

**EUGENE WATER & ELECTRIC BOARD
EXECUTIVE SESSION
EWEB BOARD ROOM
500 EAST FOURTH AVENUE
April 5, 2016
7:30 P.M.**

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

President Simpson called the executive session to order at 7:30 p.m.

EXECUTIVE SESSION:

Pursuant to ORS 192.660(2)(a)

The EWEB Board of Commissioners met in Executive Session to consider the employment of a public officer, employee, staff member or individual agent.

Others Present: Lanie Prouse, Mycoff Frye & Prouse

President Simpson adjourned the Executive Session at 9:30 p.m.

Assistant Secretary

President

**EUGENE WATER & ELECTRIC BOARD
STRATEGIC PLANNING WORKSHOP
EWEB BOARD ROOM
500 EAST 4TH AVENUE
APRIL 19, 2016
8:00 A.M.**

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

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

President Simpson called the meeting to order at 8:02 a.m.

Introduction

Erin Erben, Power Planning Manager, gave an overview of the agenda and meeting structure.

Regional Water Services

With the aid of a PowerPoint presentation Brad Taylor, Water Operations Manager and Mel Damewood, Engineering Manager described EWEB's water rights and the value of regional partnerships which include helping to secure water rights, spreading overhead costs, community sustainability, collaboration, state and regulatory support. They went on to discuss additional opportunities within EWEB's control such as communicating EWEB's ability to serve, continuing to build relationships, securing water rights, etc.

Board Discussion:

- Dialog on whether EWEB should support development of water rights to support private water utilities and/or retail end-uses such as bottled water. Also discussed EWEB's response if a wholesale water customer sought to expand.
- More information requested on use of groundwater rights to support/augment Alternative Water Supply (AWS). Concluded that it is in the long-term plan but there are issues to work through and there is not enough capacity to displace the current effort. Board asked to be kept apprised of the option.
- In the spirit of positioning EWEB to be ready to act quickly when opportunities arise, there was some discussion about doing pre-work with the council relative to their stance on growth and to explain the nature of what we would be trying to achieve. Also to proactively address any real or perceived authority questions, and possibly to define policies for future partnerships. Request to look at revising existing policies if applicable rather than creating new ones.
- Expressed need to address question of whether it is ok to use water. General sentiment was yes; use it, but be prudent.

- Question posed as to whether we can sell a portion of our water right. Response was perhaps.
- Rate structure for water – how does fixed cost recovery look? Response: 60% of fixed costs are in base charge. Approximately 80% of costs are considered fixed.

Parking Lot Items:

- Do we have any influence over waste water fees?
- Next steps for Draft Policy Statement
- Customer communication strategy on promoting consumption

Telecommunications

With the aid of a visual presentation, Mel Damewood, Engineering Manager and Matt Barton, Information Services Manager reviewed the history of telecom service and its rate structure at EWEB. They explained three tiers of service which include schools, public purpose, and commercial. Management recommended that EWEB's business include only the leasing of excess dark fiber. EWEB plans to continue its relationship with partners and is looking for the board's reaffirmation on current progress and direction.

Board Discussion:

- Can EWEB expand telecom to low income areas? Who bears the cost for expansions? Response: With regard to the downtown network and the capitalization of it, those who are ordering bear the cost. Downtown network is currently the only envisioned expansion and EWEB would not pay the expense.
- General assessment that we should consider being more aggressive in our efforts. There is clear demand and it supports EWEB's charter of promoting economic development. Not in favor of electric subsidies and would like to look at leveraging installation contractors.
- Support for strategy of leveraging investments already made and not fronting costs of expansion. Support for considering making profit in our pricing strategy as this is not an obligation to serve area.
- Is there liability and risk of using EWEB's electrical system to run fiber? Response: EWEB asks customers to self-provide back-haul services to cover possible outages.
- How does EWEB charge pole connection fees to Comcast and Verizon? Response: PUC sets the fees.
- Support for seeking profit in pricing.

Parking lot items:

- Cost benefit analysis of the viability of this investment (regardless of who pays)
- What would it take to bring fiber to EWEB HQ?
- Next steps on feedback for more aggressive promotion; scope of products and services we are talking about and how we would set prices to include profit.

Electric Utility Overview

With the aid of a visual presentation Lena Kostopulos, Human Resources Manager and Steve Newcomb, Environmental Manager reviewed what EWEB is currently doing, industry trends and projections.

Load Growth and Resiliency

With the aid of a PowerPoint presentation, Mark Freeman, Energy Management & Customer Service Manager and Frank Lawson, Systems Engineering Supervisor provided a description of current accomplishments and future opportunities. They asked the Board to consider in what context should EWEB actively pursue consumption and also investment in resiliency for the general public good and how these investments compare to other strategic priorities.

Board Discussion on parameters for “Smart” growth:

- Pursue greenhouse gas reduction via switching to cleaner fuel (provides community value), Additional conversation refined the notion that EWEB is not promoting consumption as much as a cleaner fuel source.
- Desired emphasis on economic development and new development opportunities.
- Is there an optimal market share that we can define based on supply portfolio and then target demand to accommodate? Yes, but highly dependent on time frame you are looking at due to loss of generation supply that EWEB faces in the 2024-2028 time frame. More discussion required.
- Need to stay ahead of negative interpretations of our actions through messaging.
- We need to expand product and service offerings, we cannot compete on price alone.
- Would like to target low income areas for fuel switching to alleviate socio-economic implications from pollution-related health impacts.
- Consumption is not inherently evil. We have a conflict between national and local messaging about greenness. EWEB should leverage pricing options such Time of Use (TOU) to manage demand and attract growth.

- Conservation means wise use, using when needed, and being mindful of excesses. It does not mean endure hardship.

Board Discussion on EWEB's role beyond electric grid resiliency and planning investments to enhance community value:

- Generally, the response was that EWEB would consider investments as long as they align with our core mission and help EWEB come back online post-disaster. If the investments meet this criteria, they benefit our community partners. Need to explore options before deciding on a given solution.
- Not very interested in increasing costs for resiliency without community commitment to pay for them; need to have a public dialogue.
- EWEB should partner with city and county; contribute expertise.
- Customers are interested in personally benefiting from EWEB micro-grid investments.
- Restoring radio communication will be important for the community.

Parking lot items:

- Loss of generation supply that EWEB faces in the 2024-2028 time frame and associated implications on demand growth strategies.
- Eugene GHG reduction goals – how calculated and are they reflecting EWEB / BPA carbon footprint? Do we need to do some education/messaging here?
- Defining and marketing greenness. (work in progress; we are really close)
- Need to look at our 50 year objectives.
- Clarify distinction between promoting consumption and competition and what we are pursuing. Define the circumstances under which we would not compete.
- Explore resiliency options for community radio for disaster recovery planning.
- Cybersecurity threats and resiliency.
- Request to have a clear plan on what we would build if ever forced to rebuild our system from scratch (i.e. post Cascadia)
- Comment that water provision more important than electricity restoration. However, we would be willing to use our land and resources post disaster for a number of services, including a gathering place, sanitation and other basic services.

- Priority of resiliency efforts: 1) survival – restore critical infrastructure, 2) recovery – everything else.

Business Strategies and Next Steps

With the aid of a PowerPoint presentation, Erin Erben, Power Planning Manager, reviewed EWEB's Mission, Vision and Values statements, Business Strategies and discussed next steps.

Board Discussion:

- General perception that mission, vision and values statements are OK as written. A few suggestions were made for consideration when it is time to revisit these.
- Interest in EWEB staff perspective and priorities.
- Interest in ensuring alignment with community values, which will change over time, as will the interpretation of what is "best". In addition the diversity in our community will make it difficult to be much more specific.
- May need some more emotive spark in the mission statement. Should address who we are and why that matters and the expression of the value of public power.
- Better leverage community values through public outreach, collect data to give the Board more information upon which to base decisions they have been elected to make.
- Board is OK with owning the Mission Vision Values domain and leaving specific business strategies to staff to refine and propose.

