

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

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

Others Present: Gail Murray, Susan Eicher, Cathy Bloom, Frank Lawson, Lisa Akin, Mel Damewood, Mark Freeman, Roger Kline, Dave Churchman, Jeannine Parisi, Joe Harwood, Lance Robertson, Sue Fahey, Adam Rue, Todd Simmons, Lena Kostopulos, Matt Sayre, Dan Morehouse, Steve Newcomb, Alan Fraser, Shelley Stevenson, 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

President Brown noted that Commissioner Manning will be late.

Due to his absence on the day of the Riverfront developer presentations, Commissioner Helgeson voiced appreciation for the video of the presentations and said he has viewed them and is up to speed. He added that he would be available to assist with site visits to Portland if desired.

Vice President Mital recognized EWEB's partnership with the Red Cross wherein customers can request three-gallon water containers to prepare for a natural disaster which would disrupt water service. He thanked Jill Hoyenga, Planner III and Brad Taylor, Water Operations Manager, for spearheading this program.

PUBLIC INPUT

There was none. President Brown noted that the agenda is ahead of schedule and he will re-open the public hearing later at its scheduled time.

APPROVAL OF CONSENT CALENDAR

CONTRACTS

1. Ready Rooter Drain Cleaning & Repair Service Inc. - for purchase of water system upgrade services. \$250,000 (over five years). Water Operations. Contact Person is Brad Taylor.

MEMORANDUM OF UNDERSTANDING

2. Memorandum of Understanding (MOU) Supporting CILT Resolution. Contact Person is Roger Gray.

OTHER

3. Leaburg Dam Rollgate Bulkhead Installation and Removal Project Update - Contact Person is Mel Damewood.

Commissioner Helgeson pulled item #2. It was moved by Commissioner Simpson, seconded by Vice President Mital, to approve the remainder of the Consent Calendar. The motion passed unanimously (4-0).

ITEMS REMOVED FROM CONSENT CALENDAR

Commissioner Manning arrived during this agenda item.

Commissioner Helgeson commented that he believes there is potential for confusion regarding contribution in lieu of tax (CILT) payments on renewable energy credits (RECs). Roger Gray, General Manager, explained the terminology regarding RECs vs. revenues from sales of electricity and noted that RECs are expressly excluded in the MOU. He reassured the Board that this is understood at the staff level.

It was then approved by Commissioner Helgeson, seconded by Commissioner Simpson, to approve item #2. The motion passed unanimously (5-0).

BANK OF AMERICA MERCHANT SERVICE AGREEMENT

Mark Freeman, Energy Management and Customer Service Manager, thanked Tracy Davis and Wendi Schultz-Kerns for their work on this contract, and noted that it was not an easy contract to negotiate but that it will result in more favorable interest rates in the future.

Mr. Freeman answered clarifying technical questions and comments from the Board regarding how this will further benefit customers.

Regarding the contract with the City of Eugene for City sewer and storm water charges that appear on the EWEB bill, President Brown wondered how EWEB will recover that cost. Mr. Freeman replied that this contract affects the billing for the City but should result in a savings.

Mr. Freeman explained the difference between paying an EWEB bill with a debit card vs. a credit card (i.e., a credit card has an expiration date and if the card is expired, the process loops back; and a debit card can trigger a non-sufficient funds (NSF) charge). Commissioner Simpson stated that he considers this an opportunity to let the customer know that they can save themselves and EWEB some money by using a debit card and not a credit card.

It was moved by Commissioner Simpson, seconded by Commissioner Manning, to approve the above contract. The motion passed unanimously (5-0).

2015 CUSTOMER GENERATION RATES

Using overheads, Mr. Freeman; Frank Lawson, Systems Engineering Supervisor; Dan Morehouse, Commercial Energy Management Services; and Adam Rue, Commercial Rates Analyst, presented the proposed 2015 customer generation rates, and answered clarifying questions and comments from the Board.

Regarding net metering, Commissioner Helgeson wondered if the Board will have an opportunity in the future to consider a demand charge or other mechanism on the retail side for customers who fall in the applicable category in order to deal with the concern about potential rising costs going forward.

