

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

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

Others Present: Matt Barton, Jeannine Parisi, Sarah Gorsegner, Harvey Hall, Lance Robertson, Mel Damewood, Frank Lawson, Taryn Johnson, Brad Taylor, Todd Simmons, Steve Newcomb, Edward Yan, Joe Harwood, Sue Fahey, Dave Churchman, Mike McCann, Wally McCullough, Megan Capper, Erin Erben, Lena Kostopulos, Deborah Hart, Catherine Gray, Adam Rue, Leslie Kidd, Lisa McLaughlin, Patty Boyle, Jared Rubin, Cecilia Braaten and Anne Kah of the EWEB staff; Deb Galardi of the Galardi Rothstein Group; Teresa Lloyd, Recorder.

President Mital 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 stated that for the last three years it was a pleasure working with his colleagues and was looking forward to working with all in the next year.

Commissioner Helgeson extended appreciation and acknowledged the EWEB Public Affairs staff in keeping them posted in newsworthy developments. He also acknowledged prior minutes recorder, Vicki Maxon, who worked with EWEB in various administrative capacities for 16 years since the mid 1990's, and since that time as minutes recorder.

Vice President Simpson echoed acknowledgement to Ms. Maxon, and wished a Happy New Year to everyone while looking forward to challenges being taken on in the future. He met with McKenzie River Valley representatives regarding options in restructuring the annual meeting, exploring timing and format of meetings with regard to the community. The idea is to work toward forming workshops. Also, there was closing dialog regarding the opportunity to extend broadband service to the community, and he thought it was an option to consider exploring.

Commissioner Simpson has been selected as Chair for LCOG, and welcomes votes for continued board liaison appointment.

Commissioner Mital also extended appreciation to Ms. Maxon. After the December meeting he toured the Catholic Community Services who invited EWEB members or any members from the public. Regarding low income services, he said that he was impressed by the level of work they do providing resources in assisting with energy needs. He invited them to participate in giving testimony when they have an opportunity to do so, hopefully in the next few months, so fellow Commissioners will be able to get an idea of what they do.

Commissioner Brown also thanked Ms. Maxon. He directed a comment to EWEB General Manager, Roger Gray, regarding the Striker Park and well head overlay protection zone and with regard to the neighborhood group, NorthEast Neighbors. On February 6, 2016, McKenzie River Guides will vote to remove eight transient camps, which would require cooperation from Weyerhaeuser.

PUBLIC INPUT

Kristen Helton, EWEB Child Development Center Director, extended appreciation of EWEB's support over the years to allow the Child Development Center's location on the Riverfront property. The Center has provided service to over 500 children since 1988. She noted the Center is a highly regarded establishment with a wait list of 130 children, and facilitates numerous calls per day from families needing child care. EWEB support for over 28 years has provided a high quality, engaging program for children. The location has been a wonderful opportunity to provide service to the community. She also extended thanks for the rent-free facility, and emphasized the program is not a money making venture. She then invited the Commissioners for a tour.

Jennifer Slater, EWEB Child Development Center Assistant Director, also extended thanks to EWEB in their partnership with the program. She said they are starting a campaign called "Branching Out" working with stakeholders to help the Center move forward to establish funds in relocating. She hoped the 28 year history will be kept in mind as redevelopment of the property moves forward, and transition will be as smooth as possible.

Former EWEB Commissioner **Bob Cassidy** mentioned the State of the Union address by Eugene City Mayor Kitty Piercy to be held at the Hult Center on Wednesday, January 6, 2016. He spoke to the property negotiations going on with the sale of the property, and was concerned about the definition 'public property' as was addressed in the Citizen's meeting a few weeks back. He noted that the EWEB property was not listed or considered as public property and suggested Commissioners may want to have input. He discussed a proposal of a bridge connecting the park for the public and shared an artist's rendition of a pedestrian bridge. He then emphasized that this would enhance the value of the property for future sale. He noted this would be a considerable asset to the value of the property with regard to transferring property from EWEB to the City.

Commissioner Manning thanked the representatives from the Child Development Center. He acknowledged the transition difficulty, and wants to make the transition as minimal as

possible as the care of the children are priority. He also thanked former Commissioner Cassidy for his presentation, and commented that it was a beautiful bridge and a great legacy which also adds value. He's not sure what board members can do to move it forward but willing to present it to people to move forward.