Parking lot items:

- Add delivery to mission statement (vs. products)?
- Add fairness to values?

President Simpson adjourned the Strategic Planning Session at 11:45 a.m.

Assistant Secretary

President

**EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
500 EAST 4TH AVENUE
APRIL 19, 2016
12:15 P.M.**

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

Commissioners Present: John Simpson, President; John Brown, Vice President; Steve Mital, Dick Helgeson and James Manning, Commissioners.
(Commissioner Manning departed at 12:54 p.m.)

President Simpson convened the April 19, 2016, Regular Session at 12:15 p.m.

AGENDA CHECK

PUBLIC INPUT

Will Rutherford encouraged EWEB to be proactive and take a leadership role with regard to telecom.

Board Discussion:

- EWEB involvement would require discussions with City of Eugene.
- A commissioner voiced general support for an effort to explore ways to use surplus in a way that supports higher speed access for the upriver community
- A voice communication carrier has stepped up to provide broadband service to the upriver community. EWEB will hold an informal meeting for the upriver community in September and plans to have a component of telecom, however a large scale presentation does not appear to be necessary.

BOARD ACTION ITEMS

Electric & Water Capital True Up and Budget Amendments

With the aid of a visual presentation, Mel Damewood, Engineering Manager, described the overall capital budget status for the electric and water utilities and the budget amendments before the Board for approval. Mr. Damewood responded to questions from the Board, he clarified that the requested Board action approves one year of the Capital Improvement Plan (CIP). He further explained that the CIP is organic and that strategies will be adjusted as EWEB works through the 10 year plan and reprioritizes as needed. The CIP will be adjusted as projects change; this is a true up of schedule as well as budget. The EL1 report is provided on a quarterly basis to keep the board informed of progress on capital work.

James Manning moved to approve the Electric Utility Budget Amendment #1. The motion was approved unanimously (5-0).

James Manning moved to approve the Water Utility Budget Amendment #2. The motion was approved unanimously (5-0).

Resolution No. 1612, Reserve Fund Status and Transfers

Susan Eicher, General Accounting & Treasury Supervisor and Aaron Balmer, Senior Accounting Analyst described the electric and water utility transfers, the reserve fund and Management's recommendations and then answered questions from the Board.

Board Discussion:

- Commissioners requested additional information about the history of deposits to the Alternative Water Supply fund.
- If EWEB's financial situation is substantially better than budget, and if there not an otherwise urgent or priority need for the money, several Commissioners expressed support for consideration of putting additional money into the AWS fund. Susan Fahey, Finance Manager offered that the PERS obligation is unknown at this time; more information will available in October. Management will make a recommendation next year for the best use of any available funds.

Commissioner Manning moved to approve Resolution No. 1612. The motion passed unanimously (5-0)

Commissioner Manning departed at 12:54 pm.

GENERAL BUSINESS ITEMS

Electric System Planning Update

Mel Damewood, Engineering Manager, Frank Lawson, Systems Engineering Supervisor and Richard Jeffryes, Senior Engineer used a visual presentation to highlight the goals of the Electric System Plan which include prioritizing the replacement program by safety, reliability, obligation to serve, regulatory requirements and cost; evaluating and changing the system including redesign/redeployment of assets to optimize long-term utilization; resiliency; and improving system automation, delivery efficiency, and balance between localized generation and consumption. Management responded to a question from the Board by explaining that next steps include integration with the Integrated Electric Resource Plan (IERP). EWEB has also tried to build flexibility into the financial aspect to accommodate micro grids, etc.

Board Discussion:

- The Board is appreciative of the information presented and the discussion about tradeoffs.
- Perhaps there is opportunity to demonstrate scenarios for asset replacement and possible outcomes of turning the dials. Management acknowledged that asset replacement is a dial that can be turned, however it involves risk.

- Action is not required to approve the plan, however there may be value in memorializing the Board's support for the plan. Staff responded by explaining that the plan is a living document.

President Simpson adjourned the Regular Session at 1:37 p.m.

Assistant Secretary

President

**EUGENE WATER & ELECTRIC BOARD
EXECUTIVE SESSION
EWEB BOARD ROOM
500 EAST FOURTH AVENUE
May 3, 2016
7:40 P.M.**

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

President Simpson called the executive session to order at 7:40 p.m.

EXECUTIVE SESSION:

Pursuant to ORS 192.660(2)(a)

The EWEB Board of Commissioners met in Executive Session to consider the employment of a public officer, employee, staff member or individual agent.

Others Present: Lanie Prouse, Mycoff Frye & Prouse
Lena Kostopulos, Human Resources Manager and Anne Kah, Executive Assistant
departed at 8:00 p.m.

President Simpson adjourned the Executive Session at 8:50 p.m.

Assistant Secretary

President

**EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
500 EAST 4TH AVENUE
MAY 3, 2016
5:30 P.M.**

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

President Simpson convened the May 3, 2016, Regular Session at 5:30 p.m.

AGENDA CHECK

There were no changes to the agenda.

ITEMS FROM BOARD MEMBERS

- Commissioner Brown noted that the Register Guard hadn't been publishing the EWEB meeting notices, he requested staff ensure their publication.
- President Simpson mentioned the Riverfront cleanup and referred to a GPS-based phone app which could mark the location of trash dumping and homeless camps on the river. He added that he had met with a Ph.D student regarding energy efficiency.
- Commissioner Manning informed the Board that the EWEB green energy program had provided \$50,000 to the Kalapuya High School to generate wind energy and that EWEB would be partnering with the high school for future internships.

PUBLIC INPUT

There was no public input.

BOARD ACTION ITEMS

CONSENT CALENDAR

MINUTES

1. April 5, 2016 Regular Session

CONTRACTS

2. Carollo Engineers – for Engineering Services. \$533,000. Engineering, Contact Person is Mel Damewood 541-685-7145.
3. EATON Electric – for the periodic purchase of network protectors. \$900,000 (over 5 years). Engineering, Contact Person is Mel Damewood 541-685-7145.

4. Professional Underground Services – for construction services. \$133,000.
Engineering, Contact Person is Mel Damewood 541-685-7145.

Commissioner Manning moved to approve the consent calendar. The motion passed unanimously. (5-0)

ITEMS REMOVED FROM CONSENT CALENDAR

There were no items removed from the Consent Calendar.

GENERAL BUSINESS ITEMS

2016 Organizational Goals, Key Performance Indicators Dashboard

Staff members Susan Fahey and Erin Erben presented on key performance indicators. Although sales were down, the overall outlook was positive.

There was a discussion of the Energy Monitoring System failure. The EMCS antivirus software update caused a system crash and it took 40 minutes to get the system running. Staff will either use an alternate antivirus software in the future or will work with the existing provider to improve performance.

There was a discussion regarding land use approvals for the alternative water supply including the timing and location of the water utility project and a potential contingency plan.

There was a discussion of the available real estate and the lack of resources needed to implement property management policies & procedures. The need to follow up regarding the lack of resources was placed starboard.

Commissioner Helgeson sought clarification about the EMCS failure and the resulting violation. Mr. Barton clarified that the violation was a result of the failure and that they had implemented standard operating procedure.

Ms. Fahey and Ms. Erben continued presenting the dashboard. There was discussion of WAM and its removal from the list. There was a need to better prepare employees for future major IS rollouts.

Update to Board Policy SD8 Power Risk Management Policy

Ms. Fahey and Ms. Wade presented on the Board Policy update. The goal of the update was to filter out procedural aspects while maintaining transparency. The changes were focused on the scope of risk related to market price volatility and the impact to contribution margins; transaction authority, compliance limitations; and financial limitations. There was a discussion of the update process, public involvement in the process, and potential changes to the membership structure as a result of wording

changes. Staff clarified that the intent of the update was not to change the structure of committee membership but rather to clarify the roll of staff.

