

EUGENE WATER & ELECTRIC BOARD
STRATEGIC PLANNING SESSION
EWEB BOARD ROOM
JANUARY 21, 2014*
12:00 P.M.

**Audio file available to the public upon request.*

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

Others Present: General Manager Roger Gray, Erin Erben, Lisa Atkin, Roger Kline, Todd Simmons, Brad Taylor, Lena Kostopulos, Cathy Bloom, Anne Kah, Suzanne Adkins, Tom Williams, Jeannine Parisi, Lance Robertson, Matt Sayre, Alan Fraser, Patty Boyle, Mike McCann, Steve Newcomb and Taryn Johnson of EWEB staff, and Julie Ryan, Managing Partner of Aether Advisors LLC.

Vice President Mital called the meeting to order at 12:00 p.m.

Roger Gray, General Manager and Erin Erben, Power & Strategic Planning Managers lead a discussion on the State of the Industry and Implication to EWEB, followed by Future Scenarios, a review of the current and proposed Strategic Plan.

Todd Simmons, Electric Operations Manager, Brad Taylor, Water Operations Manager, Mel Damewood, Engineering Manager, Lena Kostopulos, Human Resources Manager and Cathy Bloom, Finance Manager reviewed core work as indicated in the PERFORM section of the Pre-Read Materials 2014 Strategic Plan Update.

Brad Taylor, Water Operations Manager, Mel Damewood, Engineering Manager, Roger Kline, Generation Manager, Steve Newcomb Environmental Manager and Matt Sayre, Information Technology Manager reviewed key initiatives as indicated in the TRANSFORM section of the Pre-Read Materials 2014 Strategic Plan Update.

Commissioner Simpson adjourned the Strategic Planning Session at 4:20 p.m.

Assistant Secretary

President

EUGENE WATER & ELECTRIC BOARD
STRATEGIC PLANNING SESSION
EWEB BOARD ROOM
FEBRUARY 18, 2014*
5:00 P.M.

**Audio file available to the public upon request.*

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

Others Present: General Manager Roger Gray, Erin Erben, Frank Lawson, Lisa Atkin, Roger Kline, Todd Simmons, Brad Taylor, Lena Kostopulos, Cathy Bloom, Anne Kah, Mark Freeman, Jeannine Parisi, Lance Robertson, Matt Sayre, Steve Newcomb and Taryn Johnson of EWEB staff.

President Brown called the meeting to order at 5:00 p.m.

Roger Gray, General Manager and Todd Simmons, Electric Operations Manager presented a preliminary assessment of the February Ice Storm.

General Manager Gray and Erin Erben, Power & Strategic Planning Managers used presentation slides to review the utility industry of the past and the future, the importance of strategic planning and the concept of the “Big Dials” the Board sets.

The Board of Commissioners provided overall feedback on Management’s assessment of the “Big Dials” for both the water and electric utilities.

General Manager Gray and Mr. Erben continued their presentation slides to introduce four possible future scenarios to be further discussed at the next Strategic Planning Session.

President Brown adjourned the Strategic Planning Session at 8:45 p.m.

Assistant Secretary

President

EUGENE WATER & ELECTRIC BOARD
STRATEGIC PLANNING SESSION
EWEB BOARD ROOM
MAY 27, 2014*
5:00 P.M.

**Audio file available to the public upon request.*

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

Others Present: General Manager Roger Gray, Erin Erben, Lance Robertson, Mel Damewood, Frank Lawson, Lisa Atkin, Dave Churchman, Alan Fraser, Wally McCullough, Tom Williams, Sibyl Geiselman, Julie Bivens, Sue Fahey, Edward Yan, Harvey Hall, Deborah Hart, Mark Duvall, Steve Mangan, Brad Taylor, Lena Kostopulos, Cathy Bloom, Anne Kah, Mark Freeman, Jeannine Parisi, Lance Robertson, Steve Newcomb and Taryn Johnson of EWEB staff.

President Brown called the meeting to order at 5:00 p.m.

General Manager Gray and Erin Erben, Power & Strategic Planning Manager used presentation slides to briefly recap where we've been and this evening's objectives for interactive discussion and provide management any modifications to bring forth in the July 22 budget discussion.

Ms. Erben reviewed the take-aways from the Strategic Planning Process to present the building blocks for business planning efforts going forward.

Ms. Erben walked through Management's assessment of both utilities "Big Dials" and explained how 'turning the dial' on any can have impacts on customer value. In-other words, you cannot make everything better and turn the lower rate dial.

Ms. Erben reviewed general observations from the Board feedback on the dials:

- Reducing water utility risk, reducing electric utility rates, and enhancing electric utility simplicity are areas of greatest potential change
- Still some ambiguity about how to implement change associated with flexibility/adaptability and simplicity dials.
- Want to see progress as soon as 1 year and most want to see us arrive within 3-5 years
- Enhancing customer service is a key take-away from this round of review that wasn't as clearly or uniformly articulated in the last workshops
- Appears we still want more than we can achieve at the same time. Biggest open question we will try to address tonight is whether we want to prioritize rate reductions now or continue to make strategic investments that cost money now but we believe yield higher value over the long run
- Continuing to seek out efficiency improvements a good idea across all scenarios

Ms. Erben reviewed areas of alignment from the Board and areas of difference:

Areas of Alignment

- Mitigating water supply risk still a top priority
- Lowering rates still a key electric issue
- Rates appear to be most readily influenced through changing reliability / quality dial in addition to seeking out business efficiencies
- Customer service needs to go up for both utilities
- We need to address rate design issues as soon as possible
- General alignment that “greenness” may be reduced (esp. owning renewables)

Areas of Difference

- Relative importance of rates as key point of value
- How long it should take us to reach middle of the pack rates
- Impressions of simplicity/complexity in the electric business and what we need to do about it
- Value of public power
- Meaning of affordability
- Urgency of threats / opportunities

Ms. Erben continued on her presentation to introduce a model of proposed scenarios to be applied through defined scenarios:

- Wild West
- Newtopia
- Oligopoly
- Slow Change

Mel Damewood, Engineering Manager, Frank Lawson, Systems Engineering Supervisor and Wally McCullough, Water Engineering Supervisor applied the model to capital planning scenarios for Long Term Financial Planning.

Ms. Erben defined next steps:

- July 22 Board reviews Long Term Financial Plan
- Define key messages from Strategic Plan appropriate for public review
- Take Key messages to public
- Possible speaker / panel on future utility
- Report findings back to the Board in the Winter 2014
- Begin next Strategic Planning update on a new cycle in the Fall 2015

President Brown adjourned the Strategic Planning Session at 9:00 p.m.

EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
JUNE 3, 2014
5:30 P.M.

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

Others Present: Mel Damewood, Cathy Bloom, Todd Simmons, Lena Kostopulos, Mark Freeman, Jeannine Parisi, John Femal, Frank Lawson, Lisa Atkin, Susan Eicher, Steve Newcomb, Sue Fahey, Lance Robertson, Roger Kline, Brad Taylor, Erin Erben, Monica Shovlin, Dan Morehouse and Taryn Johnson of the EWEB staff; Vicki Maxon, Recorder.

President Brown convened the Regular Session of the Eugene Water & Electric Board (EWEB) at 5:30 p.m.

