

**EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
500 EAST 4TH AVENUE
December 6, 2016
5:30 P.M.**

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

Absent: None

Guests: Sonya Carlson, EWEB Commissioner-elect; Sheila Crawford, Senior Financial Analyst; Mel Damewood, Chief Engineering & Operations Officer; Julie Desimone, Moss Adams; Erin Erben, Chief Customer Officer; Sue Fahey, Chief Financial Officer; Deborah Hart, Senior Financial Analyst; Jason Heuser, Legislative Affairs Coordinator; Frank Lawson, General Manager; Will Price, Energy Resource Analyst; Jerry Reller, Financial Analyst; Nate Shultz, Financial Analyst

President Simpson convened the December 6, 2016, Regular Session at 5:30 p.m.

Agenda Check

Mr. Lawson suggested to the Board that Agenda Item 16, Riverfront Property be removed from the agenda.

Appreciation for Commissioner Manning

President Simpson recognized Commissioner Manning for his service and dedication to the EWEB Board of Commissioners. President Simpson presented Commissioner Manning with a plaque to commemorate his service to EWEB.

Commissioner Manning thanked President Simpson and the Board for their appreciation.

Commissioner Brown read aloud a letter of appreciation from Roger Gray to Commissioner Manning.

Items from Board Members and General Manager

- Commissioner Brown thanked Mr. Lawson and staff for the cleanup on the McKenzie. He mentioned the Register Guard article which stated that it would cost approximately \$48.5 million dollars to bring the EWEB Riverfront Property up to current energy efficiency standards. He asked the Board and Mr. Lawson if an in-house analysis could be done in order to generate a second opinion of the \$48.5 million figure, as he stated he thought that number was much too high.
- Commissioner Mital thanked Mr. Lawson in acting quickly in concert with many other government agencies across Lane County in addressing a swastika that

was placed on a billboard on County property. He added that it was good for EWEB to reaffirm its values periodically.

- President Simpson stated that he was attempting reappointment to the LCOG board liaison assignment, and that would come up at next month's EWEB Board meeting.
- Vice President Helgeson stated that he also thought the \$48.5 million figure was too high. He mentioned that the building had originally been built to high seismic standards. He commended Mr. Lawson for his work with local agencies on the anti-swastika sentiment.
- Commissioner Manning agreed that a second opinion was warranted on the \$48.5 million figure, and he posited that EWEB staff, being well versed in energy efficiency, would be the perfect group to give that second opinion. He thanked staff for this year's Run to Stay Warm.
- Mr. Lawson agreed that the \$48.5 million figure warranted EWEB's perspective, and that he and staff would follow up with it. He announced a Public Power Council Annual Meeting later in the week, and said they would be watching the weather very carefully. He concluded that EWEB staff was to put out a Request for Information later this week for local banking depositories.

Public Input

Richard Norton, President of the Military Officers Association of America, Eugene chapter, recognized the Board for its support of the Moving Wall Vietnam War Memorial project as it visited Skinner Butte Park. He also presented the Board with a print commemorating support for the project, and he presented Commissioner Manning with a smaller version of the print commemorating his work as an EWEB Commissioner, and his military service.

Victor Odlivak of Eugene shared with the Board the following concerns about smart meters: First, he expressed concern over the loss of jobs as humans are replaced by technology in usage metering. Secondly, he pointed out how smart metering could be hazardous if placed in a situation in which medical equipment, such as an oxygen delivery system, is in use. He also spoke briefly about the unfairness he perceived in the price for solar energy sold back to the utility. He also gave Commissioners a handout on the points he made in his presentation.

Vice President Helgeson spoke to the public input provided, and how it was an example of the value of a consumer-owned utility. He wondered if there weren't confusion surrounding the terms "smart" or digital, and "analog" and how they're applied to metering.

Commissioner Manning reiterated the Board's dedication to its constituents/ratepayers.

Commissioner Mital stated that the newer smart meters have the advantage of reporting power outages to the utility immediately. He added that he would read through the statement Mr. Odlivak provided.