Carmen Smith License Renegotiation

Ms. Boyle, Mr. Zinniker, and Mr. McCann discussed the settlement agreement. While progress was difficult and slow, there was an interest in getting the work done correctly while not negatively impacting the environment. FERC staff was assisting with the process and the Wild and Scenic River aspect would be separately governed under a supplemental use permit managed by the USFS, removing that component from the FERC permit process. FERC staff had indicated that they would be amendable to a short extension of 6 months. Ms. Boyle highlighted the beneficial, low-cost, high-impact projects currently underway including gravel placement, fish passage improvement, and new campgrounds. The license was close to being revised and deployed.

There was a discussion of the rehabilitation of the power house which had not happened for 50 years. The shut off valves were not properly functioning. The plant would be dewatered and inspected in 2017 followed by the replacement of the shut off valves. The Smith Reservoirs would be dewatered and the valves would be replaced in 2018, the power house would be replaced in 2019, and turbine and generator work would occur in 2020 with one being replaced and one being repaired. The switch gear and control system work would occur in 2021. There was a reduction in the overall cost of implementation as a result of removing the Carmen diversion tunnel automation, not bypassing traffic, and not building new offices, which would save \$15 million. By rehabilitating one generator there would be a total of \$50 million in savings.

Discussion

Commissioner Mital asked about the settlement process. Ms. Boyle said that each party caucused separately with 16 separate governing bodies. Each party was under a nondisclosure agreement. Any party remaining in the settlement agreement would agree to not challenge the FERC decision.

There was a discussion of ongoing work including the fish ladder and fish screen. Commissioner Brown asked staff to define the term interim spill. Mr. Zinniker said that there were strict ranking rates for the river in regards to how much water could pass over the spill way and through the plant. The plant discharge had a fine control whereas the spill way had coarse control.

President Simpson asked for clarification about the reasoning behind only replacing one generator versus both. Staff clarified that they could alternate use between the two generators and that there wasn't enough water to run both simultaneously.

There was a discussion of the use of a portable crane at Trail Bridge.

President Simpson asked about the Carmen Smith conference room, staff believed that it could be completed in as early as a couple of weeks or by the end of the year at the latest.

There was a discussion regarding the need to revise the economic analysis report once the settlement agreement was in place.

There was a discussion of what the settlement process would establish.

Correspondence

- The sale of Smith Creek was nearly final and was expected to conclude by the end May, 2016.
- There was a discussion of dark fiber rates which would occur in more depth during the next session.
- The banking RFP was delayed slightly due to the effort to refinance bonds.
- The National APPA conference would occur June 10-15.
- There was a Rocky Mountain Institute joint meeting attended by Erin Erben and Steve Newcomb, City staff, 4J staff and U of O staff to discuss joint resiliency planning.
- Congratulations to Erin Erben for being asked to present jointly with SMUD (Sacramento Municipal Utility District) at the upcoming NWPPA annual conference.
- Matt Barton will be representing EWEB at a BPA panel discussion regarding building cyber defense.
- There was a discussion of the July meeting date with the earliest possible date to meet being July 19th.
- President Simpson asked the Board Secretary to utilize the front page of the Board Calendar to a greater degree.
- There was a discussion on the General Manager hiring process.
- Commissioner Brown said that he would like to see more time allocated for the discussion of Carmen Smith in upcoming meetings.

Board wrap up

- Commissioner Manning expressed appreciation for staff work.
- Commissioner Helgeson said that he would like a one-on-one regarding the Carmen Smith economic analysis before August. He added that due to scheduling conflicts with the NWPPA annual conference he would be unavailable for the committee meeting and wanted to delegate his voting rights to staff.
- Commissioner Brown also appreciated the communication from staff and their work.

- President Simpson was pleased with the cohesiveness, thoughtfulness, and level of attention from the Board.

President Simpson adjourned the Regular Session at 7:07 p.m.

Assistant Secretary

President

**EUGENE WATER & ELECTRIC BOARD
EXECUTIVE SESSION
GENERAL MANAGER'S CONFERENCE ROOM
500 EAST FOURTH AVENUE
May 16, 2016
8:00 A.M.**

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

Absent: James Manning, Commissioner

President Simpson called the executive session to order at 8:00 a.m.

EXECUTIVE SESSION:

Pursuant to ORS 192.660(2)(a)

The EWEB Board of Commissioners met in Executive Session to conduct interviews with persons considered for hiring of EWEB's General Manager.

Others Present: Lanie Prouse, Mycoff Frye & Prouse

President Simpson adjourned the Executive Session at 6:00 p.m.

Assistant Secretary

President

**EUGENE WATER & ELECTRIC BOARD
EXECUTIVE SESSION
GENERAL MANAGER'S CONFERENCE ROOM
500 EAST FOURTH AVENUE
May 17, 2016
8:00 A.M.**

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

Absent: James Manning, Commissioner

President Simpson called the executive session to order at 8:10 a.m.

EXECUTIVE SESSION:

Pursuant to ORS 192.660(2)(a)

The EWEB Board of Commissioners met in Executive Session to conduct interviews with persons considered for hiring of EWEB's General Manager.

Others Present: Lanie Prouse, Mycoff Frye & Prouse

President Simpson adjourned the Executive Session at 12:55 p.m.

Assistant Secretary

President

**EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
500 EAST 4TH AVENUE
MAY 17, 2016
1:00 P.M.**

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

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

Absent: James Manning and Steve Mital Commissioners

President Simpson convened the May 17, 2016, Regular Session at 1:00 p.m.

AGENDA CHECK

PUBLIC INPUT

None

GENERAL BUSINESS

General Manager Replacement Process Update

President Simpson conveyed that the General Manager replacement process is going well and is on track. Accomplishments to date include; approximately fifty-seven applications were submitted. The Board chose twelve candidates to be interviewed by the consultant, one of which dropped out. After reviewing a summary of those interviews, Commissioners selected seven candidates for the Board and the consultant to interview. One candidate dropped out for confidentiality reasons. On May 16 & 17, Commissioners and the consultant interviewed six candidates; after consideration, the list was narrowed down to four finalists.

The Board asked the consultant to gather additional information to further inform the Board's decision. Commissioners will reconvene in the future to consider the information and nominate their preferred candidate.

Board Discussion:

- Two commissioners absent from the Regular Session meeting due to other obligations; this is no reflection on how things are going
- This is one of the biggest decisions the Board will make; there are incredibly well qualified candidates; we can't go wrong
- Every candidate displays strong leadership, change agents, will lead in a positive and proactive way; believe the community and staff would support all finalists

President Simpson adjourned the Regular Session at 1:04 p.m.

Assistant Secretary

President

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a Construction Contract with **Fisher Land Company** for **Construction Services**.

Board Meeting Date: June 7, 2016
Project Name/Contract#: 021-2016 Smith Dam Emergency Access Road
Primary Contact: Mike McCann Ext.7379
Purchasing Contact: Sandra Hahn Ext.7163

Action Requested:	
<input checked="" type="checkbox"/>	Contract Award
<input type="checkbox"/>	Contract Renewal
<input type="checkbox"/>	Contract Increase
<input type="checkbox"/>	Other

Contract Amount:
Original Contract Amount: \$505,000
Additional \$ Previously Approved: \$ n/a
Invoices over last approval: \$ n/a
Percentage over last approval: n/a %
Amount this Request: \$505,000
Resulting Cumulative Total: \$505,000

Funding Source:	
<input checked="" type="checkbox"/>	Budget - Capital
<input type="checkbox"/>	Reserves
<input type="checkbox"/>	New Revenue
<input type="checkbox"/>	Bonding
<input type="checkbox"/>	Other

Contracting Method:
Method of Solicitation: Formal Invitation to Bid
If applicable, basis for exemption: n/a
Term of Agreement: June 8, 2016 to October 27, 2017
Option to Renew? No

Form of Contract:	
<input type="checkbox"/>	Single Purchase
<input type="checkbox"/>	Services
<input type="checkbox"/>	Personal Services
<input checked="" type="checkbox"/>	Construction
<input type="checkbox"/>	IGA
<input type="checkbox"/>	Price Agreement
<input type="checkbox"/>	Other

Approval for purchases "as needed" for the life of the contract No

The existing Smith Dam access road brings vehicles to the base of Smith Dam, which provides inadequate access during extreme flood events and certain types of dam safety emergencies. During the 1964 flood, access to Smith Dam was cut off when a portion of Smith Dam road washed out from high flows in Smith River. The FERC has identified safe emergency access to the crest of Smith Dam as a priority in improving dam safety. In addition, existing overland power and communication lines are vulnerable to damage from tree falls, landslides, and vandalism. Re-location of these utilities to underground will greatly improve reliability.