Commissioner Helgeson also thanked everyone. Regarding the Child Center, he noted he wants to be sensitive to their transition. There are a lot of moving parts and was glad to hear they are being proactive moving forward and looking for ways to manage operations to minimize disruption to clients.

Vice President Simpson and President Mital passed.

Commissioner Brown stated EWEB does not have the resources to improve the property.

APPROVAL OF CONSENT CALENDAR

MINUTES

1. a. December 1, 2015 Executive Session
- b. December 1, 2015 Regular Session

RATIFICATION OF BOARD CONSULTANTS AND RETAINED PROFESSIONALS FOR 2016

2. Ratification of Retained Professionals and Attorneys for 2016
 - 2.1 General Counsel - Eric DeFreest, Luvaas Cobb Law Office
 - 2.2 Special Counsel and Power Risk Counsel - Cable Huston Benedict Haagensen & Lloyd
 - 2.3 Special Counsel, Power Operations - Law Offices of Jeremy Weinstein
 - 2.4 Special Counsel (BPA Rate Review) - Murphy & Buchal LLP
 - 2.5 Human Resources Counsel - Harrang Long Gary Rudnick
 - 2.6 Bond Counsel - Mersereau & Shannon

Ratification of Board Appointed Consultants for 2016

- 2.7 Independent and Consulting Engineers - Black & Veatch
- 2.8 Independent Actuaries - Kenney Consulting
- 2.9 Independent Auditor and Certified Public Accountant - Moss Adams
- 2.10 Financial Advisor - Piper Jaffray

CONTRACTS

3. H.D. Fowler Company - for the purchase of ductile iron pipe. \$452,000 (Total \$2,352,000 over five years). Water Operations, Contact Person is Brad Taylor 541-685-7385.

4. WESCO - for the purchase of a pre-fabricated control house with integrated medium voltage switchgear for Holden Creek Substation. \$840,000. Engineering, Contact Person is Mel Damewood 541-685-7145.

RESOLUTIONS

5. Resolution No. 1530 - Board Policy Revisions, Environmental Policy SD2, Contact Person is Steve Newcomb 541-685-7391.

ITEMS REMOVED FROM CONSENT CALENDAR

Commissioner Brown asked to be recused from Item #2 because of real estate listings through Evans Elder and Brown. Though he is not part of listing, his business name is listed. He stated it may be a conflict.

General Manager Gray says he will look into the matter.

President Mital mentioned if it is necessary he will place it on the next Board's agenda.

Commissioner Helgeson said he had questions about the clarity of the position of work consultant or professional consultant as pertains to the Board. Mr. Gray agreed to return to the Board with information, and he will work on whether it is a bond covenant or an EWEB policy issue. He acknowledged that board members from time to time work as specialty consultants.

Vice President Simpson motioned Item #5 (Resolution #1530) to be pulled from the consent calendar, seconded by Commissioner Manning to approve the remainder of the Consent Calendar. The motion passed (4-1) with Commissioner Brown abstaining.

Vice President Simpson asked to amend Resolution #1530 SD2 document, and to strike the words "will adopt" replacing with the word "implement." There was some discussion about wording, and he wanted to publicly declare EWEB will implement these transportation solutions now rather than in the future, also noting EWEB supports these solutions in commercial applications. He asked Roger Gray, General Manager, regarding what personal vehicles meant. He quoted the General Manager had responded "use of staff owned vehicles and trucks for the purpose of business."

It was then moved by Vice President Simpson, and seconded by Commissioner Brown, to strike the words "will adopt" in the transportation clause and to add the word "commercial" in the same sentence.

After much input to the discussion by board members and including EWEB staff member, Steve Newcomb, in regards to the document language pertaining to transportation, Vice President Simpson amended his motion to strike the word "commercial" and add "personal vehicles used for utilities business."

President Mital then motioned to defer the item regarding Resolution #1530 to the next regular session board meeting on February 2, 2016, to further work on updating the document's language, and to continue to address the amended items brought up in this meeting. Vice President Simpson seconded, and the motion passed unanimously (5-0).

2016 ELECTION OF OFFICERS

EWEB Executive Assistant, Anne Kah, explained the nomination and voting process.

President:

Vice President Simpson nominated himself for President.

Commissioner Mital moved, seconded by Commissioner Brown that Commissioner Simpson fill the role of president.

The vote was (4-0) without Vice President Simpson recused himself.

Outgoing President Mital passed the gavel to newly elected President Simpson

Vice President:

Commissioner Mital nominated Commissioner Helgeson.