Mr. Freeman replied that staff is looking more toward a basic charge, and that in a perfect world, the basic charge would cover the customer portion and allow them to do their net metering. General Manager Gray added that, based on cost of service, this would justify a much higher base increase. Toward that, staff will recommend continuing that margin and maybe increasing it a bit, but staff will not differentiate between net metering and non-net metering, and ideally all fixed costs would be in the base charge in order to recover grid and customer service costs.

Commissioner Helgeson stated that he would like to re-address this down the line at some point.

Commissioner Simpson stated that he is happy that the customer won't have to bear those expenses, but with more electric vehicles contributing to energy storage, he will be glad those expenses are there, and that he isn't sure that EWEB should "ding" those customers for those expenses because it's an advantage for the community.

President Brown noted that he will delay the public hearing and approval of the resolution relating to the 2015 customer generation rates until the scheduled 7:00 agenda time.

LANE TRANSIT DISTRICT (LTD) EmX PROJECT UPDATE

Using overheads, Mel Damewood, Engineering Manager; Joe Harwood, Public Information Representative; and Jon Thomas, Planner III, presented the LTD EmX project update. Mr. Damewood complimented Mr. Thomas for the great job he has done on the project, and introduced Mr. Thomas to the Board.

Mr. Harwood presented an overview of the project and summarized how the public has been kept informed of project progress.

Mr. Thomas presented the financial portion, including the intergovernmental agreement between EWEB and LTD.

President Brown asked if joint ownership of poles has been addressed (i.e., customers losing their signs and/or billboards because of the project) and asked who files the resolution of intent to condemn. Mr. Damewood replied that the resolution of intent will have to be in EWEB's name because the easement belongs to EWEB, but how that will be done has not been decided yet.

President Brown also asked if the required night work is considered overtime, and he reiterated that he wants to be sure that EWEB recovers all costs and that EWEB's ratepayers don't end up paying for those. Mr. Damewood replied that night work is covered under shift differential pay. President Brown asked Mr. Damewood to continue to update him on cost recovery.

Mr. Harwood noted that Northwest Natural Gas, CenturyLink and Comcast have been informed that their costs will not be reimbursed.

Commissioner Manning asked if an underground system has been considered in order to be able to detect errors. Mr. Damewood replied that that has yet to be addressed. General Manager Gray added that the cost will be 100% reimbursable if EWEB has to go underground and that there is no definitive smart grid plan yet, but that wouldn't preclude EWEB from doing so.

Vice President Mital echoed President Brown's concern about cost recovery and stated that he believes the Board should be fully involved in the cost recovery process.

Commissioner Helgeson complimented staff for the most complex utility relocation work that EWEB has ever been involved in, and for the discipline that they have applied regarding billing support, change orders and cost recovery.

Commissioner Manning appreciated staff's willingness to answer questions from customers and communicate with the Board, customers, LTD and others.

General Manager Gray reiterated that utility relocation work is expensive, and that it is important for any agency considering relocation of utilities to realize that the cost of that work should not be borne by the ratepayers.

Mr. Damewood reiterated his appreciation to Mr. Thomas and the operations teams and assured the Board that he will continue to present updates in the future.

SECOND QUARTER 2014: FINANCIAL REPORT

Cathy Bloom, Finance Manager, recalled the Board backgrounder, so there will be no formal presentation this evening.

Susan Eicher, General Accounting & Treasury Supervisor, noted that EWEB has now received their second reimbursement check from the Federal Energy Management Agency (FEMA) for expenses incurred in the February ice and snowstorm, and that \$1.3 million of the \$1.8 million cost has now been reimbursed.

President Brown asked how the prolonged recent heat wave has affected water revenues. Ms. Eicher replied that water consumption is above the seasonal projection but is still on target as of June, and that she will have better information later in August or September.

Commissioner Simpson asked for a review of water and electric ratios and the 2:1 ratio that has resulted (almost entirely due to the Harvest Wind transaction). Ms. Eicher suggested that more notes could be added to the next report, and Commissioner Simpson said that would be helpful.