The Smith Emergency Access Road project includes the furnishing of the labor, materials, and equipment for the construction of 2,175 feet of new access road through steep terrain to Smith Dam. Work also includes reconstruction of portions of existing roadways, decommissioning of 2,200 feet of existing road, the extension of power and communication substructure along the new road and nearby existing roadways, and the demolition of existing power and communication substructure. Many of the trees and boulders generated through this project will be used in future projects for fish habitat improvement.

Staff issued an Invitation to Bid in April, 2016. Eighteen companies reviewed the project and eight contractors attended the mandatory pre-bid meeting. EWEB received three bids. The lowest responsive and responsible bid was received from Fisher Land Company of Springfield, OR (doing business as Oakridge Sand & Gravel). Fisher Land Company has at least ten years of experience with similar construction projects. Bids were also received from JAL Construction of Bend, OR, and Robinson & Owen Heavy Construction of Sisters, OR. If approved, Fisher Land Company will provide construction services as specified in the solicitation documents.

ACTION REQUESTED:

Management requests the Board approve a construction contract with **Fisher Land Company** for **construction of an emergency access road at Carmen-Smith**. Funds for the Smith EA road project were budgeted for 2016, with additional funds identified in the Electric CIP for 2017 budgeting.

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 **Pacific Truck Center** for the purchase of a 12/15-yard Dump Bed truck.

Board Meeting Date: June 7, 2016

Project Name/Contract#: 017-2016 - 12/15-Yard Dump Bed on Chassis

Primary Contact: Mike McCann Ext. 7379

Purchasing Contact: Collin Logan Ext. 7426

Action Requested:	
<input checked="" type="checkbox"/>	Contract Award
<input type="checkbox"/>	Contract Renewal
<input type="checkbox"/>	Contract Increase
<input type="checkbox"/>	Other

Contract Amount:

Original Contract Amount: \$ 166,000

Additional \$ Previously Approved: \$ N/A

Invoices over last approval: \$ N/A

Percentage over last approval: N/A %

Amount this Request: \$ 166,000

Resulting Cumulative Total: \$ 166,000

Funding Source:	
<input checked="" type="checkbox"/>	Budget
<input type="checkbox"/>	Reserves
<input type="checkbox"/>	New Revenue
<input type="checkbox"/>	Bonding
<input type="checkbox"/>	Other

Contracting Method:

Method of Solicitation: Formal Invitation to Bid (ITB)

If applicable, basis for exemption: N/A

Term of Agreement: Once Accepted Upon Delivery (120 days)

Option to Renew? No

Approval for purchases "as needed" for the life of the contract No

Form of Contract:	
<input checked="" type="checkbox"/>	Single Purchase
<input type="checkbox"/>	Services
<input type="checkbox"/>	Personal Services
<input type="checkbox"/>	Construction
<input type="checkbox"/>	IGA
<input type="checkbox"/>	Price Agreement
<input type="checkbox"/>	Other

Narrative:

The Board is being asked to approve a new contract with **Pacific Truck Center** of Coburg, OR for the purchase of a new 12/15 yard dump bed mounted on a specific chassis.

EWEB's operations requires vehicles and equipment for use in EWEB's electrical, water, and generation systems. For years, EWEB staff has diligently maintained standards for its vehicles and equipment. This consistency works to the benefit of a safe and reliable fleet operation. This contract includes the purchase of a chassis and dump bed along with certain integral components and accessories specific to the improved usefulness of the vehicle. This new dump truck is replacing a 20-year old 10/12 yard dump truck.

In April 2016, EWEB issued an Invitation to Bid for the purchase of 12/15-yard dump bed. The solicitation was reviewed by sixteen companies. Responses were received by McCoy Freightliner of Portland, OR, Pape Kenworth of Coburg, OR, Pacific Truck Center of Coburg, OR and TEC Equipment of Coburg, OR. All bids were thoroughly evaluated, and Pacific Truck Center of Coburg, OR is determined to be the lowest responsive and responsible bidder.

If approved, staff will purchase the 12/15-yard Dump Bed truck at the established price of the contract.

ACTION REQUESTED:

Management requests the Board approve a contract with **Pacific Truck Center** for the purchase of 12/15-yard Dump Bed on chassis. Funds for this purchase were budgeted in 2016, and this purchase is part of EWEB's Fleet Vehicle and Equipment Replacement Plan.

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 an Agreement with the **USDA Forest Service** for funding of **Forest Protection Officer Patrols**.

Board Meeting Date: June 7, 2016
Project Name/Contract#: Forest Protection Officer Patrols/IGA 16-0011
Primary Contact: Mike McCann Ext. 7379
Purchasing Contact: Quentin Furrow Ext. 7380

Action Requested:	
<input checked="" type="checkbox"/>	Contract Award
<input type="checkbox"/>	Contract Renewal
<input type="checkbox"/>	Contract Increase
<input type="checkbox"/>	Other

Contract Amount:
Original Contract Amount: \$280,000 (estimated over 5 years)
Additional \$ Previously Approved: \$ n/a
Invoices over last approval: \$ n/a
Percentage over last approval: n/a %
Amount this Request: \$280,000 (estimated over 5 years)
Resulting Cumulative Total: **\$280,000 (estimated over 5 years)**

Funding Source:	
<input checked="" type="checkbox"/>	Budget
<input type="checkbox"/>	Reserves
<input type="checkbox"/>	New Revenue
<input type="checkbox"/>	Bonding
<input type="checkbox"/>	Other

Contracting Method:
Method of Solicitation: ORS 190.010 IGA
If applicable, basis for exemption: EWEB Rule 6-100(1)(A)
Term of Agreement: July 1, 2016 – June 30, 2017
Option to Renew? Yes (annual renewals)
Approval for purchases "as needed" for the life of the contract No

Form of Contract:	
<input type="checkbox"/>	Single Purchase
<input type="checkbox"/>	Services
<input type="checkbox"/>	Personal Services
<input type="checkbox"/>	Construction
<input checked="" type="checkbox"/>	IGA
<input type="checkbox"/>	Price Agreement
<input type="checkbox"/>	Other

Narrative:

The Board is being asked to approve an Agreement with the **USDA Forest Service, Willamette National Forest** for funding of **Forest Protection Officer Patrols**.

As part of the effort to renegotiate the Carmen-Smith Settlement Agreement, EWEB has been asked to implement a few anticipated Agreement requirements ahead of the FERC license issuance. This Agreement provides funding to the Forest Service for Forest Protection Officer patrols around complexes that were built as a result of EWEB's Carmen-Smith Hydroelectric Project, such as day-use areas, campgrounds and trails. EWEB and the Forest Service share a strong mutual interest in the early implementation of these activities and will both benefit in the protection of fishery resources in the vicinity of EWEB's ongoing hydroelectric operations. The original settlement agreement called for funding of a .5 full time equivalent Oregon State Police position, however a Forest Protection Officer will be more cost effective than an OSP position and the responsibilities align more closely with traditional Forest Service roles. The Forest Protection Officer will focus on fishing regulatory enforcement and education, and natural resources protection in the vicinity of the Carmen-Smith Hydropower Project. Each party will fund half of the expenses for the employee and the related vehicle and equipment. The annual cost is anticipated to be approximately \$55k.

