire for a process that will stop the misinformation that is happening so it doesn't fester in the community, as there were 10 or so community members present at tonight's meeting who were misinformed about various EWEB issues.

General Manager Gray replied that Public Affairs staff responds to all e-mails from the public, and that a protocol could be adopted on how to keep people informed, i.e., the headquarters building vs. ROC confusion, but he added that regarding some topics, all the information in the world may not be enough.

Commissioner Helgeson wished everyone Happy Holidays, as this is the final meeting for 2013.

President Simpson adjourned the Regular Session at 9:42 p.m.

Assistant Secretary

President