President Simpson said that Mr. Odlivak's comments were well-received. He added that he was not aware of any reliability concerns, such as losing power *because* of technology. He concluded that due to several different factors, not all kilowatt hours were treated equally.

BOARD ACTION ITEMS

Approval of Consent Calendar

MINUTES

1. a. November 1, 2016 Regular Session

BUDGET AMENDMENTS

2. Budget Amendment – Electric Operations & Maintenance \$11,000,000. Contact Person is Susan Fahey, 541-685-7688.

CONTRACTS

3. Central Moloney, Inc. – for the periodic purchase of single phase submersible transformers. \$153,000 (over 5 years). Contact Person is Mel Damewood, 541-685-7379.
4. Christenson Electric, Inc. – for electric utility line work crews. \$415,000. Contact Person is Mel Damewood, 541-685-7379.
5. ERMCO Distribution Transformers – for the periodic purchase of pole-mounted transformers. \$1,700,000 (over 5 years). Contact Person is Mel Damewood, 541-685-7379.
6. McFarland Cascade Holdings Inc. – for the periodic purchase of wood poles. \$670,000 (over 5 years). Contact Person is Mel Damewood, 541-685-7379.
7. Nesco Rentals – for the purchase of a used backyard mini digger derrick. \$158,723. Contact Person is Mel Damewood, 541-685-7379.

Commissioner Brown moved to approve the Consent Calendar. The motion carried unanimously 5:0

Items Removed from Consent Calendar

There were no items removed from the Consent Calendar.

Alternative Contracting Method for Grid Edge Demonstration Project

Mr. Damewood stated that he was there to ask for Board approval for an alternative contracting method for the Grid Edge (or Microgrid) Project. He said that EWEB had received a grant to build three Microgrid Projects within the utility's system. He added that, as per the grant, the project needed to be complete by the end of the first quarter of 2017.

Commissioner Brown asked where the third project would be.

Mr. Damewood clarified that two of the three Grid Edge projects were in Blanton Heights.

Public Hearing on Alternative Contracting Method for Grid Edge Demonstration Project

President Simpson opened the Public Hearing at 6:21 p.m., and seeing no one who wished to offer testimony, he then closed the Public Hearing.

Board Action on Alternative Contracting Method for Grid Edge Demonstration Project

Commissioner Mital asked if the new method of contracting was preferable, why isn't EWEB using it more frequently?

Mr. Damewood replied that the new method doesn't work for all projects, and this is especially true for larger projects requiring complex planning.

Commissioner Mital wondered if there was a downside to the Board approving the project.

Mr. Damewood answered that the only risk would be within the pricing of the project itself. He added that there were checks and balances in place as per EWEB's relationships with the general contractor and designer.

President Simpson asked if agencies other than EWEB were benefitting from this.

Mr. Damewood replied that the Blanton Heights communication tower would offer many operations benefits in the area, and would benefit the Lane Radio Interoperability Group (LRIG) directly.

President Simpson asked if EWEB was receiving any revenue from the Blanton Heights facility.

Mr. Damewood answered that they had not asked for that.

Vice President Helgeson wondered if the projects were going to be maintained into the future. He also asked if there were likely to be any additional costs outside of the grant funding that the Board should be aware of.

Mr. Price listed many factors of the project that would incur maintenance costs, but added that as markets evolve, there would be opportunities to take advantage of funding from different sources.

Vice President Helgeson clarified that the question was directed more specifically at the Blanton Heights emergency communication systems.

Mr. Damewood said the point of the project was to maintain and learn from it.

Commissioner Manning moved to approve the use of a construction manager general contractor (CMGC) alternative contracting method for the procurement and construction of the three battery storage systems associated with the Grid Edge Demonstration Project. The motion carried unanimously 5:0.

Proposed 2017 Electric & Water Budget and Prices

Ms. Fahey, Ms. Hart, and Mr. Shultz offered the Board a Power Point presentation on the 2017 proposed budget and prices for water and electric.

Commissioner Brown asked for clarification on the River Road billing.