AGENDA CHECK

There were no items.

ITEMS FROM BOARD MEMBERS

Commissioner Manning thanked everyone for attending. He stated that he had a recent conversation with a member of the Eugene City Council, and that he had mentioned that one of the reasons people are relocating to Eugene from California is because of the quality of Eugene's water, and that he had assured him that EWEB's Board and staff are working on a second water source.

Commissioner Helgeson stated that he attended the annual meeting of the Northwest Public Power Association (NWPPA) from May 18-22 in Billings, Montana and that he was impressed with the program because of its resource-oriented presentations such as energy balance markets, integration of renewables, electric cars, etc.

Commissioners Helgeson and Simpson complimented staff on the quality of this month's Pipeline.

President Brown recalled that during the February ice and snow storm, approximately 80% of the calls received regarding downed power lines were power lines that didn't belong to EWEB, and that EWEB was blamed for other utilities' problems, etc. He asked General Manager Gray to see make sure that issue doesn't fall off the radar as he believes that may happen again.

President Brown also noted that Rosboro Lumber has tipped the bridge and taken the fallen timber off of it, and that he sent a thank you e-mail to them, both as an individual and as an EWEB Commissioner.

President Brown then noted that on May 12 a woman was killed when her car ran off McKenzie Highway and went into the McKenzie River, and that the car has not yet been located or removed. He said he doesn't believe EWEB was notified when this happened, and that this is the second time in a year that a car has gone into the river and EWEB hasn't been notified, and that he is concerned about the possibility of the release of gasoline, coolant, oil or transmission fluid into the river. General Manager Gray said that he will follow up on this incident.

President Brown then stated that he has been yelled at mercilessly by many McKenzie River fishermen who blame EWEB for the lack of salmon because EWEB is running too much water into the canals, but that he is pretty sure that isn't the cause. EWEB staff was asked to adjust water flow, and they did, and President Brown thanked staff for being so responsive.

Commissioner Manning noted that some Bethel citizens have planted a community garden in a large area near the Bethel School District office, and he thanked General Manager Gray and staff for offering EWEB's assistance with irrigation for the garden as a way to support the community.

PUBLIC INPUT

Bob Cassidy noted that tonight's meeting was not listed in the Register-Guard, and that this is the second time this year that a Board meeting has not been listed. Regarding EWEB's mission statement, he read the former mission statement and then the recently revised mission statement, and he wondered why it had been revised, and also noted that there was nothing about that revision in either the Register-Guard or any EWEB publication.

Tim Whitley is the EWEB education grant coordinator for Eugene School District 4J. He shared a current student project (a handmade turbine), explained the curriculum for this project, and noted that this particular turbine had generated 30 volts. He noted that 1,560 of these turbines were built, and the students then take them apart and recycle the parts, and he thanked the Board for funding the education grant that makes this possible. Mr. Whitley also noted that the annual Solar Challenge will be held this Saturday, June 7, beginning at 11:00 a.m., and will include not only 4J students but also students from Crow, Cottage Grove and Creswell. He said that he looks forward to having the Board and General Manager Gray join them, and thanked them again for their support of this event.

Regarding the lack of meeting notice in the Register-Guard, Commissioner Simpson noted that Taryn Johnson, Executive Assistant to the Board and General Manager, always gives the Register-Guard sufficient notice though they may not print it, and that the majority of the community knows that Board meetings are held on the first Tuesday of the month.

President Brown thanked Mr. Cassidy and Mr. Whitley for attending. He recalled that the Board came close to cutting the budget for energy education programs but that after he saw how many kids would be affected and how positive the response was, his support was reinforced. He encouraged Mr. Whitley to continue to provide input at Board meetings.

Vice President Mital noted that President Brown and Commissioner Simpson were re-elected to the Board in the May 20 primary election, so the current Board will continue to serve for at least two more years, and he is looking forward to that.

CONSENT CALENDAR

MINUTES

May 6, 2014 - Amended Regular Session

It was moved by Commissioner Manning, seconded by Commissioner Helgeson, to approve the Consent Calendar. The motion passed unanimously (5-0).

HAYDEN BRIDGE INTAKE IMPROVEMENT – PHASE 2

Mel Damewood, Engineering Manager, recalled the backgrounder that the Board received, and reminded them that time is of the essence for approval of this contract because the bids close on June 19. It was moved by Commissioner Simpson, seconded by Commissioner Manning, to approve the above contract. The motion passed unanimously (5-0).

115 kV/230kV CIRCUIT BREAKER CONTRACT

Mr. Damewood noted that this contract is for five years and that it is an action item because of its cost. Mr. Damewood and Frank Lawson, Systems Engineering Supervisor, answered clarifying questions from the Board regarding breaker failure and possibly greenhouse gas emissions. It was then moved by Commissioner Simpson, seconded by Commissioner Manning, to approve the above contract. The motion passed unanimously (5-0).

CONTRACT AMENDMENT: LEABURG DAM ROLL GATE #2 REPLACEMENT

Mr. Damewood recalled that this is a housekeeping item because of the contractor's request for a substitution in the type of hoist system. He explained that this system tends to be simpler and more compact but that there is no change in contract scope, and that this system is actually more beneficial and has the same warranty requirements. It was then moved by Commissioner Simpson, seconded by Commissioner Helgeson, to approve the contract amendment. The motion passed unanimously (5-0).

2014 FIRST QUARTER FINANCIAL REPORT

Using overheads, Cathy Bloom, Finance Manager, and Susan Eicher, General Accounting and Treasury Supervisor, presented the above financial report. Ms. Eicher noted that expenses incurred because of the February snow and ice storm affected net income, but that she still anticipates a net profit. She noted that the Federal Emergency Management Agency (FEMA) approximately 75% for disaster relief expenses, which is about the same percentage that other communities received.

A brief discussion ensued regarding FEMA reimbursement and the storm's impact on the utility. Ms. Bloom recalled an e-mail that was sent to the Board to schedule one-on-one meetings in July.

GREENPOWER PROGRAM REVIEW

Lance Robertson, Public Affairs Manager; Mark Freeman, Energy Management and Customer Service Manager; Monica Shovlin, Marketing & Creative Services and Greenpower Program Supervisor; and Dan Morehouse, Commercial Energy Management Services, presented a review of the Greenpower program. Mr. Robertson recalled the background that the Board received and noted that their presentation is for information only, and that management invites questions and feedback from the Board.

Management then presented the following six recommended changes to the solar program to begin January 1, 2015, and recommended reallocation of the resulting Greenpower budget toward more grants.

