

**EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
500 EAST 4TH AVENUE
May 2, 2017
5:30 P.M.**

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

Absent: None

Others Present: Aaron Balmer, Acting General Accounting & Treasury Supervisor; Erin Erben, Chief Customer Officer; Sue Fahey, Chief Financial Officer; Dawne Howard, Enterprise Risk Analyst; Rene Gonzalez, Customer Operations Manager; Sarah Gorsegner, Purchasing & Warehouse Supervisor; Chris Jones, Project Manager; Frank Lawson, General Manager; Mike McCann, Electric & Generation Operations Manager; Rod Price, Engineering Manager

President Helgeson called the Regular Session to order at 5:28 p.m.

Agenda Check

There were no changes to the Agenda

Items from Board Members and General Manager

- Commissioner Mital offered that he read over the most recent Water Report compiled by staff; he pointed out that he did not see an update of the statewide water taste test in the report. Commissioner Mital welcomed two guests from Indonesia to the meeting; he said that the two young women were in Eugene to study energy issues.
- Vice President Brown also welcomed the guests. He said that it was important not to lose sight of the importance of EWEB's customers while developing budgets.
- President Helgeson announced that the City of Eugene had convened a Sustainability Committee to work on a Climate Change Action Plan. He posited that EWEB should have representation at the Sustainability Committee, and that the representation should be from the staff level. He offered that Matt Schroettnig, EWEB Power Resources Counsel, had agreed to participate in the Committee.
- Commissioner Simpson offered his appreciation for EWEB hosting the recent Lane Council of Governments (LCOG) meeting at the Roosevelt Operations Center (ROC).
- Commissioner Carlson wondered if email questions and answers between her and EWEB staff could be made a part of public record.
- Mr. Lawson reported that the regional water taste test would take place that week.

Public Input

Robert Cassidy of Eugene expressed concern about the General Manager's salary previously agreed upon by the EWEB Board. He posited that offering a cost-of-living increase on this type of salary was not necessary, however, bonuses would be more appropriate for this position. Mr. Cassidy offered that raising the salary as such, might encourage other utilities to raise their General Managers' salaries as well.

Marilyn Cross of Nimrod asked the Board to continue investments made to not only the McKenzie River, but the communities along that river as well. She asked for help in establishing broadband Internet to the Blue River area; she clarified that she was not asking for monetary donations necessarily, but for EWEB's expertise on the matter.

Commissioner Simpson thanked Ms. Cross for bringing the upriver broadband issue to the EWEB Board's attention. He said that he would discuss it with staff and get back to her about the broadband issue.

Commissioner Simpson said that when he made the Motion at the last Board meeting to set the General Manager's salary, he did so to comport with the methodology that EWEB uses to provide salary adjustment to all employees.

President Helgeson said that he would support any reasonable and cost-effective method of implementing broadband upriver. He agreed with Commissioner Simpson's sentiments as per the General Manager's salary.

Vice President Brown offered that he was comfortable with the Board's decision pertaining to the General Manager's salary.

BOARD ACTION ITEMS

Approval of Consent Calendar

MINUTES

- 1.a. March 21, 2017 Special Board Meeting
- 1.b. April 4, 2017 Executive Session 1
- 1.c. April 4, 2017 Executive Session 2
- 1.d. April 4, 2017 Regular Session

CONTRACTS

- 2. OBEC Consulting Engineers - for Engineering Services for the Hawkins 607 Reservoir Improvements. \$335,000. Contact Person is Rod Price 541-685-7122

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

Items Removed from Consent Calendar

There were no items removed from the Consent Calendar

Design-Build Alternative Contracting Method for the Grid Edge Project - Information

Mr. Price reported that staff was asking for an alternate procurement method for the Microgrid Project.

Vice President Brown asked if EWEB had ever done anything like the alternative Mr. Price was suggesting.

Mr. Price said the utility had not done anything like this before.

Vice President Brown asked how EWEB staff and the Board of Commissioners would know the alternate contracting method would be good for the organization if there was no precedent.

Mr. Price said that staff felt confident they had the expertise to make solid decisions on this subject.

Commissioner Mital asked how much had been spent to date on this project.

Mr. Price replied that he did not have the numbers in front of him, but he would be happy to follow up with the Board concerning the cost of the project so far.