Ms. Hart stated that the .5% rate increase on River Road/Santa Clara would revert back to the original 2.8% next year after the Cost of Service Analysis (COSA) requirement was satisfied.

Commissioner Helgeson said that he felt informed about the proposed budgets and prices, although he said it might be a good idea to make the language therein easier to understand for laypeople.

Commissioner Mital asked if the street light reduction proposal within the budget and pricing presentation was something the Board needed to vote on at this time.

Ms. Hart replied that there was no change at this time, but in 2018, they would come back to the Board with that topic after having gone over it extensively with a consultant.

Commissioner Mital posited that he would like to see a closer scrutiny on the Management Consulting line item from the proposed budget.

President Simpson expressed frustration at the changing of the name from "Elevation Charges" to "Pumping and Delivery Charges."

Ms. Fahey said the reason the name of the charge was changed, was because many customers were confused on exactly what the term "Elevation" meant as per their water delivery.

President Simpson said that he was not comfortable with a consultant telling EWEB they should ignore gradualism.

Commissioner Brown asked if EWEB met its profit expectations on Veneta service.

Ms. Fahey replied that the signed Veneta contract included a 10% return.

Commissioner Mital wondered what the 10% return amounted to on an annual basis.

Ms. Hart stated that while she didn't have an exact dollar amount in front of her at that time, she would get back to the Board with that figure.

Mr. Helgeson said that it appeared EWEB had been overcharging Veneta.

Commissioner Mital asked what confidence EWEB had that in three months from now, it wouldn't be discovered that EWEB should have looked at the rates and changes more carefully.

Mr. Lawson acknowledged the need to clean up some of the contractual issues with Veneta. He added that he felt staff owed the Board a follow-up relative to commitments which were made in an effort to be transparent about the project. He concluded that EWEB would be looking at strategic pricing over the next year.

Public Hearing on Proposed 2017 Electric & Water Budget and Prices

President Simpson opened the Public Hearing at 7:10 p.m., and seeing no one who wished to offer testimony, he then closed the Public Hearing.

Board Action on Proposed 2017 Electric & Water Budget and Prices

- **Resolution No. 1633 - 2017 Budget Adoption**

Vice President Helgeson moved to approve Resolution No. 1633 - 2017 Budget Adoption. The motion carried unanimously 5:0.

- **Resolution No. 1634 - 2017 Water Prices**

Commissioner Manning moved to approve Resolution No. 1634 - 2017 Water Prices. The motion carried unanimously 5:0.

- **Resolution No. 1635 - 2017 Electric Prices**

Commissioner Mital moved to approve Resolution No. 1635 - 2017 Electric Prices. The motion carried unanimously 5:0.

2017 State Legislative Agenda, Resolution No. 1636

Mr. Heuser shared an overview of the 2017 State Legislature and EWEB's Legislative Agenda with the Board.

Mr. Heuser stated that the number one issue in the upcoming 2017 Legislative Session was the \$1.5 billion budget deficit. He stated that Governor Brown, unlike the two previous Governors, doesn't have a specific energy agenda. He added that Senator Chris Edwards, former Chair of the Energy Committee, would soon be leaving the State Legislature. Mr. Heuser concluded that the Residential Energy Tax Credit was set to sunset at the end of the year.

Commissioner Mital expressed interest in removing that part of the Legislative Agenda that mentioned PERS affecting EWEB's ability to recruit and retain.

Vice President Helgeson asked if the PERS position was in the Resolution.

Mr. Heuser answered that it was not.

Ms. Erben stated that since the PERS issue was so large, it would be best to get back to the Board at a later time with more information concerning the issue.

Commissioner Mital moved to amend Resolution No. 1636 - State Legislative Agenda to include only Sections 1 and 2 under PERS Reforms, striking Section 3. The motion carried unanimously 5:0.

Commissioner Manning moved to approve Resolution No. 1636 - State Legislative Agenda as amended. The motion carried unanimously.

Break

President Simpson called for a break at 7:43 p.m. He reconvened the Regular Session at 7:55 p.m.