- Lower residential solar program incentive cap to \$2,500 from the current \$5,000
- Lower residential solar program incentives from 15% to 10% of project cost, from \$0.60 to \$0.40 per KW installed
- Eliminate the commercial solar program incentive (currently at 10% of project cost) except for nonprofit, government or public projects, excluding Greenpower grant recipient projects
- Adjust the overall Greenpower budget, using the shift in allocations described above, toward additional grant funding and opportunities that may include viable community solar projects
- Continue to monitor the installed cost (especially equipment manufacturer pricing) of PV systems and incentive trends of other utilities
- Continue to monitor the evolution of community solar business models, both EWEB internal systems and vendor offerings; however, EWEB's business strategies do not prioritize community solar at this time

Commissioner Helgeson offered the following comments:

- Wants to offer the most bang for the buck
- Realizes this will reach a point of diminishing return
- Wants to always keep the benefit to the community in mind

President Brown asked Vice President Mital for his feedback since he had requested the review. Vice President Mital stated that his concerns were the amount of money necessary to be spent in order to maximize community benefit and improvements, and also the disconnect between the Greenpower customers who are actually funding the program and what is actually happening, which was exposed in the surveys taken last fall, which were somewhat confusing. He reiterated the importance of making every effort to make sure that those customers understand what they are funding, and that it is his sense that those are some of EWEB's most loyal customers who really do understand, yet may feel undermined by what may happen.

Ms. Shovlin reiterated that staff is only partway through the survey results and that they are committed to continuing the surveys and also to closing the communication gap.

EWEB BYLAWS & BOARD POLICY REVIEW

General Manager Gray briefly reviewed a list of Board bylaws and policies that the Board has requested to review.

Commissioner Simpson volunteered to assist with wordsmithing of the above in order to come back to the Board with proposed revised wording. Commissioner Helgeson agreed to assist in this regard, and the Board agreed, with revisions to be completed by the end of the year. General Manager Gray clarified that this will not be a subcommittee.

Regarding possible revision of Board minutes production and audio recordings of meetings and/or work sessions, Commissioner Helgeson stated that he feels this subject deserves more discussion around Robert's Rules of Order and the minimum that is required for that process. He said he believes it should be an open, transparent process that provides information to EWEB's customer/owners for a window into the Board meeting process and not a streamlined version of what is legally required, which may remove that benefit. He added that he believes EWEB owes its customers an opportunity for that window that doesn't require them to listen to three or four hours of audio, and that the process needs to be more user-friendly.

Vice President Mital echoed Commissioner Helgeson's comments and voiced his support for more detailed Board minutes, and added that detailed minutes have personal value for him when he has found it necessary to refer to previous minutes for a variety of reasons.

Commissioner Manning commented that it is difficult for the Board to satisfy everyone and added that he doesn't feel the need for detailed minutes. He said he believes that the public wants to know what actions were taken and what the manifestations are, and does not want a detailed "Register-Guard comment page" that is added to the minutes.

In relation to Board Policy SD5, President Brown noted that the City of Eugene did not intentionally vacate 4th Avenue and that he believes that is still 4th Avenue right of way, which is to be open to the public.

CORRESPONDENCE AND BOARD AGENDAS

General Manager Gray highlighted several items:

- Solar Challenge on Saturday, June 7 - start time and race time to be clarified
- July Board meeting postponed to July 22 (from July 8)
- Tentative joint EWEB/City Council meeting on July 23 - Jeannine Parisi and General Manager Gray will send a request for agenda items
- Major customer luncheon on September 30 - panel format including John Lively, Metro partnership, Chamber of Commerce (Dave Hauser), John Ruiz regarding economic development. Assembly at 11:00 for meet and greet with lunch at noon.

Commissioner Helgeson complimented staff on the excellent compliance report on renewable portfolio standards (RPS), and said he would be interested in seeing the projections for when, if ever, those will kick in and cause EWEB to take action.

BOARD WRAP-UP

Commissioner Manning echoed Vice President Mital's earlier congratulations to President Brown and Commissioner Simpson regarding their re-election, and said he is looking forward to sharing time with them, added that he also appreciates staff and their honesty, and noted that it's all about the ratepayers. Commissioner Helgeson echoed the congratulations.

Commissioner Simpson recognized the newfound trust between the Board and staff, and noted that the strategic planning session brought out some really great ideas and concepts for the future, and how to use those as a filter and tool to judge the merits of major decisions. He too looked forward to working with his fellow Commissioners, and asked General Manager Gray to let them know when there are regional meetings in Portland that are suitable for a Commissioner(s) to attend.

General Manager Gray replied that he will get a schedule for the Public Power Council (PPC), Pacific Northwest Utilities Conference Committee (PNUCC), and Northwest Public Power Council (NWPPC) meetings (for testimony), as there are some fairly significant issues coming up.

Vice President Mital recalled the recent EPA ruling regarding coal-fired power plants and that some plans that EWEB made 8-10 years ago had positioned them well for that ruling.

President Brown noted that he hasn't presented his quarterly or semi-annual report to the City Council yet, and he asked his fellow Commissioners if they would like him to continue to do that and, if so, to let him know what topics they would like him to report on. The Board agreed, and Commissioner Simpson offered to be President Brown's substitute in that regard, if necessary.

General Manager Gray added that this is a great suggestion and that it is important for the Board and the City Council to maintain communication and cooperation with each other.

Commissioner Manning noted that some customers who live in the 7th & Lawrence area had complained to him about EWEB using jackhammers at night and that they had never received advance notice, but in fact it was not EWEB who was working in that area, so EWEB has now taken steps to get more information out to customers who live in that area.

President Brown adjourned the Regular Session at 7:35 p.m.

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve an increase to the contract with **Coffman Engineers, Inc.** for **engineering consulting, design, and support during construction for the refurbishment of the Carmen powerhouse crane.**

Board Meeting Date: July 22, 2014
Project Name/Contract#: Carmen Powerhouse Crane: Eng. Svcs/RFP 033-2013
Primary Contact: Mel Damewood Ext. 7145
Secondary Contact: Roger Gray Ext. 7130
Purchasing Contact: Quentin Furrow Ext. 7380

Action Requested:

Contract Award
 Contract Renewal
 Contract Increase
 Other

Contract Amount:

Original Contract Amount: \$226,000
Additional \$ Previously Approved: \$ N/A
Invoices over last approval: \$ N/A
Percentage over last approval: 43%
Amount this Request: \$97,000
Resulting Cumulative Total: \$323,000

Funding Source:

Budget
 Reserves
 New Revenue
 Bonding
 Other

Contracting Method:

Method of Solicitation: Formal Request for Proposals (RFP)
If applicable, basis for exemption: N/A
Term of Agreement: October 2, 2013 through December 31, 2015
Option to Renew? No
Approval for purchases "as needed" for the life of the contract No

Form of Contract:

Single Purchase
 Services
 Personal Services
 Construction
 IGA
 Price Agreement
 Other

NARRATIVE:

The Board is being asked to approve an increase to the contract with **Coffman Engineers, Inc.** for **engineering consulting, design, and support during construction for the refurbishment of the Carmen powerhouse crane.**

In June 2013, staff issued a formal request for proposal for engineering services for the refurbishment of the Carmen powerhouse crane and a contract was awarded to Coffman Engineers, Inc. in October 2013. Staff has determined that additional services will be required for the successful completion of the associated construction project: Carmen Powerhouse Crane Refurbishment. The initial scope of work called for development of a general performance specification. After the first design review period, staff realized the need for greater detail in the technical specifications, further investigations of alternative design solutions, and discussions with other industry experts. Therefore, the original scope and effort anticipated by EWEB and Coffman in October 2013 has expanded to include the following:

- An additional intermediate design submittal with associated investigations and comment evaluation.
- Incorporation of design and product quality assurance requirements in the specifications. EWEB provides very thorough and detailed design reviews and requests comprehensive analysis from the consultant regarding different options, engineering recommendations, and investigations that were not included in consultant's original scope.
- An increased level of effort for construction services in 2014 and 2015 (Phase III). Initially, Coffman provided an estimate for Phase III based on a relatively limited performance specification based refurbishment scope. Because of expanded scope and the increased specification requirements, greater effort by Coffman is necessary during submittal review and construction monitoring.