ACTION REQUESTED:

Management requests the Board approve an Agreement with **USDA Forest Service to fund Forest Protection Officer Patrols** for regulatory enforcement, education and natural resource protection. Existing budget authority will be reallocated to cover this cost in 2016 and will be budgeted annually.

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 an increase to an existing Intergovernmental Agreement (IGA) with **Clark Joint Processing Center (JPC)** for **EWEB's lockbox remittance payment processing**.

Board Meeting Date: June 07, 2016
Project Name/Contract#: Clark JPC Remittance Processor / IGA 11218
Primary Contact: Mark Freeman Ext. 7061
Purchasing Contact: Tracy Davis Ext. 7468

Action Requested:

Contract Award
 Contract Renewal
 Contract Increase
 Other

Contract Amount:

Original Contract Amount: \$ 700,000 (approved in November 2007)
Additional \$ Previously Approved: \$ 0
Invoices over last approval: \$ 175,000
Percentage over last approval: 25 %
Amount this Request: \$ 60,000 (est. cost through December 2016)
Resulting Cumulative Total: \$ 935,000

Funding Source:

Budget
 Reserves
 New Revenue
 Bonding
 Other

Contracting Method:

Method of Solicitation: Direct Negotiation
If applicable, basis for exemption: Intergovernmental Agreement
Term of Agreement: November 2007 through December 2016
Option to Renew? No - new IGA in negotiation

Form of Contract:

Single Purchase
 Services
 Personal Services
 Construction
 IGA
 Price Agreement
 Other

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

NARRATIVE:

The Board is being asked to approve an increase to an existing Intergovernmental Agreement (IGA) with **Clark Joint Processing Center (JPC)** for EWEB's lockbox remittance customer payment processing.

In 2001, EWEB negotiated an IGA with Clark JPC to process paper check payments and provide electronic payment data for EWEB to upload into the Customer Information System (CIS). The contract was established to continue each year, unless cancelled with 60 day written notice by either party. Contracting for these services has helped to mitigate labor costs, and minimize equipment replacement and maintenance costs. EWEB and Clark JPC have developed a trusted partnership. Clark JPC is able to offer low pricing for remittance processing to its governmental agency partners, including EWEB.

The Board approved the current contract value in 2007. With the online bill pay system, the number of payments processed has been reduced from a high of 597,000 annual payments to 283,000 annual payments by 2015. Decreased annual processing has allowed for annual remittance budgets to be reduced, and subsequently extended the 2007 Board approved contract amount of \$700,000 over a longer term. Contract activity has remained below the 25% change order threshold that requires Board approval until now.

In 2014, Clark JPC announced their intent to upgrade services to include new software and hardware, which would provide more efficient processing and banking services. Both parties agreed that a new IGA was appropriate based on the revised scope and required updates to the terms and conditions. As staff completes the negotiation of the new IGA, ongoing processing services are required.

ACTION REQUESTED:

Management requests the Board approve a funding extension through December 2016 to the existing IGA with **Clark JPC** for **EWEB's lockbox remittance payment processing**. Funds for these services are budgeted for 2016. Staff intends to bring to the Board a subsequent five-year Board Consent request upon completion of the new IGA currently under negotiation.

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 Simpson, Brown, Helgeson, Manning and Mital
FROM: Sue Fahey, Finance Manager and Anna Wade, Lead Financial Analyst
DATE: May 26, 2016
SUBJECT: Revised Power Risk Management Policies (SD8)
OBJECTIVE: Approval of Resolution No. 1610

Issue

As part of the regular cycle of policy revisions, staff has reviewed the Power Risk Management Policy and is recommending revisions. SD8 was previously revised in October 2012. Resolution, No. 1610, for Board action recommends approval of a revised SD8.

Background

Board Policy SD8 was developed to create a framework for oversight control and guidance to the power trading operations. SD8 compliance limits have remained relatively static over time. Meanwhile, market factors including price, products, participants and standard practice are ever-changing. For example, trades executed prior to the financial crisis carried far greater exposure and risk than those executed today at depressed market rates. Additionally, staffing changes within EWEB have changed the way work is managed and authorized. Staff presented an initial SD8 draft at the May 3, 2016 Board meeting. At that time the Board requested that the policy be revised to clarify the risk and reasoning surrounding Board approval limits. In addition to the redline from current SD8 policy, staff has also provided a document indicating the edits from the May 3rd meeting.

Discussion

Staff have developed an update to SD8 that 1) provides a clearer strategic direction and scope of responsibility and; 2) delegates the oversight and management of risk targets to the Risk Management Committee (RMC), ensuring conformance with the risk tolerances and financial objectives set forth by the Board.

Specific amendments that are recommended for adoption by the Board are:

- **Generally** – Formalize the scope of risk and specific activities that are the responsibility of the RMC rather than the specific measures to be applied and to clarify staff responsibilities as delegated by the Board.
- **RMC committee membership** – Limit specificity of RMC representatives to provide for greater adaptability to changes in management and organizational structure. RMC procedures

will include more specific membership requirements that assign managers as voting members.

- **Transaction Authority** – Individual transactions for Board approval have been revised to account for the economic value and risk associated with a diverse range of portfolio management strategies.
- **Compliance Measures** – Compliance limits currently existing in SD8 are also embedded within the Energy Risk Management Procedures. Internal procedures more specifically dictate the methodology for calculating portfolio risk and are therefore a more effective limitation to trade activity and position management.
- **Transparency** – Maintain transparency of RMC compliance with Board direction by means of annual reporting under SD8, quarterly financial reporting as well as notification of any RMC action that results in material changes to compliance limits defined within the Energy Risk Management Procedures.
- **Financial Limitations** – Align Board direction provided by Financial Policies (SD6) which includes setting reserve targets and transfers as well as the Enterprise Risk Management Policy (SD20) with the power risk measures and financial models in SD8.

Recommendation and Requested Board Action

Management recommends and requests that the Board approve the proposed revisions to Board Policy SD8, Power Risk Management Policies.

Policy Number: SD8
Policy Type: Strategic Direction
Policy Title: Power Risk Management Policies
Date Approved: DRAFT

Formation of Power Risk Management Committee

A Power Risk Management Committee (RMC) will be established to protect the organization from financial instability and unacceptable risk relating to market price volatility and counterparty performance, and to provide reasonable assurance that contribution margin, as established in the Long Term Financial Plan, required to support Board strategic financial direction and policies, is achieved. This SD8 is made in consideration of the guidance provided in EWEB's SD6 Financial Policies wherein staff are required to operate in a manner that is consistent with prudent utility practice and in such a way that benefits to customers are maximized to the extent possible while avoiding potential risk. And further, in consideration of the utility's broader risk management framework as set forth in SD20, Enterprise Risk Management Policy.

The RMC will be established as a horizontal team including the General Manager as well as representatives from Power Operations, Financial Services, Power Planning and Generation along with other members of EWEB Management as may be appropriate.

The RMC will be responsible for oversight of compliance with SD8. On at least an annual basis or as necessary, the Finance Manager will present a report to the Board, covering trading and contracting compliance with this policy.

The Board shall retain approval authority for fixed price transactions that are both greater than 1 year in duration and exceeding \$3 million in nominal value. These limits take into consideration the risk tolerance built into the Long Term Financial Plan and Power Risk Management Procedures for counterparty credit and tenor approval. On an annual basis, staff shall evaluate the appropriateness of approval thresholds and shall recommend adjustments as needed.