GENERAL BUSINESS ITEMS

2016 Audit Planning

Ms. Fahey and Ms. Desimone offered the Board a Power Point presentation on 2016 Audit Planning.

Commissioner Brown asked how the Board would know if the Work & Asset Management (WAM) was a wise investment.

Ms. Desimone replied that improvements have come about as a result of WAM implementation, although she couldn't offer any specifics on return at that time.

President Simpson asked for clarification concerning the budget for utility write-offs.

Ms. Desimone replied that during their standard audit process, it would be determined whether write-off budgets remained consistent with other budgeting items.

Proposed 2017 Organizational Dashboard Changes

Mr. Lawson presented the Board with a Power Point slide to guide the conversation on the proposed 2017 Organizational Dashboard Changes.

Commissioner Brown asked why Advanced Metering Infrastructure (AMI) was not included in the dashboard. He also requested an example of public outreach concerning pricing.

Mr. Lawson offered that EWEB had modernization projects targeted for release next fall, including AMI projects. As for public outreach, Mr. Lawson said they were focused on how the pricing plan facilitates customer choice relative to generation.

Commissioner Mital stated that he would like to see AMI on the Dashboard.

President Simpson offered that he too would like to see AMI on the Dashboard.

Vice President Helgeson agreed with his colleagues that AMI should be on the Dashboard. He added that he hadn't heard anything about AMI in so long, he had lost any sense of connection to it.

Commissioner Mital expressed concern that the Operational Metrics Mr. Lawson set for himself might be a bit too stringent.

Mr. Lawson said that he would remain in contact with the Board concerning any issues that arise from the Operational Metrics. He concluded that AMI would be added to the Major Projects list.

Correspondence & Board Agendas

Mr. Lawson said that staff would continue to update the Board on the relative cost of replacement resources on the electric side of the utility.

Vice President Helgeson asked if EWEB received a competitive deal on the aforementioned resources.

Ms. Erben answered that the market EWEB bought in was a different market than today's market.

Mr. Lawson reported that there was a change to the hoist system at the Leaburg dam, and that all three roll gates on the dam were operational.

Commissioner Mital asked if staff was confident that the new systems operating the gates at Leaburg dam were fully operational.

Mr. Damewood said they were.

Mr. Lawson stated that next week, he had a meeting with Jeff Nelson of the Springfield Utility Board (SUB), and asked if the Board had any comments and suggestions he could go into the meeting with.

Commissioner Mital said the key issue for him was cooperation going forward on water.

Mr. Lawson said there was a meeting coming up possibly in January to discuss Board consultants.

Commissioner Brown offered that he was not happy with EWEB's general counsel, and would like to see that addressed as well.

Commissioner-elect Carlson asked about the list of meetings and outside appointments, and which Commissioners attended which.

President Simpson instructed Ms. Carlson to email the Board to let them know which meetings and/or appointments she was interested in.

Vice President Helgeson stated that he would like to see the list of board appointed consultants pared down.

Commissioner Mital offered that he would like to see a system in place in which Commissioners can give feedback on their relationships with consultants, outside appointments, etc.

Mr. Lawson reported that at the end of the year, staff does evaluate EWEB consultants, and staff would ask the Board formally to weigh in on those relationships with consultants.

President Simpson asked if the swearing in of new officers was to occur on the tenth of January.

Mr. Lawson said that was correct.

Board Wrap Up

Commissioner Manning thanked the Board and staff for his experience sitting on the EWEB Board of Commissioners. He also congratulated Ms. Carlson on her position as an EWEB Commissioner-elect, and said he would be happy to answer any questions she might have concerning the position.

Commissioner Brown expressed thanks to EWEB staff for purchasing used equipment instead of new.

Vice President Helgeson said that he would like to see a refresher in the near future on the difference between rates and prices.

Mr. Lawson reported that for the first time since 2005, EWEB residential customers would not see an increase on water rates.

Adjournment

President Simpson adjourned the Regular Session at 8:55 p.m.

Assistant Secretary

President