To date, Coffman Engineers, Inc expenses total \$137,600 of the \$226,000 contract. Based on the additional efforts described, EWEB anticipates a contract increase greater than 25% and is asking the board for approval of this scope increase prior to initiating the work as per Purchasing and Board policy.

ACTION REQUESTED:

Management requests Board approve an increase to the contract with **Coffman Engineers, Inc.** for **engineering consulting, design, and support during construction for the refurbishment of the Carmen powerhouse crane.** Funds for these services were budgeted for 2014 and will be budgeted annually.

SIGNATURES:

Project Coordinator: _____

Manager: _____

Purchasing Manager: _____

General Manager: _____

Board Approval Date: _____

Secretary/Assistant Secretary verification: _____

SIGNATURES:

Project Coordinator: _____

LT Manager: _____

Purchasing Manager: _____

General Manager: _____

Board Approval Date: _____

Secretary/Assistant Secretary verification: _____

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a new contract with **Harrang, Long, Gary, Rudnick P.C.** for **Legal Counsel for HR Related Issues**.

Board Meeting Date: 7/22/2014

Project Name/Contract#: Harrang, Long, Gary, Rudnick P.C.

Primary Contact: Lena Kostopulos Ext. 7466

Purchasing Contact: Tracy Davis Ext. 7468

Contract Amount:

Original Contract Amount: \$ 500,000 over 5 years (estimate)

Additional \$ Previously Approved: \$ N/A

Invoices over last approval: \$ N/A

Percentage over last approval: 0 %

Amount this Request: \$ 500,000 over 5 years (estimate)

Resulting Cumulative Total: \$ 500,000 over 5 years (estimate)

Contracting Method:

Method of Solicitation: Formal Request for Proposal

If applicable, basis for exemption: N/A

Term of Agreement: August 1, 2014 to July 31, 2019

Option to Renew? Yes

Approval for purchases "as needed" for the life of the contract Yes

Narrative:

The Board is being asked to approve a new contract with **Harrang, Long, Gary, Rudnick P.C.** for **Legal Counsel for HR Related Issues**.

Legal services are exempt from public contracting law. However, to ensure that EWEB is receiving the best value with all of its contracts, Human Resources issued an RFP to qualified law firms in March of this year. Six firms responded with written proposals. These were evaluated and three firms fell into the competitive range. Structured panel interviews were conducted with each of the three finalists. Harrang, Long, Gary, Rudnick emerged from both the written proposal and interview phases as the highest ranked proposer and were subsequently issued an Intent to Award pending Board approval.

Harrang, Long, Gary, Rudnick has contracted with EWEB as Legal Counsel surrounding employment matters since 1991, affording them a valuable historical perspective with regard to EWEB's labor relations, personnel matters and workforce management practices. During their service to EWEB, they have developed and maintained productive relationships with Human Resources and EWEB leadership. The firm has considerable breadth and depth of expertise in all employment disciplines and particularly with respect to the public sector, having an impressive history of contractual relationships with numerous public employers who, like EWEB, are subject to the specific complexities of labor and employment law related to this sector.

ACTION REQUESTED:

Management requests Board approve a new contract with **Harrang, Long, Gary, Rudnick P.C.** for **Legal Counsel for HR Related Issues**. Funds for these services were budgeted for 2014 and will be budgeted annually.

Action Requested:

Contract Award
 Contract Renewal
 Contract Increase
 Other

Funding Source:

Budget
 Reserves
 New Revenue
 Bonding
 Other

Form of Contract:

Single Purchase
 Services
 Personal Services
 Construction
 IGA
 Price Agreement
 Other

SIGNATURES:

Project Coordinator: _____

LT Manager: _____

Purchasing Manager: _____

General Manager: _____

Board Approval Date: _____

Secretary/Assistant Secretary verification: _____

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a contract with **Jefferies Group, LLC** for **Futures Commission Merchant Clearing Services**.

Board Meeting Date: July 22, 2014
Project Name/Contract#: Clearing Services for Energy Contracts/017-2012
Primary Contact: Cathy Bloom Ext. x7150
Purchasing Contact: Sarah Gorsegner Ext. x7348

Action Requested:

Contract Award
 Contract Renewal
 Contract Increase
 Other

Funding Source:

Budget
 Reserves
 New Revenue
 Bonding
 Other

Contract Amount:

Original Contract Amount: \$250,000
Additional \$ Previously Approved: \$ n/a
Invoices over last approval: \$ n/a
Percentage over last approval: n/a %
Amount this Request: \$250,000
Resulting Cumulative Total: \$250,000

Form of Contract:

Single Purchase
 Services
 Personal Services
 Construction
 IGA
 Price Agreement
 Other

Contracting Method:

Method of Solicitation: Formal Request for Proposals
If applicable, basis for exemption: n/a
Term of Agreement: 3 years from fully executed agreement
Option to Renew? Yes, for 2 additional years
Approval for purchases "as needed" for the life of the contract Yes

Narrative:

EWEB requires Futures Commission Merchant (FCM) clearing services to provide clearing and settlement of financial transactions for the hedging of EWEB's secondary power revenue. Contract objectives include expanding the pool of qualified trading counterparties, access to a trading platform, settlement services, and reporting.

Contract services include implementation support; providing access to ICE Clear Europe (financial exchange); annual, quarterly, monthly and daily reporting; settlement of energy contracts; daily calculation of margin requirements; technical and functional client support; and assistance with compliance to federal rules.

Staff issued a formal Request for Proposals in March 2012 to financial institutions that provide Future Commission Merchant Clearing Services. Nine companies reviewed the solicitation; EWEB received three proposals. The responses were evaluated based on the evaluation criteria stated in the Request for Proposals. Jefferies of New York, New York was the highest ranking offeror; criteria included capability to perform the work, recommendations from current clients, compliance with industry standards, financial strength, and understanding of clearing service requirements for a regulated utility. Staff has negotiated the terms and conditions of the contract and has issued a notice of Intent to Award the contract to Jefferies, pending Board approval.

ACTION REQUESTED:

Management requests Board approve a contract with **Jefferies** for **Clearing Services for Energy Contracts**. Funds for these services were budgeted for 2014 and will be budgeted annually.

SIGNATURES:

Project Coordinator: _____

LT Manager: _____

Purchasing Manager: _____

General Manager: _____

Board Approval Date: _____

Secretary/Assistant Secretary verification: _____



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Brown, Mital, Helgeson, Manning and Simpson
FROM: Lena Kostopulos, Human Resources Manager and
Karen DeChellis, Benefits Consultant
DATE: July 11, 2014
SUBJECT: Deferred Compensation 401(a) Executive Plan
OBJECTIVE: Board Resolution & Plan Adoption

Issue

Following the General Manager's Annual Performance Evaluation in April 2014, the Board approved a base salary of \$247,000 with the understanding that a portion of compensation could be directed to an executive deferred compensation plan.