Commissioner Helgeson thanked staff for the excellent report. He commented that favorable trends come at a cost to ratepayers, and asked that staff be sensitive to that and consider whether those trends would justify holding off on a 1.5% rate increase, as the Board has not had the luxury of surplus revenue for the last five years.

Ms. Bloom explained that there is a mismatch between rates paid and what EWEB owes, and that once the Public Employees Retirement System (PERS) unfunded liability is paid down fully (in 2017) and the financial plan is again reviewed, staff can take that into consideration.

SECOND QUARTER 2014: OPERATING DASHBOARD AND MANAGEMENT LETTER FINDINGS DASHBOARD

General Manager Gray **acknowledged Lisa Atkin, Power Planning Supervisor, for** her assistance in gathering and preparing the information in this report and helping to improve it. He highlighted several items, including a proposed modification to page 3, item 4, Sale of Real Property Assets, to retitle it "Sale and Management of Real Property Assets," as it has nothing to do with the riverfront development process but instead relates to ongoing management of assets in order to support provision of electricity and water.

Commissioner Simpson complimented staff on the high scores on Employee Safety, Health and Wellness, which are indicative of a great work ethic, a desire to work for EWEB, and the commitment of each employee.

Commissioner Helgeson commented that this is the clearest rendering of this type of record that he has ever seen at EWEB in all the years he worked here, and that he senses real clarity from the Board on what all of these represent, and that the Board is on the same page as staff.

General Manager Gray also acknowledged the leadership team for their help with the operating dashboard, and said that he believes this is the most alignment he has seen in the four years he has been General Manager.

ONE-YEAR REVIEW OF CONTRACTING AND BOARD APPROVAL THRESHOLDS

There were no items.

CORRESPONDENCE AND BOARD AGENDAS

General Manager Gray reminded the Board that the upriver Board meeting has been rescheduled to Tuesday, September 9 and that staff is working on the exact format, but that it will be an open house that will include a short Board meeting, as the meeting needs to end by 7:00 p.m. to accommodate a previously scheduled training in the venue. He noted that he is not able to attend this meeting because of a previously scheduled work commitment.

Commissioner Simpson requested that someone sit in for General Manager Gray at the September 9 meeting. General Manager Gray agreed.

Commissioner Simpson thanked Engineering staff for putting together an excellent capital report update.

Vice President Mital asked if there were additional research and development (R&D) pilots that were not summarized in the capital improvement update. Mr. Lawson stated that there were not.

Commissioner Helgeson asked for an opportunity to revisit the context in terms of research objectives and how they dovetail with the voluntary advanced metering infrastructure (AMI) program. Mr. Lawson stated that staff can provide a framework on where these apply strategically and why.

General Manager Gray suggested a high-level starboard report on how R&D projects go into and/or drop out of the Integrated Energy Resource Plan (IERP). The Board agreed. He added that he will also forward staff's recent presentation to Bonneville Power Administration (BPA) to the Board.

PUBLIC HEARING ON 2015 CUSTOMER GENERATION RATES

There was none.

2015 CUSTOMER GENERATION RATES RESOLUTION #1413

It was moved by Commissioner Simpson, seconded by Commissioner Manning, to approve Resolution #1413 for the 2015 customer generation rates. The motion passed unanimously (5-0).

BOARD WRAP-UP

Commissioner Manning noted that his recent attendance at a rally at the Federal Building regarding Measure 88 was as a Eugene resident and not as an EWEB Commissioner, even though he was introduced at the rally as an EWEB Commissioner.

Commissioner Helgeson asked for an update regarding the Board taking a position on the whistle-free zone issue, and reiterated his willingness for the Board to weigh in on that at the appropriate time.

General Manager Gray replied that he doesn't believe the Board agreed to take a formal position on this issue and that he respects that, but that he believes the Board should consider taking a position because of safety requirements, as that could be an issue for future development of the EWEB property.