Commissioner Manning nominated Commissioner Brown.

Nominations were counted. Commissioner Brown received three. Commissioner Helgeson received two.

President Simpson asked for a motion to assign the position of Vice President to Commissioner Brown. Commissioner Manning moved and President Simpson seconded.

With further discussion, Commissioner Mital stated though Commissioner Brown was clearly qualified, the reason he had nominated Commissioner Helgeson was to honor a procedure of rotation across the Board. Commissioner Helgeson echoed his comments.

Commissioner Brown stated his experience, tenure and abilities would be of assistance to EWEB Board with upcoming issues.

Commissioner Manning pointed out issues coming up whereby Commissioner Brown's history will help, though he believes succession is wrong.

President Simpson asked all in favor of Commissioner Brown becoming the new Vice President. (4-0) with Commissioner Brown asking to be recused.

2016 APPOINTMENT OF BOARD LIAISON ASSIGNMENTS AND COMMITTEES

President Simpson is Vice President of the Lane Council of Governments (LCOG) Board currently representing Lane Council of Government and Commissioner Manning as alternate. Second, McKenzie Watershed Council with EWEB staff representation appointed by Steve Newcomb (Management Services) and with President Simpson and Vice President Brown acting as alternates. Third is the Other Post Employment Benefits (OPEB) committee represented by Commissioner Manning with no alternate. Last is the Northwest Public Power Association (NWPPA) with Commissioner Helgeson as the representative with no alternate.

President Simpson and Commissioner Manning volunteered to continue to serve in the above capacities on the LCOG Board. Vice President Brown moved and Commissioner Mital seconded. The Board voted unanimously (5-0).

For the McKenzie Watershed Council, EWEB staff appointed by Steve Newcomb will continue service, as well as President Simpson and Vice President Brown continuing to represent as alternates. President Simpson moved and Vice President Brown seconded. The vote was unanimous (5-0).

Commissioner Manning will continue his post with OPEB with an alternate assigned by the Board as needed. Vice President Brown moved to approve, seconded by Commissioner Mital. Voting was unanimous (5-0).

President Simpson motioned and Commissioner Manning seconded for Commissioner Helgeson to continue on the NWPPA Board with no alternate. Voting was unanimous (5-0).

RIVERFRONT PROPERTY

With the aid of overhead visuals Mr. Gray displayed a map pointing out the parking area issue with the terminology “land areas” as opposed to “lots”, stating that management recommendation is to utilize the area as a default parking area unless the City develops a better plan.

Vice President Brown opened discussion with a question about the \$10/sq. foot parking cost (as noted on page 2, Section 3 of Mr. Gray’s memo under EWEB Riverfront Deal Points), and asked if future changes would be covered in the agreement.

Mr. Gray responded the City will have to come up with an adequate proposal to meet parking needs for the property to maintain commercial value.

Commissioner Mital asked if the future Board will be able to weigh in on offers, and Mr. Gray concurred.

Commissioner Helgeson said he would like to see further examples of details that need to be worked out. He said he trusted staff's ability and supported the recommendation, but if conditions change the proposal would be subject for Board review.

Mr. Gray agreed that if amendments were made then Board approval would be necessary.

President Simpson stated his appreciation of Mr. Gray bringing this to the Board in a timely manner and Vice President Brown moved to approve Resolution #1602 as submitted by staff. Commissioner Mital seconded. The motion passed unanimously (5-0).

President Simpson called for a minute break at 6:41 p.m. and reconvened at 6:54 p.m.

SYSTEM DEVELOPMENT CHARGES METHODOLOGY

Sue Fahey, Finance Manager, summarized the System Development Charges (SDC's) Methodology with the aid of overhead visuals. She then asked for Board direction of staff "to prepare an SDC fee schedule that distinguishes between development at the base level and development at higher elevation."

Deborah Hart, Lead Financial Analyst, reviewed EWEB SDC's rate schedule, which began in 1997. The last review was in 2010 when new fees were implemented and subsequent updates for inflation were established, and coincides with the Water Master Plan, which was developed in 2004.

Galardi Rothstein Group consultant, Deb Galardi, said the Methodology follows Oregon Revised Statute for SDC development. The Fees had three components: reimbursement fee, improvement fee, and combined fee. She further explained two fee options from the report:

- System-wide.
- Two-tiered option **a)** base and **b)** upper-area elevations.