Commissioner Mital asked how much of the project would be covered by grants, and how much of the project cost EWEB would incur.

Mr. Price estimated EWEB would be liable for \$800,000, with grants covering \$300,000.

Commissioner Simpson asked if this was two separate grid projects on EWEB's property.

Mr. Price responded that there were two projects; one at a pump station, and one at the ROC.

Commissioner Mital wondered if EWEB could drop the project if the utility so chose.

Mr. Price said that he was not aware that EWEB was under any obligation to move forward with the project.

President Helgeson expressed support for the Microgrid Project.

Commissioner Simpson posited that investment in research and development was the responsibility of the entire industry, and even if the project was not successful, the

information gleaned from the process would be invaluable not only to the utility, but the industry as a whole.

Public Hearing on Design-Build Alternative Contracting Method

President Helgeson opened, and seeing no one who wished to speak on the project, closed the Public Hearing at 6:01 p.m.

Design-Build Alternative Contracting Method for the Grid Edge Project - Action
Commissioner Simpson moved to approve the Design-Build Alternative Contracting Method for the Grid Edge Project. The motion carried unanimously 5:0.

Update of Financial Policies

Ms. Fahey and Mr. Balmer offered the Board an update and Power Point presentation on EWEB financial policies.

President Helgeson wondered how EWEB would be able to tell the difference between which financial indicators might act as constraints on the utility, and those items that were simply indicators.

Ms. Fahey answered that what rating agencies mostly look at are debt service coverage, the amount of cash the utility has on hand, and the management of the utility. She said that the aforementioned financial indicators were to be used as an overall benchmark, instead of being parsed out individually.

Commissioner Simpson asked if EWEB changed the metric to a percent of Net Book Value, would it create any difficulty for the utility to compare to prior years.

Mr. Balmer responded that it would be easy for the utility to compare to prior years since the current metric is based on historical data.

Commissioner Carlson asked if, when EWEB received climate change data back from the Bonneville Power Administration (BPA) and made adjustments according to said data, were there any industry standards to be followed in making those adjustments.

Ms. Fahey replied that originally, EWEB Finance was going to narrow the forecast window from 70 years to 10 years, however, they decided that there was not enough of an existing pattern for EWEB to build any climate change provisions into their financial policies.

Commissioner Carlson wondered if it would be a good idea for EWEB to have some sort of automatic funding mechanism to make sure the reserve accounts have capital in them to cover future financial need.

Ms. Fahey said that is something that will be looked at in the future, but presently, she did not want to take away Board discretion on the matter.

Mr. Lawson posited that the EWEB Board should be reviewing these policies annually.

Reserve Fund Status and Transfers/Use of Reserves (Resolution No. 1709, Defeasance of Electric Bonds)

Ms. Fahey offered the Board a report and Power Point presentation on the status of reserve funds, use of those reserves, and defeasement of electric bonds.

Commissioner Simpson asked why EWEB had the McKenzie River Trust reserve.

Ms. Fahey replied that the Board enacted that reserve last year, and it was for the purpose of a matching grant if the McKenzie River Trust was able to come up with \$500,000 by the end of this year.

Commissioner Carlson asked, if EWEB issued bonds this year, what would the timeline of those bonds be.

Ms. Fahey answered three years.

Commissioner Mital wondered why EWEB did not decide to defease these bonds last year when the utility defeased other bonds.

Ms. Fahey replied that the bonds defeased last year were mostly related to the Smith Creek hydroelectric project, and they were defeased because EWEB had sold Smith Creek.

Commissioner Carlson asked if part of the \$11 million was for prepayment for pensions.

Ms. Fahey said that was correct.

Commissioner Carlson moved to adopt of Resolution No. 1709, Defeasement of Electric Bonds. The motion carried unanimously 5:0.

GENERAL BUSINESS ITEMS

Update to EWEB's Public Contracting Rule 2-0150 and Board Policy EL2, Purchasing Controls

Ms. Gorsegnier offered the Board an update and Power Point presentation on EWEB's Public Contracting Rule 2-0150 and Board Policy EL2.

Commissioner Mital expressed concern about releasing control of hiring consultants.

Mr. Lawson stated that the Board could ratify any consultant without going through a competitive process. He added that this was a contract issue rather than a Board ratification issue.