Background

EWEB offers a traditional 457 Plan through ICMA-RC which affords a tax savings at the time of contributions. However, the 457 Plan does not allow for additional contributions beyond the annual IRS maximum of \$23,000. EWEB did not have a plan available that would comply with the Board's desire. Therefore, Human Resources and Finance explored other options available.

Discussion

EWEB looked to our vendor ICMA-RC to determine what products are offered. ICMA-RC indicated that 401(a) Money Purchase and Profit Sharing Plans are being utilized by other public entities because they offer an alternative under IRS regulations. EWEB plan administrators worked with ICMA-RC, Moss Adams, and Attorney Wally Miller to evaluate the feasibility of 401(a) Profit Sharing Plan which would allow for Employer and Participant pre-tax contributions to a participant's retirement savings account.

Considerations for Profit Sharing 401(a) Plan:

1. Allows higher pre-tax contribution limits than the 457 Plan.
 - a. Annual maximum for 2014 is \$52,000.
 - i. Must include contributions to PERS IAP.
 - ii. Contributions from 457 Plan are not included in this maximum.
2. Allows Employer contributions and Participant contributions as defined by the Plan.

Specific rules that apply to the Profit Sharing 401(a) Plan:

1. The Plan must define a specific group of eligible participants. In this case, the Executive or General Manager.
2. The Plan must define a specific Mandatory Employer Contribution (% or flat \$).
3. The Plan must define a Mandatory Participant pre-tax contribution (% or flat \$).
4. The employee must elect/enroll in the Mandatory Participant contribution within 60 days of eligibility.
5. Once the Participant elects to make contributions, the election is irrevocable.

Recommendation

EWEB plan administrators recommend that the Plan be adopted in order to provide an acceptable avenue for deferring taxes on a retirement savings plan.

Requested Board Action

Approve Resolution #1408 to establish 401(a) Executive Plan.

EUGENE WATER & ELECTRIC BOARD

RESOLUTION NO. 1408

July 2014

RESOLUTION FOR THE ESTABLISHMENT OF A 401(A) EXECUTIVE PLAN

RESOLUTION OF EUGENE WATER & ELECTRIC BOARD

PLAN NUMBER: 107959

WHEREAS, the Employer has employees rendering valuable services; and

WHEREAS, the establishment of a profit-sharing retirement plan benefits employees by providing funds for retirement and funds for beneficiaries in the event of death; and

WHEREAS, the Employer desires that its profit-sharing retirement plan be administered by ICMA-RC and that the funds held in such plan be invested in the VantageTrust, a trust established by public employers for the collective investment of funds held under their retirement and deferred compensation plans:

NOW THEREFORE BE IT RESOLVED that the Employer hereby establishes or has established a profit-sharing retirement plan (the "Plan") in the form of:

 X The ICMA Retirement Corporation Governmental Profit-Sharing Plan & Trust, pursuant to the specific provisions of the Adoption Agreement (executed copy attached hereto).

 The Plan and Trust provided by the Employer (executed copy attached hereto).

The Plan shall be maintained for the exclusive benefit of eligible employees and their beneficiaries; and

BE IT FURTHER RESOLVED that the Employer hereby executes the Declaration of Trust of VantageTrust, intending this execution to be operative with respect to any retirement and deferred compensation plan subsequently established by the Employer, if the assets of the plan are to be invested in the VantageTrust.

BE IT FURTHER RESOLVED that the Employer hereby agrees to serve as trustee under the Plan and to invest funds held under the Plan in the VantageTrust; and

BE IT FURTHER RESOLVED that the Benefits Consultant shall be the coordinator for the Plan; shall receive reports, notices, etc., from the ICMA Retirement Corporation or the VantageTrust; shall cast, on behalf of the Employer, any required votes under the VantageTrust; may delegate any administrative duties relating to the Plan to appropriate departments; and

BE IT FURTHER RESOLVED that the Employer hereby authorizes the Board Treasurer to execute all necessary agreements with the ICMA Retirement Corporation incidental to the administration of the Plan.

Dated this July 22, 2014.

THE CITY OF EUGENE, OREGON
Acting by and through the
Eugene Water & Electric Board

President

I, TARYN M. JOHNSON, the duly appointed, qualified and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its July 22, 2014 Regular Board Meeting.

Assistant Secretary



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD



TO: Commissioners Brown, Mital, Helgeson, Manning and Simpson
FROM: Roger Gray, General Manager;
Jeannine Parisi, Community and Local Government Affairs Coordinator
DATE: July 10, 2014
SUBJECT: Resolution No. 1410 Amending Contribution in Lieu of Taxes
OBJECTIVE: Board Action on Resolution No. 1410

Issue

EWEB and the City of Eugene wish to revise how Contributions in Lieu of Taxes payments are calculated to create a more predictable and stable funding stream, and to provide for greater transparency and ease of administration. The General Manager and Eugene City Manager have negotiated a new agreement that makes good fiscal sense to both organizations. Management requests Board approval for a resolution enacting these changes as required by City Charter.

Background

In 1943, the State Legislature enacted ORS 225.270, whereby cities owning a municipal electric power plant shall, for the purposes of reducing general property taxes, pay to itself not less than three percent of the gross operating revenue of such plant. Beginning in 1943, EWEB began making Contributions in Lieu of Taxes (CILT) payments to the City at this 3% rate. At the request of the City Council, in 1955, EWEB increased CILT contributions of 6% of gross operating revenues.

In November 1976, voters approved a new City Charter including Section 44(4) stating that the 1976 rates of payment to the City in lieu of taxes shall continue until changed by agreement by the Board and City Council.

Since then, the City and EWEB have entered into numerous agreements refining the methodology for calculating CILT payments consistent with the 1976 Charter language, but reflecting changing legislation, power contracts, market conditions, and EWEB power trading practices. Additionally, EWEB has made other business practice changes and accounting corrections that have impacted CILT payments over time. Some changes have limited documentation which has created ambiguity over time, while other changes have not been fully endorsed by both agencies.

Discussion

As the City has struggled to close a multi-million dollar budget gap, staff were asked to work with our city counterparts to come to resolution on a number of outstanding issues involving CILT that:

- Ensured equity and fairness to both parties, with no impact on ratepayers
- Resulted in a more predictable, stable payment stream for budgeting purposes
- Standardized, streamlined and made the payment methodology more transparent and simple
- Clearly documented and codified changes to remove ambiguity

After a series of discussions, last month, EWEB supplied the City with a “term sheet” consistent with these principles. This agreement retains the 6% rate of retail CILT as is, but trades the boom/bust cycle of wholesale and other variable revenues streams for an annual fixed amount. This fixed amount was based on a conservative average of the past 10 years of variable payments, and as such, can be achieved without adding costs to ratepayers. The initial annual fixed payment will be \$825,000; CILT payments on wholesale revenue alone have varied from over \$3.5 million to less than \$100,000 in the past ten years.

By eliminating the volatility of wholesale CILT, EWEB and the City have more budget certainty. Additionally, as an economic development incentive, the new agreement gives the City Manager and EWEB General Manager the ability to negotiate specific CILT payments for new and existing industrial customers that are subject to separate power sales contracts.