The current fee is \$27.54 for a typical residential development. The System-wide option reduced the fee slightly to \$24.09. The two-tiered approach lowered the base fee and increase in upper-elevation service areas. She mentioned that some changes are included within the system design and water usage characteristics (based on current data). She further stated the Master Plan was not about capacity and expansion as much as improving factors such as resiliency and optimization. A large amount of capital improvements in the Master Plan still need to be recovered through customer rates. She pointed out some of the reasons EWEB is seeing a slight decrease in the System-wide approach. When she explained other Cities' SDC charges, she noted Corvallis and Springfield had tiered fees.

Ms. Hart summarized by saying that management recommendation suggests to begin to adopt the new Master Plan with the Water SDC Methodology in place. She said the public notification for the Methodology review went out on January 4, 2016. There will then be a 60-day Methodology review. Per Board direction it will be posted on the EWEB website for interested parties to review with a proposed public hearing for April 5, 2016.

When Vice President Brown recognized homebuilders in the audience, he asked about public participation. Mel Damewood, Engineering Manager, said he was in contact with the Homebuilders Association.

Vice President Brown then noted comparisons in the chart and asked about the City of Springfield, which had a five-tiered system in place.

Mr. Damewood said we are taking “baby steps” at this point. Suggested we take a look at the idea in the next Methodology review in five years.

Vice President Brown and Commissioner Mital addressed water pumping issues and gave examples.

Mr. Damewood responded regarding water base levels.

Commissioner Helgeson thanked staff for the presentation noting his desire to address SDC rates in less than the mandatory five-year review period. He observed certain housing trends, e.g., decreased lot sizes and micro housing, and stated it might require a different assessment approach.

President Simpson asked if this was overall revenue neutral. Ms. Galardi and Ms. Hart stated that the two options were revenue neutral, with the cost based on the new Master Plan and the portion for review. President Simpson also asked if there were zero per cent or low cost loans available and staff said economic development loans were possible. He asked if the Fire Department was SDC absorbed. Ms. Hart responded. He asked if there are SDC overages and if they are reviewed by their auditors. Ms. Hart explained the SDC rate collection and reserve.

Mr. Damewood said SDC's are tied to the Capital Improvement Plan to show constituents their relation to growth and what they are paying for. He also stated other resources paid for maintenance and, e.g., main replacements.

Commissioner Helgeson mentioned capital investments happen in “chunks” whereby SDC's are collected over time, and asked what is applied to the carrying costs. Ms. Galardi addressed carrying costs and gave reimbursement examples.

Commissioner Mital asked if there was a mechanism available to lessen impact cost of infrastructure. Mr. Damewood said coming up with a five-tier system right away would be the solution. Ms. Fahey replied asset records are a little “all over the board” so it would be difficult

to come up with more than a two-tiered system at this time. Commissioner Mital then asked if we accelerated the five-year review to a three-year review period, would that get us to a five-tier system. President Simpson asked to explain the gradualization process. Mr. Damewood did so and said maybe in the next review they could visit beyond a two-tier system. Commissioner Helgeson added further comments.

President Simpson said the Board was being asked to direct management with regard to the SDC fee schedule. Commissioner Helgeson motioned to support the staff recommendation preparing the SDC schedule between development and at the base level and development at higher elevation. Seconded by Vice President Brown. The motion passed unanimously (5-0).

DRAFT SCOPE OF WORK FOR ELECTRIC RETAIL PRICING REFORM ADVISORY GROUP

Lance Robertson, Public Affairs Manager, requested Board feedback on the draft plan for committee creation prior to final approval February 2, 2016. About a six month short term approach had been laid out, and he said this was a starting point whereby his staff were here to help the Board make the decision to move forward. He inquired to the Board if his team had provided the right scope, and had asked the right questions, and wants to know what outcomes the Board would like to see.

Erin Erben, Power Planning Manager and Interim Information Services Manager, mentioned two strategic planning sessions planned and asked the Board if they wanted to discuss the Citizen Advisory group then.

President Simpson thanked the team and mentioned, for the record, that in the opening paragraphs of Mr. Robertson's memo it states that the Board "approved a motion to create a citizen advisory group," yet the Board had not taken action to form a group but to order "backgrounder" on the possibility.