Vice President Brown wondered if he would have access to the Quarterly Contract Review.

Ms. Fahey responded that the Quarterly Contract Report would still be offered to the Board.

Break

President Helgeson called for a break at 7:17 p.m., and reconvened the meeting at 7:30 p.m.

Customer Service Policy — All Utilities

Ms. Erben and Mr. Gonzalez offered the Board a report and Power Point presentation on Customer Service Policy.

Vice President Brown wondered, in the example of a single-metered mobile home park, what was to prevent the owner of said park from exaggerating utility rates for the residents thereof.

Ms. Erben replied that any owner of such a single-metered situation as the mobile home park example, was not supposed to do that, and she guessed that any resident in that situation who felt overcharged for utility services by the park owner, would come to EWEB with that complaint, and EWEB would rectify it.

Commissioner Mital expressed concern about the Board being asked to enact a policy with a lot of moving parts that can't quickly be vetted properly.

Ms. Erben replied that the proposed policy was not very different than what was in place today.

Mr. Mital said that he required further clarification before voting to enact this policy next month.

Commissioner Simpson wondered if a new tariff would be created by those EWEB consumers who wish to switch to smart metering.

Ms. Erben answered that the only reason for a different price class would be if EWEB were charging a different amount of money. For example, if customers opted in to future services, such as time of use, then it would be a different tariff.

Post Incident Action Report for December 2016 Ice Storm

Mr. Lawson offered the Board a post incident action report on the December 2016 ice storm.

Commissioner Carlson asked if the ice storm was an opportunity to expand the utility's capacity as far as customer service went.

Mr. Lawson replied that staff was working on expanded capacity, but there were two pieces of expanded customer service capacity: technology and manpower.

Commissioner Simpson asked if the current outage management system, Responder, would be able to link to AMI meters, or would a new outage management system be necessary.

Mr. Lawson answered that, to his knowledge, Responder would be able to communicate with AMI metering.

Commissioner Simpson wondered if the Arcos software helped EWEB with mutual aid from other utilities during the ice storm.

Mr. McCann responded that the software was used during the storm but after the initiation of the ice storm, everybody was called out; thereafter Arcos was not needed. Arcos is not used for mutual aid call outs.

Commissioner Mital asked, if AMI was implemented across EWEB's service territory, how that would have affected the cost of post-storm cleanup.

Mr. Lawson replied that AMI would help reroute EWEB technicians to customers who still need power restored, rather than the crews searching randomly for those customers still without power.

Commissioner Mital wondered if the AMI software had a threshold as to how much information it could receive.

Mr. Jones said the system was designed to handle normal traffic and outage messages.

2017 First Quarter Operating Dashboard and Goals Review

Mr. Lawson offered the Board a review of the first quarter operating dashboard and utility goals.

Correspondence & Board Agendas, Confirm Agenda for Strategic Planning Work Session

Mr. Lawson reported that the Strategic Planning Work Session was scheduled for May 16. He also stated the joint meeting with the City of Eugene was scheduled for May 24.

President Helgeson asked if there was an agenda for the joint meeting with Eugene.

Mr. Lawson replied that he had a rough draft of the agenda, and he would share that with the Board.

Commissioner Mital expressed concern about the ratios contained in the EL1 Capital Report.

Mr. Lawson stated that it was important for EWEB to budget at the appropriate level.

President Helgeson expressed gratitude for the Second Source Blue Ribbon Panel.

Vice President Brown stressed the importance of keeping agenda items within their respective time limits, so that all members of the Board has a chance to weigh in on each item.

Board Wrap Up

Commissioner Mital agreed with Vice President Brown about speaking time limits.

Commissioner Simpson asked if the ad hoc committee for pricing had met.

Mr. Lawson said that it had, and it was a very constructive meeting for all who attended.

Mr. Lawson polled the Board concerning an earlier point raised by Commissioner Carlson concerning pre-meeting questions and answers becoming a part of public record.

Commissioner Mital agreed.

Vice President Brown agreed.

Commissioner Simpson disagreed. He clarified that he had no problem publishing the questions and answers occurring before a meeting, just not as part of the official meeting minutes.

President Helgeson said that he did not feel strongly either way.

Adjournment

President Helgeson adjourned the Regular Session at 8:42 p.m.

Assistant Secretary

President