TBL Assessment

None was conducted as minimal social, economic or environmental impacts are implicated by this change. However, if approved, the City would have an additional \$500,000 it can firmly budget in 2015, which translates into fewer service cuts to residents. Further, no rate impacts to EWEB customers are anticipated, and simplifying the payment methodology will reduce program administration and staff time.

Recommendation

Attached is a resolution that if approved, authorizes the General Manager to enter into a new CILT agreement with the City of Eugene. The resolution describes the public policy attributes to be achieved, as well as the core changes impacting future CILT payments to the City. The City Manager has prepared a similar resolution for City Council approval on July 14.. City Council and EWEB Board of Commissioner action would formalize that these changes are mutually acceptable, consistent with City Charter requirements, and would go into effect January 1, 2015.

In preparation for implementation, staff are in the process of aligning the Cost of Service Analysis with the new agreement and assessing billing system modifications to record CILT transactions. Billing system changes, particularly of this magnitude, are challenging and labor-intensive. Full implementation of these changes will depend on functionality of the new CIS system planned for implementation in 2016-17; however this process has helped uncover potential issues and identify design requirements.

Management is also planning for bill presentment changes consistent with the Board’s interest in improved clarity between EWEB and City charges. While having a line-item associated with individual CILT charges is one potential outcome, management is de-coupling CILT as a separate line item from a broader redesign of the entire EWEB bill. This decoupling is due to workload issues and the need to “sequence” work in a non-disruptive way with the limited staffing resources we

currently have to complete the bill redesign work, which is aimed primarily at enhancing the customer experience.

Instead, EWEB staff is taking a staged approach to explaining CILT payments that uses existing communications channels (such as a bill insert or Pipeline) to better educate customers about the long-standing practice of collecting CILT. This outreach effort can start as soon as this fall, and will help staff test messaging and avoid unintended consequences, such as increased call volumes related to a “new charge” on the bill. The overall bill redesign is expected to be completed and implemented by the spring of 2015, and also will include a communications campaign to inform customers about changes in the bills’ appearance and any other enhancements.

Requested Board Action

Management recommends Board approval of Resolution No. 1410.

EUGENE WATER & ELECTRIC BOARD

RESOLUTION NO. 1410

July 2014

APPROVING A REVISED METHODOLOGY FOR DETERMINING THE CONTRIBUTION IN LIEU OF TAX PAYMENT ON ELECTRICITY SALES TO THE CITY OF EUGENE.

The Eugene Water & Electric Board finds that:

A. Since 1943, the Eugene Water & Electric Board (EWEB) has made contributions in lieu of tax (CILT) payments to the City of Eugene. For more than 50 years, the amount of the CILT payments has generally equaled 6% of gross operating revenues of the electric utility.

B. In November 1976, voters approved a new City Charter. Section 44(4) of the Charter provides that the 1976 rates of CILT payment would not change unless approved by the EWEB Board and the City Council.

C. Since 1976, the City and EWEB have entered into a number of agreements revising and refining the amount of and methodology for CILT payments. Those revisions have included differentiating between retail and wholesale power sales, with the CILT payments for retail based on gross operating revenues and the CILT payments for wholesale based on net revenues. Other revisions have included specific arrangements for sales from EWEB's steam operation and certain large-scale power contracts to individual customers. Changes in the electric power market have made it challenging to determine net revenues for wholesale power sales from particular electric generating sources, as well as making it difficult to predict what the CILT payments might be, which in turn has made it increasingly difficult for the City and EWEB to reliably forecast those potential revenues as part of preparing the future budgets.

D. EWEB and the City now desire to revise the CILT agreements to create a predictable and stable payment stream and a more streamlined methodology for calculating CILT payments.

NOW, THEREFORE, BE IT RESOLVED by the Eugene Water & Electric Board that:

Section 1. Based on the above findings, which are hereby adopted, the Board approves a change in the payments to the City of Eugene pursuant to Section 44(4) of the Eugene Charter of 2002. Beginning in January 2015, EWEB's CILT payments to the City will consist of two components: (a) a percentage of operating revenues from retail electric sales, as further defined in a Memorandum of Understanding between the City and EWEB, and (b) an annual payment of no less than \$825,000 which will replace the more volatile wholesale and other miscellaneous revenue based CILT payments.

Section 2. The retail sales percentage component shall be 6% except when, for economic development and/or job retention purposes, the City Manager and General Manager agree to a different percentage for those large retail customers subject to separate power sales contracts.

Section 3. The EWEB General Manager is authorized to enter into, and amend when appropriate, a Memorandum of Understanding (MOU) with the City Manager to define terms, establish appropriate inflationary factors for the annual payment component, and other terms the City Manager and General Manager determine are appropriate to implement this Resolution, provided however that all such terms are consistent with the terms of this Resolution and applicable law.

Section 4. Nothing in this Resolution is intended to affect any of EWEB's payments to the City for calendar year 2014. Beginning on January 1, 2015, the provisions of this Resolution shall replace all prior Resolutions and other agreements between EWEB and the City which otherwise would govern CILT payments on or after January 1, 2015.

Section 4. This Resolution shall become effective after (a) the Eugene City Council approves a resolution containing the same changes in payments as in this Resolution, and (b) the City Manager and EWEB General Manager execute the MOU referenced in Section 1 of this Resolution.

Adopted at a meeting of the Eugene Water & Electric Board on July 22, 2014.

THE CITY OF EUGENE, OREGON
Acting by and through the
Eugene Water & Electric Board

President

I, TARYN M. JOHNSON, the duly appointed, qualified and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its July 22, 2014 Regular Board Meeting.

Assistant Secretary



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Brown, Mital, Helgeson, Manning and Simpson
FROM: Cathy Bloom, Finance Manager; Susan Eicher, General Accounting and
Treasury Supervisor
DATE: July 15, 2014
SUBJECT: Resizing of Power Reserve and Contract for Clearing Services
OBJECTIVE: Approval of: 1) Power Resizing Resolution No. 1412, 2) Clearing Services for
Energy Contracts, 3) Resolution No. 1411 Clearing Account

Issue

EWEB has negotiated a contract with Jefferies Group LLC (Jefferies), a Futures Commission Merchant, to provide clearing services to allow power operations to access the clearing markets and execute financial trades for hedging of EWEB's secondary power revenue.

Background

As Dodd Frank Wall Street Reform and Consumer Protection Act (Dodd Frank) rules have been implemented over the last several years, power operations has seen a decrease in energy trading counterparties able or willing to enter into hedging trades with entities like EWEB that are defined as "special entities". Dodd Frank rules place very low limits on the amount of activity that counterparties can enter into with special entities without being subjected to a complex regulatory and reporting structure. To expand the options for hedging beyond the remaining risk management approved counterparties and avoid concentration of credit risk with those counterparties, management issued a request for proposals for a Futures Commission Merchant (FCM) to provide access to clearing markets and facilitate financial hedging transactions.