Commissioner Helgeson said he had missed the important aspect of this resonating in a community setting. He stated that he is more interested in alternate points of views as it moves forward. Vice President Brown agreed with Commissioner Helgeson, and wanted to see that things are done right in reference to time commitments as there was not a sense of urgency. More discussion involving staff feedback was requested from Commissioner Mital. He would also like to move forward involving additional members of the public. Commissioner Manning asked who would make up the citizen advisory group, and Mr. Robertson stated the Board would do that with his team assisting with a supply of applications. He further discussed ideas on how to make the selection.

President Simpson thanked the staff for a rapid delivery of the report, and stated concerns about potential bias in selecting a committee and about timing and existing schedules of Board members. He mentioned a possible idea was to go with an advisory committee as it may be "too big of a bite" for this Board to take on at this time.

Commissioner Mital suggested it might be wise to move forward as is, and in time to either start including in the board packets for Feb. 2, or delay the process. Ms. Erben asked for guidance as to what the Board wants as feedback to produce a good outcome on this process. Commissioner Manning offered the solution to keep the application process simple and define terms so people understand language of the process. More discussion followed with Commissioner Helgeson suggesting to wait until there was time to do a quality job. Vice President Brown commented that he too feels it is not a sense of urgency and there was still need to do public outreach. He was fine with slowing down and moving forward. President Simpson echoed his concerns, stating he would like to defer starting it at this time.

Continuing the discussion, Commissioner Mital suggested a few ideas regarding guiding values questions that need to be clarified, and asked what would a base charge cover. Ms. Erben responded.

President Simpson recommended tabling the discussion and bringing it back to the Board for the April meeting. It will also allow staff to decide when a best time would be for rate structuring to come before the Board. He then moved to table the discussion to April and to allow an hour discussion during the retreat in March, which Vice President Brown seconded and all approved (5-0).

CARMEN-SMITH PROJECT FINANCIAL ANALYSIS AND SETTLEMENT AGREEMENT REVISIONS

Mike McCann, Generation Manager, aided with a slide presentation, said staff requests the Board approve recommendation for a request to the Federal Energy Regulatory Commission (FERC) for an additional stay of at least one year in order to complete negotiations and revisions to the SA and license application.

Patty Boyle, Principal Project Manager, discussed inputs. Current economic analysis looks at total cost of the project including acquisition of the license back to 2001, and includes expected future cost. Discount rate is updated from 5.5% to 7.5%. She expected that total cost to break even when the settlement agreements had been updated. Mr. McCann said the talks assumed the environmental goals were constant, but the costs to achieve them needed to come down. He further stated discussions had been fruitful and feels they have been making significant headway with the idea of driving down costs. Ms. Boyle discussed the current licensing application process. The agencies recognize the licensing will be significantly delayed, so have asked for early implementation to interim measures to be implemented in 2016.

Commissioner Mital asked about annual extensions. Mr. McCann said they were hoping to reach an agreement with the other parties, then spend time on the settlement agreement as a license application amendment. He wants to go back and ask for a one-year delay beyond the approved six months to finish negotiations and revise the settlement. In that case, the license will probably not be issued until at least 2021 because of the environmental analysis involved

with the application. Questions to consider are: surrender license, sell the license, withdraw the license, or challenge the Court. He stated he would like to go back and revise Exhibit D to go with the proposed changes. He said he was not asking for a vote at this time but what direction the Board would like them to go in.

After much discussion, President Simpson asked for a motion stating that the staff did not ask for action, but instead for approval of a request to the FERC for additional negotiation time for up to a year. Vice President Brown moved to approve the management recommendations as stated and Commissioner Manning seconded. The vote was approved unanimously (5-0).

CORRESPONDENCE AND BOARD AGENDAS

Mr. Gray reiterated the City of Eugene's State of the Union Address on Wednesday, January 6th, at 5:30 p.m., at the Hult Center. He also suggested putting the tabled Item #11 to May as April's agenda is full.

For Correspondence, Mr. Gray highlighted his memo – Draft 2016 Organizational (Key Performance Indicators) KPI's for feedback, and said if something was missing in the outline, he will bring it back.

BOARD WRAP-UP

Commissioner Mital said in reference to the Board decision about six weeks ago providing funds to the McKenzie River Trust in support for the purchase of the Roseburg property. His concern was the FERC did not receive the decision positively, and Commissioner Helgeson commented he was in support of the decision but echoed his concern. Vice President Brown mentioned his support of the decision. Commissioner Manning stated his reason for support was due to the potential of environmental impact. Commissioner Mital responded with a suggestion regarding how the money was spent.

President Simpson adjourned the Regular Session at 8:37 p.m.

Assistant Secretary

President