Board approval shall also be required for generation asset sales or purchases, regardless of financial impact. Specific responsibilities of the RMC include:

1. Ensure compliance with this policy and anti-speculation statutes and that risk management objectives relating to power management activities, tolerances and limits are achieved and adhered to.
2. Establish and maintain Power Risk Management Procedures which shall set forth compliance limits, reporting and controls requirements, operational guidance, approved market products, locations, transaction authority, counterparty credit and any other measures which may be required to ensure adherence to this policy.
3. Notify the Board of changes to compliance limits as defined within Power Risk Management Procedures.
4. Oversee power risk management control infrastructure and monitor compliance with the Power Risk Management Procedures.

5. Authorize and monitor risk reports for financial results, market positions and credit exposure and direct staff to take mitigating action as necessary.
6. Review and approve (as appropriate), contracts which impact EWEB's power portfolio including, but not limited to, asset sales and purchases, power sales and purchases and retail contracts that are not pre-approved products or subject to published tariffs, for compliance with this policy and the Power Risk Management Procedures.

Policy Number: SD8
Policy Type: Strategic Direction
Policy Title: Power Risk Management Policies (ITERATIVE REDLINE)
Date Approved DRAFT

Formation of Power Risk Management Committee

A Power Risk Management Committee (RMC) will be established to protect the organization from financial instability and unacceptable risk relating to market price volatility and counterparty performance, and to provide reasonable assurance that contribution margin, as established in the Long Term Financial Plan, required to support Board strategic financial direction and policies, is achieved. This SD8 is made in consideration of the guidance provided in EWEB's SD6 Financial Policies ~~and SD20 Enterprise Risk Management Policy, as set forth by the Board.~~ wherein staff are required to operate in a manner that is consistent with prudent utility practice and in such a way that benefits to customers are maximized to the extent possible while avoiding potential risk. And further, in consideration of the utility's broader risk management framework as set forth in SD20, Enterprise Risk Management Policy.

The RMC will be established as a horizontal team including the General Manager as well as representatives from Power Operations, Financial Services, Power Planning and Generation along with other members of EWEB Management as may be appropriate.

The RMC will be responsible for oversight of compliance with SD8. On at least an annual basis or as necessary, the Finance Manager will present a report to the Board, covering trading and contracting compliance with this policy.

The Board shall retain approval authority for fixed price transactions that are both greater than 1 year in duration and exceeding \$3 million in nominal value. These limits take into consideration the risk tolerance built into the Long Term Financial Plan and Power Risk Management procedures for counterparty credit and tenor approval. On an annual basis, staff shall evaluate the appropriateness of approval thresholds and shall recommend adjustments as needed.

Board approval shall also be required for generation asset sales or purchases, regardless of financial impact.

Specific responsibilities of the RMC include:

1. Ensure compliance with this policy and anti-speculation statutes and that risk management objectives relating to power management activities, tolerances and limits are achieved and adhered to.
2. Establish and maintain Power Risk Management Procedures which shall set forth compliance limits, reporting and controls requirements, operational guidance, approved market products, locations, transaction authority, counterparty credit and any other measures which may be required to ensure adherence to this policy.
3. Notify the Board of changes to compliance limits as defined within Power Risk Management Procedures.

4. Oversee power risk management control infrastructure and monitor compliance with the Power Risk Management Procedures.
5. Authorize and monitor risk reports for financial results, market positions and credit exposure and direct staff to take mitigating action as necessary.
6. Review and approve (as appropriate), contracts which impact EWEB's power portfolio including, but not limited to, asset sales and purchases, power sales and purchases and retail contracts that are not pre-approved products or subject to published tariffs, for compliance with this policy and the Power Risk Management Procedures.

Policy Number: SD8
Policy Type: Strategic Direction
Policy Title: Power Risk Management Policies (**ORIGINAL REDLINE**)
Date Approved ~~October 2, 2012~~DRAFT

Formation of Power Risk Management Committee

~~A Risk Management Committee (RMC) will be established to provide oversight control and guidance to the trading operation.~~

~~The RMC will be comprised of the~~ A Power Risk Management Committee (RMC) will be established to protect the organization from financial instability and unacceptable risk relating to market price volatility and counterparty performance, and to provide reasonable assurance that contribution margin, as established in the Long Term Financial Plan, required to support Board strategic financial direction and policies, is achieved. This SD8 is made in consideration of the guidance provided in EWEB's SD6 Financial Policies wherein staff are required to operate in a manner that is consistent with prudent utility practice and in such a way that benefits to customers are maximized to the extent possible while avoiding potential risk. And further, in consideration of the utility's broader risk management framework as set forth in SD20, Enterprise Risk Management Policy.

~~The RMC will be established as a horizontal team including the General Manager; Assistant General Manager, Finance Manager, Power Resources & Strategic Planning Manager, Trading/ as well as representatives from Power Operations Manager, Fiscal, Financial Services Supervisor, Power Planning and the Generation & Fleet Services Manager. As a practical matter, minor title and/or work scope changes affecting RMC along with other members shall not require formal amendment to this policy of EWEB Management as may be appropriate.~~

~~This committee, which will meet as necessary, The RMC will be responsible to the Board of Commissioners for prudent implementation of these policies and oversight of the trading operation to ensure compliance with this policy and overall good industry practices~~ SD8. On at least an annual basis or as necessary, the Finance Services Finance Manager will present a report to the Board, covering the trading and contracting compliance with this policy and the.

~~The Board shall retain approval authority for fixed price transactions that are both greater than 1 year in duration and exceeding \$3 million in nominal value. These limits take into consideration the risk tolerance built into the Long Term Financial Plan and Power Risk Management procedures for counterparty credit and tenor approval. On an annual basis, staff shall evaluate the appropriateness of approval thresholds and shall recommend adjustments as needed.~~

~~Board approval shall also be required for generation asset sales or purchases, regardless of financial impact. Specific responsibilities of the RMC include:~~

1. Ensure compliance with this policy and anti-speculation statutes and that risk management objectives relating to power management activities, tolerances and limits are achieved and adhered to.

2. Establish and maintain Power Risk Management Procedures which shall set forth compliance limits, reporting and controls requirements, operational guidance, approved market products, locations, transaction authority, counterparty credit and any other measures which may be required to ensure adherence to this policy.
3. Notify the Board of changes to compliance limits as defined within Power Risk Management Procedures.
4. Oversee power risk management control infrastructure and monitor compliance with the Power Risk Management Procedures.
- ~~4.5. Authorize and monitor risk reports for financial results obtained. Detailed responsibilities of the RMC include: market positions and credit exposure and direct staff to take mitigating action as necessary.~~
- ~~2. Oversee the approval of all wholesale power trading accounts and counterparties to insure creditworthiness.~~
- ~~3. Establish and periodically review the exposure and trading limits for trading operations, which shall not exceed the overall trading limits established by this Policy Statement.~~
- ~~4. Authorize physical and financial wholesale power trading representatives to conduct trades pursuant to this policy.~~
- ~~5. Review and approve (as appropriate), contracts which impact EWEB's power portfolio including, but not limited to, asset sales and purchases, power sales and purchases and retail contracts that are not pre-approved products or subject to traditional retail published tariffs.~~

~~2. **Compliance, for compliance with Anti-speculation Statutes**~~

~~EWEB must comply with ORS statutes stipulating the appropriate scope of investments for "surplus funds." Accordingly, EWEB's activities in the power markets must be associated with the provision of electricity to meet anticipated sales and generation forecasts. These criteria will be applied:~~

~~**Real Time (a 24 hour day)**~~

~~EWEB will manage its Real Time position so that its exposure to market prices for the balance of the day is no greater than 50 average megawatts surplus or deficit.~~

~~**Short Term (balance of month and following month)**~~

~~EWEB will manage its Short Term position so that its exposure to market prices for the balance of the month and the following month is no greater than 75 average megawatts surplus or deficit.~~

~~**Mid Term (period beyond short term)**~~

~~EWEB will manage its Mid Term position so that firm power supplies are within 25 average megawatts of expected firm sales.~~

~~—— This criteria will be applied to Mid Term time periods beyond the short term:~~

- For each month within the current and next prompt quarter
- For each of the next three quarters
- For each year within the next three years

The Board may grant exception to this policy to deal with specific circumstances, such as long-term resource acquisitions.