Commissioner Simpson stated that he has now reversed his position on the whistle-free zone and that he is now in favor of it, though he had previously stated that he didn't believe it was EWEB's business, but that was before he had studied the issue and heard from the potential developers, and all had expressed the desire for a whistle-free zone. He added that he believes in teamwork and that getting behind this from at least an informational perspective would be the best course of action.

President Brown agreed, and noted that the City of Eugene is pushing hard for the whistle-free zone and that when it comes up for discussion, the City will want EWEB's support, as it will have a significant impact on the overall liability of the EWEB site.

Commissioner Manning asked if the City has contacted railroad representatives regarding the crossing relocation. President Brown said they have, and that they have pushed back each time they have been contacted, but that they also know that there is community support for the crossing relocation.

It was moved by Commissioner Simpson, seconded by Commissioner Manning, to direct General Manager Gray to craft a resolution in support of a whistle-free zone.

Commissioner Helgeson voiced his support for the motion but wondered about the timing of the City's position to take that issue forward.

President Brown voiced his support for the motion.

Vice President Mital stated that he understands the safety concerns, but that there are bigger issues involved than just neighbors being awakened by a train whistle, and he would like to balance all of those before taking a position.

General Manager Gray stated that any position EWEB takes would have to be recognized as safety for all, and that it should be stated that EWEB will work proactively with the City and be open to other options, including the possibility of the railroad crossing being relocated, for even more safety.

A brief discussion ensued on whether or not to approve the above motion and/or take a position on this issue this evening. General Manager Gray stated that he isn't able to take a position this evening.

Commissioner Manning suggested that the Board not vote on the motion but instead ask staff to craft a resolution.

Commissioner Helgeson stated that he believes tonight's discussion is sufficient to give revised guidance to General Manager Gray and to express willingness for and interest in considering a resolution at the appropriate time, but that he is not sure a motion is necessary, and he doesn't want to establish a time frame.

Vice President Mital voiced support for Mr. Helgeson's statement but said that it may be premature to do so, so as to not get ahead of the City, and wants to let EWEB staff pursue this and then come to the Board when the timing is appropriate.

Commissioner Simpson stated that he believes there is no time frame implied and that staff has the freedom to move forward in more detail with other agencies but that the Board doesn't want to get ahead of the City, though they have asked for the Board's backing, and that EWEB support for the City would be the intent of the resolution.

President Brown asked for a vote on the above motion. The motion failed (1-4).

Vice President Mital asked for support for an agenda item regarding several customer information system (CIS) issues and the ability to print messages for customers on EWEB bills. He clarified that this is more about the ability to communicate information on the bills, and not a bill redesign.

General Manager Gray replied that he definitely supports a discussion in terms of design, redesign, major structural changes, etc., and clarified that the financial plan assumes some modifications to the CIS system.

The Board voiced support for Vice President Mital's agenda item suggestion.

Commissioner Simpson stated that he would need to see professional recommendations for redesign and whatever else is done because he doesn't know the positives or negatives of what that would entail.

Regarding the capital improvement plan recommendations, Vice President Mital stated that he didn't support the Board's decision at a previous meeting, and tonight they have again heard that revenue projections are exceeding forecasts. He asked the Board to take that into consideration when it comes time to make rate decisions, as they might be able to keep the rate equation even though a certain amount of money has been allocated.

Commissioner Helgeson stated that he will always be generally inclined to support issues that contribute to the financial health of the organization and that, while he is concerned about rate increases, he assumes they do contribute to the health of the organization. However, when the Board is managing that balance and looking at a rate increase of 1-2% or below 3%, he believes that due process becomes less meaningful and he wonders if it's worth it. He agreed that the Board should check into that given EWEB's financial condition, particularly if it's a small rate increase.

General Manager Gray clarified what the Board has and has not already adopted, and what staff has recommended.

President Brown reiterated that he doesn't want to pass on EWEB's financial obligations to the ratepayers, i.e., the \$65 million for PERS unfunded liability in 2017, and that "we have to cash the check when we write it."

President Brown adjourned the Regular Session at 7:25 p.m.

Assistant Secretary

President