Transactions in cleared markets require that EWEB be prepared to settle transactions on a daily basis and to post collateral or "margin" to an account with the clearing merchant. Margin, in the context of clearing, represents a deposit made to the clearing merchant to cover some or all of the credit risk associated with cleared transactions. As the market value of cleared transactions change, the margin requirement would increase or decrease. This is a change in practice since power operations have generally not traded with counterparties that would require posting of margin. Currently, EWEB maintains a Power Reserve that is made up of three components structured to mitigate the risk of rate increases due to changes in 1) generation, 2) load and 3) power prices. The size of the reserve components is reviewed and recalculated annually. The current balance of the Power Reserve is \$13.8 million.

To allow for clearing and posting of margin and mitigation of credit risk, management is proposing adding a fourth component to the Power Reserve, and that this component be funded by a transfer of \$10 million from the Power Unallocated Fund. This transfer would bring the total for the Power Reserve to \$23.8 million.

Recommendation and Requested Board Actions

Management recommends that the Board approve 1) Resolution No. 1412 adding a credit risk component to the Power Reserve and a transfer of \$10 million from the Power Unallocated Fund to the Power Reserve, 2) Contract with Jefferies for Clearing Services for Energy Contracts, and 3) Resolution No. 1411 allowing for the opening of an account with Jefferies.

**EUGENE WATER & ELECTRIC BOARD
RESOLUTION NO. 1411**

**July 2014
Clearing Account**

The undersigned, being the duly elected, qualified and acting Secretary of the Eugene Water & Electric Board (the “Customer”), an entity duly organized and existing under the laws of the state of Oregon, does hereby certify to Jefferies Bache, LLC and its affiliates, successors and assigns (“Jefferies”) as follows:

That at a meeting of the Board of Commissioners duly held on the 22nd day of July, 2014, at which a quorum was present and acting throughout, the following resolutions were duly adopted and are still in full force and effect:

RESOLVED, that the Customer establish and maintain, or continue, one or more accounts with Jefferies for the purpose of purchasing, selling and otherwise dealing in, on margin or otherwise, domestic futures contracts, physical commodities, exchanges for physical commodities, options on domestic futures contracts and physical commodities, spot contracts, swaps, swap options, or other derivatives on one or more rates, commodities, economic indices or measures of economic risk or value or other benchmarks against which payments or deliveries are to be made, (“Contracts”);

FURTHER RESOLVED, that each of the persons listed below (the “Authorized Persons”), and/or such other persons as Customer may designate from time to time either in writing or by their apparent authority (collectively, the “Agents”), be and each of them hereby is authorized and empowered for and on behalf of the Customer to direct Jefferies to purchase, sell or otherwise trade in Contracts for and in the said accounts, with full power and authority to determine the nature and terms of any such purchase, sale or other dealing, to deposit margins from time to time, to bind the Customer to carry out any contract arrangement or other transaction which shall be entered into or made by any of them with or through Jefferies, to execute and deliver on behalf of the Customer all agreements and other documents incidental to the opening and maintenance of said accounts, to give any other necessary or appropriate instructions to Jefferies with respect to the said accounts and generally to manage the said accounts on behalf of the Customer;

FURTHER RESOLVED, that Jefferies is authorized to register any securities or Contracts in the said accounts in street name or in such other name as Jefferies or any of the Agents should deem advisable and to receive for the said accounts any and all cash, checks, securities or other property delivered to it by any person, firm or corporation for the account of the Customer.

FURTHER RESOLVED, that the Agents be and each of them hereby is authorized and empowered to withdraw any and all monies, securities or other property from time to time carried in any of said accounts or to direct the delivery or payment thereof to any person, firm or corporation designated by any of the Agents, and Jefferies is hereby authorized to follow any and all instructions from each of the Agents as to the transfer and/or delivery of any such money, securities or other property;

FURTHER RESOLVED, that it is the intention of the Customer to give the Agents, and each of them, the broadest possible power with respect to said accounts; and the Customer agrees to hold Jefferies harmless against any and all claims, liabilities or expenses (including attorneys fees) that may arise by reason of its following any directions, instructions and orders given to it by any of the Agents in respect of any of the said accounts;

FURTHER RESOLVED, that the Agents be and each of them hereby is authorized and empowered: (1) to endorse securities, Contracts and other instruments and take any other required or customary action to effect the transfer thereof; (2) to take any and all necessary or appropriate actions related or incidental to this and the foregoing

resolutions; and (3) to authorize any person or persons to do any of the things that he is herein before authorized to do; and

FURTHER RESOLVED, that the authority hereby given to the Agents shall continue in full force and effect (irrespective of whether any of them ceases to be an officer or employee of the Customer) until notice of revocation or modification of such authority is received in writing by Jefferies.

I (we) certify that the foregoing resolutions have not been modified or rescinded and are now in full force and effect, and that the Customer has the power under its Charter and By-Laws and applicable law to take the action set forth in and contemplated by the foregoing resolutions.

Copies of all confirmations and statements shall be sent to the following persons of the Customer:

- Title: Settlements Analyst
- Title: Senior Accounting Analyst

I (we) further certify that the following Authorized Persons are authorized and empowered to act on behalf of the Customer:

- Title: Power Operations Manager
- Title: Mid-term Trader
- Title: Short-term trader
- Title: Senior Financial Analyst
- Title: Settlements Analyst

Dated this 22nd day of July 2014

THE CITY OF EUGENE, OREGON
Acting by and through the
Eugene Water & Electric Board

President

I, TARYN M. JOHNSON, the duly appointed, qualified, and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its July 22, 2014 Regular Board Meeting.

Assistant Secretary

**EUGENE WATER & ELECTRIC BOARD
RESOLUTION NO. 1412**

July 2014

Power Reserve Resizing and Transfer

WHEREAS, the Eugene Water & Electric Board is the body designated by the Eugene City Charter and City Code to administer the Electric and Water utilities of the City of Eugene;

WHEREAS, the Eugene Water & Electric Board has set up procedures for evaluating the adequacy of the power reserve annually;

WHEREAS, the Eugene Water & Electric Board has reviewed the Power Reserve and determined that an additional amount is required to mitigate credit risk.

THEREFORE BE IT RESOLVED that the Eugene Water & Electric Board hereby authorizes the General Manager to do the following:

1. Add a Credit Risk component to the Power Reserve
2. Transfer \$10,000,000 from the Power Unallocated Fund to the Power Reserve to fund the credit risk component.

Dated this 22nd day of July 2014

THE CITY OF EUGENE, OREGON
Acting by and through the
Eugene Water & Electric Board

President

I, TARYN M. JOHNSON, the duly appointed, qualified, and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its July 22, 2014 Regular Board Meeting.

Assistant Secretary



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Brown, Mital, Helgeson, Manning and Simpson
FROM: Cathy Bloom, Finance Manager; Susan Eicher, General Accounting and
Treasury Supervisor
DATE: July 15, 2014
SUBJECT: Resizing of Power Reserve and Contract for Clearing Services
OBJECTIVE: Approval of: 1) Power Resizing Resolution No. 1412, 2) Clearing Services for
Energy Contracts, 3) Resolution No. 1411 Clearing Account

Issue

EWEB has negotiated a contract with Jefferies Group LLC (Jefferies), a Futures Commission Merchant, to provide clearing services to allow power operations to access the clearing markets and execute financial trades for hedging of EWEB's secondary power revenue.