3. Financial Exposure Limitation

In addition to the megawatt position limits set forth in the Compliance with Anti-Speculation Statutes policy above, EWEB will implement additional controls to further limit financial risk associated with its market positions. The function of these additional controls would be to ensure that EWEB's projected contribution margin, when combined with available reserves and borrowing authority, will provide funding capabilities to cover other budgeted/projected expenditures at the Electric Utility.

Real Time (a 24 hour day)

Because total volumes and resulting exposure is small, no financial exposure limits are required.

Short Term (balance of month and following month)

EWEB will manage its Short Term position such that there is a 95% probability an adverse market price movement will result in no more than a \$2 million risk exposure. The Board delegates the setting of methodologies for determining financial risk to be used to the and the Power Risk Management Committee.

All Traded Periods

At least on a monthly basis, Fiscal Services with the assistance of Power Operations and General Accounting will monitor the contribution margin and resulting impact on reserves and available borrowing authority for each month over the succeeding 18 to 36 months. In addition, a probability analysis will be conducted. The target is to have a contribution margin which when combined with available Power Reserve/Unallocated Power Fund and borrowing authority will meet or exceed the funding needs of the Electric Utility in each month with at least 90 percent probability and leave an appropriate safety margin. Currently, that safety margin is determined to be at least \$20 million. Subject to annual review, the contribution margin is calculated by summing wholesale, retail and service revenue from the trading floor and subtracting purchased power, transmission and generation costs, as well as CILT expense. The RMC may establish tighter exposure limits to effectively manage the overall position.

4. Development of Detailed Control Procedures

Consistent with Committee of Chief Risk Officers Risk Policies, detailed control procedures will be developed by EWEB and approved by the RMC. These procedures will incorporate strong dual controls between those groups initiating trades and the risk management/accounting functions.

~~The Policy and Procedures Guide will further establish the roles and responsibilities of the trading group, accounting personnel, and risk staff. The detailed policies and procedures will incorporate a credit approval and monitoring process to manage and measure credit exposure. The Policy and Procedures Guide, and its inherent controls will be approved by the RMC and reviewed on an ongoing basis.~~

~~5. Authorized Activities~~

~~The following types of price risk management instruments/transactions are authorized for trading activities:~~

- ~~• Physical delivery contracts with a term up to and including one year.~~
 - ~~• Financial agreements with approved counterparties with a term up to and including one year.~~
- ~~6. The Policy and Procedures Guide as approved by the RMC will specify a process for determining the appropriate use of physical and financial hedge instruments. The Guide will also stipulate the types of swaps and options approved for use by the trading operation. The list of approved products and appropriate uses will likely change as the market changes and EWEB's trading operation gains experience with their use.~~

**RESOLUTION NO. 1610
JUNE 2016**

**EUGENE WATER & ELECTRIC BOARD
RESOLUTION APPROVING BOARD POLICY SD8 REVISIONS**

WHEREAS, the Eugene Water & Electric Board (EWEB) maintains a Board Policy Manual that contains governing policies for the Board of Commissioners; and

WHEREAS, the Board of Commissioners periodically reviews said policies and identifies required modifications or amendments to those policies; and

WHEREAS, the Board of Commissioners periodically determines that a new policy is required to adequately document the work or intention of the Board with regard to governance, Board-staff linkage, strategic direction or executive limitations; and

WHEREAS, the Board of Commissioners has reviewed a modification to Board Policy SD8, Power Risk Management Policies and has determined that the modification is appropriate and necessary.

NOW, THEREFORE, BE IT RESOLVED by the Eugene Water & Electric Board that the Board of Commissioners hereby grants approval to the modification of SD8 which will be reflected in updated Board Policies.

DATED this 7TH day of June 2016.

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

President

I, ANNE M. KAH 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 June 7, 2016 Regular Board Meeting.

Assistant Secretary



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
FROM: Sue Fahey, Finance Manager; Susan Eicher, Accounting & Treasury Supervisor
DATE: May 27, 2016
SUBJECT: Resolution No. 1617 Requesting City Council Action on Series 2016 Electric Bonds
OBJECTIVE: Approval of Resolution No. 1617

Issue

Financial market conditions provide EWEB the opportunity to achieve interest savings by refunding up to \$156 million of currently issued Electric Utility revenue bonds. City Council authorization is required to refund bonds.

Background

Current market conditions indicate that EWEB could realize \$9 million in net present value interest expense savings over the life of the bonds if the outstanding 2008 and 2011A series were all or partially refunded. Since the sale of Smith Creek has not been finalized, the resolution also includes the option to refund the 2005 and 2006 bonds in the unlikely event that those bonds are not defeased as approved by the Board at the April 5, 2016 meeting via Resolution No. 1611. Net present value interest expense savings if all the 2005 and 2006 bonds were refunded is approximately \$1.8 million.

Both the amount of bonds refunded and interest rates in the resolution are higher than anticipated to allow flexibility if market conditions change. The City Council is scheduled to take action at the July 11 Council meeting. This bond issuance does not include new funding for construction and accordingly, the Uniform Revenue Bond Act 60 day posting process is not required.

Recommendation / Requested Board Action

Management recommends approval of Resolution No. 1617 requesting the City Council authorize the issuance and sale of Electric Utility Revenue Refunding bonds.

**RESOLUTION NO. 1617
JUNE 2016**

A RESOLUTION REQUESTING THE CITY OF EUGENE TO AUTHORIZE THE ISSUANCE AND SALE OF ELECTRIC UTILITY SYSTEM REVENUE REFUNDING BONDS IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED ONE HUNDRED FIFTY SIX MILLION DOLLARS (\$156,000,000) TO REFUND ALL, A PORTION OF, OR NONE OF THE SERIES 2005 BONDS, SERIES 2006 BONDS, SERIES 2008 BONDS AND SERIES 2011A BONDS; AND PROVIDING FOR RELATED MATTERS

WHEREAS, Oregon Revised Statutes (“ORS”) Sections 287A.150 and 287A.360 (the “Act”), authorize the City of Eugene, Oregon (the “City”) to issue revenue bonds and revenue refunding bonds payable from identified revenues of the City. The City, acting by and through the Eugene Water & Electric Board (“EWEB”), owns and operates an electric utility system and related facilities and systems;

WHEREAS, on June 16, 1986, EWEB adopted a resolution authorizing and providing for the issuance, from time to time, of City of Eugene, Oregon Electric Utility System Revenue Bonds to be equally and ratably secured by the pledge of revenues, funds and accounts thereunder (as amended and supplemented, the “Bond Resolution”);

WHEREAS, the Bond Resolution provides in part that the principal of, premium, if any, and interest on the bonds issued thereunder shall not be payable from any funds of the City or EWEB other than the Bond Fund established by the Bond Resolution nor constitute a general obligation of EWEB or of the City or create a charge upon the tax revenues of the City or any other revenues or property of the City or property of EWEB, except the revenues and other moneys and securities pledged under the Bond Resolution;

WHEREAS, the City, acting by and through EWEB, previously issued its Electric Utility System Revenue Bonds, Series 2005 in original principal amount of \$10,575,000 (the “Series 2005 Bonds”), Electric Utility System Revenue Bonds, Series 2006 in original principal amount of \$12,850,000 (the “Series 2006 Bonds”), Electric Utility System Revenue Bonds, Series 2008 in original principal amount of \$84,405,000 (the “Series 2008 Bonds”) and its Electric Utility System Revenue Bonds, Series 2011A in the original principal amount of \$66,210,000 (the “Series 2011A Bonds”);