Background

As Dodd Frank Wall Street Reform and Consumer Protection Act (Dodd Frank) rules have been implemented over the last several years, power operations has seen a decrease in energy trading counterparties able or willing to enter into hedging trades with entities like EWEB that are defined as "special entities". Dodd Frank rules place very low limits on the amount of activity that counterparties can enter into with special entities without being subjected to a complex regulatory and reporting structure. To expand the options for hedging beyond the remaining risk management approved counterparties and avoid concentration of credit risk with those counterparties, management issued a request for proposals for a Futures Commission Merchant (FCM) to provide access to clearing markets and facilitate financial hedging transactions.

Transactions in cleared markets require that EWEB be prepared to settle transactions on a daily basis and to post collateral or "margin" to an account with the clearing merchant. Margin, in the context of clearing, represents a deposit made to the clearing merchant to cover some or all of the credit risk associated with cleared transactions. As the market value of cleared transactions change, the margin requirement would increase or decrease. This is a change in practice since power operations have generally not traded with counterparties that would require posting of margin. Currently, EWEB maintains a Power Reserve that is made up of three components structured to mitigate the risk of rate increases due to changes in 1) generation, 2) load and 3) power prices. The size of the reserve components is reviewed and recalculated annually. The current balance of the Power Reserve is \$13.8 million.

To allow for clearing and posting of margin and mitigation of credit risk, management is proposing adding a fourth component to the Power Reserve, and that this component be funded by a transfer of \$10 million from the Power Unallocated Fund. This transfer would bring the total for the Power Reserve to \$23.8 million.

Recommendation and Requested Board Actions

Management recommends that the Board approve 1) Resolution No. 1412 adding a credit risk component to the Power Reserve and a transfer of \$10 million from the Power Unallocated Fund to the Power Reserve, 2) Contract with Jefferies for Clearing Services for Energy Contracts, and 3) Resolution No. 1411 allowing for the opening of an account with Jefferies.

**EUGENE WATER & ELECTRIC BOARD
RESOLUTION NO. 1411**

**July 2014
Clearing Account**

The undersigned, being the duly elected, qualified and acting Secretary of the Eugene Water & Electric Board (the “Customer”), an entity duly organized and existing under the laws of the state of Oregon, does hereby certify to Jefferies Bache, LLC and its affiliates, successors and assigns (“Jefferies”) as follows:

That at a meeting of the Board of Commissioners duly held on the 22nd day of July, 2014, at which a quorum was present and acting throughout, the following resolutions were duly adopted and are still in full force and effect:

RESOLVED, that the Customer establish and maintain, or continue, one or more accounts with Jefferies for the purpose of purchasing, selling and otherwise dealing in, on margin or otherwise, domestic futures contracts, physical commodities, exchanges for physical commodities, options on domestic futures contracts and physical commodities, spot contracts, swaps, swap options, or other derivatives on one or more rates, commodities, economic indices or measures of economic risk or value or other benchmarks against which payments or deliveries are to be made, (“Contracts”);

FURTHER RESOLVED, that each of the persons listed below (the “Authorized Persons”), and/or such other persons as Customer may designate from time to time either in writing or by their apparent authority (collectively, the “Agents”), be and each of them hereby is authorized and empowered for and on behalf of the Customer to direct Jefferies to purchase, sell or otherwise trade in Contracts for and in the said accounts, with full power and authority to determine the nature and terms of any such purchase, sale or other dealing, to deposit margins from time to time, to bind the Customer to carry out any contract arrangement or other transaction which shall be entered into or made by any of them with or through Jefferies, to execute and deliver on behalf of the Customer all agreements and other documents incidental to the opening and maintenance of said accounts, to give any other necessary or appropriate instructions to Jefferies with respect to the said accounts and generally to manage the said accounts on behalf of the Customer;

FURTHER RESOLVED, that Jefferies is authorized to register any securities or Contracts in the said accounts in street name or in such other name as Jefferies or any of the Agents should deem advisable and to receive for the said accounts any and all cash, checks, securities or other property delivered to it by any person, firm or corporation for the account of the Customer.

FURTHER RESOLVED, that the Agents be and each of them hereby is authorized and empowered to withdraw any and all monies, securities or other property from time to time carried in any of said accounts or to direct the delivery or payment thereof to any person, firm or corporation designated by any of the Agents, and Jefferies is hereby authorized to follow any and all instructions from each of the Agents as to the transfer and/or delivery of any such money, securities or other property;

FURTHER RESOLVED, that it is the intention of the Customer to give the Agents, and each of them, the broadest possible power with respect to said accounts; and the Customer agrees to hold Jefferies harmless against any and all claims, liabilities or expenses (including attorneys fees) that may arise by reason of its following any directions, instructions and orders given to it by any of the Agents in respect of any of the said accounts;

FURTHER RESOLVED, that the Agents be and each of them hereby is authorized and empowered: (1) to endorse securities, Contracts and other instruments and take any other required or customary action to effect the transfer thereof; (2) to take any and all necessary or appropriate actions related or incidental to this and the foregoing

resolutions; and (3) to authorize any person or persons to do any of the things that he is herein before authorized to do; and

FURTHER RESOLVED, that the authority hereby given to the Agents shall continue in full force and effect (irrespective of whether any of them ceases to be an officer or employee of the Customer) until notice of revocation or modification of such authority is received in writing by Jefferies.

I (we) certify that the foregoing resolutions have not been modified or rescinded and are now in full force and effect, and that the Customer has the power under its Charter and By-Laws and applicable law to take the action set forth in and contemplated by the foregoing resolutions.

Copies of all confirmations and statements shall be sent to the following persons of the Customer:

- Title: Settlements Analyst
- Title: Senior Accounting Analyst

I (we) further certify that the following Authorized Persons are authorized and empowered to act on behalf of the Customer:

- Title: Power Operations Manager
- Title: Mid-term Trader
- Title: Short-term trader
- Title: Senior Financial Analyst
- Title: Settlements Analyst

Dated this 22nd day of July 2014

THE CITY OF EUGENE, OREGON
Acting by and through the
Eugene Water & Electric Board

President

I, TARYN M. JOHNSON, the duly appointed, qualified, and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its July 22, 2014 Regular Board Meeting.

Assistant Secretary

**EUGENE WATER & ELECTRIC BOARD
RESOLUTION NO. 1412**

July 2014

Power Reserve Resizing and Transfer

WHEREAS, the Eugene Water & Electric Board is the body designated by the Eugene City Charter and City Code to administer the Electric and Water utilities of the City of Eugene;

WHEREAS, the Eugene Water & Electric Board has set up procedures for evaluating the adequacy of the power reserve annually;

WHEREAS, the Eugene Water & Electric Board has reviewed the Power Reserve and determined that an additional amount is required to mitigate credit risk.

THEREFORE BE IT RESOLVED that the Eugene Water & Electric Board hereby authorizes the General Manager to do the following:

1. Add a Credit Risk component to the Power Reserve
2. Transfer \$10,000,000 from the Power Unallocated Fund to the Power Reserve to fund the credit risk component.

Dated this 22nd day of July 2014

THE CITY OF EUGENE, OREGON
Acting by and through the
Eugene Water & Electric Board

President

I, TARYN M. JOHNSON, the duly appointed, qualified, and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its July 22, 2014 Regular Board Meeting.

Assistant Secretary