WHEREAS, the outstanding Series 2005 Bonds maturing on or after August 1, 2016 are subject to redemption at the option of EWEB on any date on or after August 1, 2015, the outstanding Series 2006 Bonds maturing on or after August 1, 2017 are subject to redemption at the option of EWEB on any date on or after August 1, 2016, the outstanding Series 2008 Bonds maturing on or after August 1, 2019 are subject to redemption at the option of EWEB on any date on or after August 1, 2018, and the outstanding Series 2011A Bonds maturing on or after August 1, 2022 are subject to redemption at the option of EWEB on and after August 1, 2021;

WHEREAS, on April 5, 2016 EWEB adopted Resolution No. 1611 authorizing the cash defeasance of the Series 2005 Bonds and Series 2006 Bonds with the proceeds of the sale of the Smith Creek Hydro Project;

WHEREAS, in the event the Smith Creek Hydro Project is not sold, it may be in the best interest of the City and EWEB to refund the Series 2005 Bonds and Series 2006 Bonds;

WHEREAS, EWEB finds it in the best interest of the City to request that the City Council adopt a resolution to authorize and set the terms for the issuance and sale of electric utility system revenue refunding bonds (the “Refunding Bonds”) for the purpose of refunding all, a portion of, or none of the Series 2005 Bonds, the Series 2006 Bonds, the Series 2008 Bonds and Series 2011A Bonds, to fund necessary reserves and to pay the costs of issuance of the Refunding Bonds;

WHEREAS, the Refunding Bonds will not be general obligations of the City, nor a charge upon its tax revenues, but will be payable solely from revenues of the Electric Utility System which EWEB pledges to the payment of such Refunding Bonds pursuant to the Act and the resolution to be adopted by EWEB pursuant to such resolution of the City Council;

WHEREAS, EWEB shall cause to be prepared a plan showing that EWEB’s estimated Electric Utility System revenues are sufficient to pay the estimated debt service on the Refunding Bonds authorized by resolution of the City Council.

NOW THEREFORE, BE IT RESOLVED BY THE EUGENE WATER & ELECTRIC BOARD OF THE CITY OF EUGENE, OREGON, as follows:

Section 1. Request for Authorization of Refunding Bonds; Purpose of Issue. Based on the above findings, EWEB hereby requests the City Council to authorize EWEB, on behalf of the City, to issue and sell the Refunding Bonds designated as the “City of Eugene, Oregon Electric Utility System Revenue Refunding Bonds” in one or more series, in the aggregate principal amount not to exceed \$156,000,000, for the purpose of refunding all, a portion of, or none of the outstanding Series 2005 Bonds, the outstanding Series 2006 Bonds, the outstanding Series 2008 Bonds and/or the outstanding Series 2011A Bonds, to fund any required reserves and to pay costs of issuance. The Series 2005 Bonds, Series 2006 Bonds, Series 2008 Bonds and Series 2011A Bonds to be refunded are collectively referred to as the “Refunded Bonds”.

Section 2. Delegation of Authority for Terms of Refunding Bonds; Provisions for Issuance. Pursuant to the Act, EWEB hereby designates that its Treasurer or Assistant Treasurer (the “Authorized Officer”) may determine, with respect to the Refunding Bonds: the form of bond and series designation; the manner of disbursement of proceeds of the Refunding Bonds; the maturity dates; principal amounts; redemption provisions; interest rates or the method for determining a variable or adjustable interest rate; whether to sell the Refunding Bonds by competitive or negotiated state, to obtain bond insurance or some other form of guaranty or security for the payment of the Refunding Bonds; denominations; form; authorized signatory; which of the Series 2005 Bonds, Series 2006 Bonds, Series 2008 Bonds and Series 2011A Bonds, if any, will be refunded; the terms and form of necessary or desirable documents and other terms and conditions of the Refunding Bonds because the same cannot be determined by

EWEB at this time. Prior to the issuance of any Refunding Bonds, EWEB shall: (i) prepare a plan showing that the estimated Electric Utility System revenues are sufficient to pay the estimated debt service on the Refunding Bonds; (ii) adopt a bond authorizing resolution and provide a copy of such resolution to the City; and (iii) provide to the City a resolution determining that any and all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of the Refunding Bonds, exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of Oregon, the Charter and ordinances of the City of Eugene and this Resolution. Without the prior approval of the City Council and EWEB, the Refunding Bonds shall (i) mature not later than thirty (30) years from the date of issuance thereof; (ii) may be issued in one or more series; (iii) be sold through public competitive sale and awarded to the bidder offering the most favorable terms to EWEB, on behalf of the City, or sold pursuant to negotiation at par or with a net original issue discount or premium that does not exceed twenty percent (20.0%) of the aggregate principal amount thereof; (iv) have an effective interest rate of not to exceed five and one half percent (5.50%) per annum; and (v) not exceed \$156,000,000 in aggregate principal amount.

Section 3. Statement on Form of Refunding Bond. All Refunding Bonds shall include a statement on their face to the effect:

(a) That they do not in any manner constitute a general obligation of EWEB or of the City, or create a charge upon the tax revenues of the City, or upon any other revenues or property of the City, or property of EWEB, but are charges upon and are payable solely from the revenues of the Electric Utility System operated by EWEB, or any portion thereof, pledged to the payment thereof; and

(b) That the holders thereof may look for repayment only to the revenues of the Electric Utility System which are pledged for the payment thereof, and may not directly or indirectly be paid or compensated through any other property of the City, or EWEB, or by or through the taxing power of the City.

Section 4. Refunding Bonds Payable Solely from Revenues. The Refunding Bonds shall not be general obligations of the City, nor a charge upon its tax revenues, but shall be payable solely from the revenues and funds which EWEB pledges to the payment thereof pursuant to the Act, applicable City Council resolutions and in accordance with this Resolution.

Section 5. Refunding Bonds Reporting. EWEB shall submit to the City by May 1 of each year the following annual reports commencing after the first sale of any Refunding Bonds or other evidences of indebtedness hereunder and each year thereafter until the Refunding Bonds have been paid and retired:

(a) A report on the funds for each series of Refunding Bonds describing the funds established, the amounts in each fund, expenditure from each fund, the manner in which the monies in each fund have been invested, the income from such investments and the application of such income; and

(b) A report on Bond payments describing amounts paid and amounts scheduled to be paid and the source of such payments.

If the contents of the reports required by subsections (a) and (b) above are included in the yearly audit report of EWEB, then EWEB may comply with this Section 7 by transmitting a copy of its yearly audit report to the City.

Section 6. Official Statement; Sale Documents. Subject to the prior approval by the City Council, EWEB hereby designates its Treasurer or Assistant Treasurer to direct the preparation and distribution of one or more preliminary or final official statement(s) or other disclosure document(s) for any of the Refunding Bonds or in connection with a preliminary or final official statement or other disclosure document for any other bonds, as determined to be necessary by EWEB, to obtain bond insurance or other credit enhancement or commitments therefor, to obtain a rating on any or all of the Refunding Bonds from Moody's Investors Service, Inc., Standard & Poor's and/or Fitch Ratings, to issue and publish such notices of sale of the Refunding Bonds or execute such purchase contracts as may be necessary or required to accomplish the sale of the Refunding Bonds in accordance with this Resolution and to select trustees, registrars, paying agents, financial advisor, bond counsel, disclosure counsel, underwriter if the Refunding Bonds are sold at a negotiated sale, and any other professional assistance that may be necessary or convenient to accomplish the issuance and sale of any or all of the Refunding Bonds; and to determine any other terms, conditions or covenants regarding any or all of the Refunding Bonds or the Project, which are necessary or desirable to effect the sale of any or all of the Refunding Bonds.

Section 7. Effective Date of Resolution. This Resolution shall become effective immediately upon its adoption.

PASSED AND ADOPTED this 7th day of June 2016

EUGENE WATER & ELECTRIC BOARD

President

I, Anne M. Kah, 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 EWEB at its June 7, 2016 Board Meeting.

Assistant Secretary