

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

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

Absent: None

Others Present: Julie Desimone, Moss Adams LLP; Sue Fahey, Chief Financial Officer; Sarah Gorsegner, Purchasing and Warehouse Supervisor; Deborah Hart, Fiscal Services Supervisor; TiaMarie Harwood, Interim General Accounting & Treasury Supervisor; Jason Heuser, Policy & Governance Program Manager; Frank Lawson, General Manager; Carol Samuels, Piper Jaffray Companies (via teleconference)

President Helgeson called the Regular Session to order at 5:31 p.m.

Agenda Check

There were no changes or additions to the Agenda.

Items from Board Members and General Manager

- Commissioner Carlson reported that she had attended the EWEB Run to Stay Warm. She also said that she had a recent meeting with Eugene Mayor Lucy Vinis.
- Commissioner Simpson announced that he had completed his two-year term as Chair of LCOG. He added that EWEB had been chosen to serve on LCOG's Executive Committee.
- President Helgeson acknowledged that this was the last Regular Session of the EWEB Board in 2017.
- President Helgeson read Vice President Brown's offerings for Items from Board Members. The gist of said correspondence was a focus on upriver cleanup.
- Mr. Lawson thanked all who volunteered at EWEB's Run to Stay Warm. He also introduced Julie McGaughey, EWEB's new Customer Service Operations Manager.

Public Input

Kirk Shimeall of Corvallis, and Cascade Pacific Resource Conservation and Development (CPRCD), voiced his support for EWEB's Strategic Plan for protecting the McKenzie watershed.

Jared Weybright of Eugene, and the McKenzie Watershed Council (MWC), voiced his support for EWEB's Strategic Plan for protecting the McKenzie watershed.

Johan Hogervorst of Pleasant Hill, and the Willamette National Forest, voiced his support for EWEB's Strategic Plan for protecting the McKenzie watershed.

Joe Moll of Eugene, and of the McKenzie River Trust (MRT), reported MRT had met the \$500,000 challenge opportunity provided by the EWEB Board last year for the Finn Rock Reach property.

Will Rutherford of Vida, thanked EWEB for the action taken relative to the Walterville Canal leakage issue. He also said that he had hoped the Strategic Plan for protecting the McKenzie watershed would include EWEB taking public action against the illegal camping upriver.

Commissioner Mital clarified that the Board was not currently voting on the Strategic Plan for protecting the McKenzie watershed.

Commissioner Carlson stated that she looked forward to hearing more about the Strategic Plan for protecting the McKenzie watershed.

Vice President Brown said that he would like to see the illegal camping issue included in the Strategic Plan for protecting the McKenzie watershed.

President Helgeson thanked all public comment participants. He said that he too was concerned with illegal upriver camping, and would like to see it addressed in the Strategic Plan.

BOARD ACTION ITEMS

Approval of Consent Calendar

MINUTES

1. November 7, 2017 Regular Session

BUDGET AMENDMENT

2. Resolution No. 1730 - Budget Amendment Electric Operations & Maintenance \$22,700,000 and Water Operations & Maintenance \$3,000,000.

CONTRACTS

3. Christenson Electric, Inc., Key Line Construction, Inc., and Potelco, Inc. - for Electric Line Crews. \$5,000,000 (over 5 years between 3 contracts).

4. Luvaas Cobb - for General Counsel Services. \$750,000 (over 5 years).

RESOLUTIONS

5. **Resolution No. 1728** - Carmen Smith License Acceptance.
6. **Resolution No. 1729** - Electric Utility Fee; Service Lateral Substructure Inspection Charge.
7. **Resolution No. 1732** - Revisions to EWEB Public Contracting Rules as Required under Board Policy SD7, Purchasing Policies.
8. **Resolution No. 1737**- Revision to Board Policy GP1, Governing Style.

Approval of Consent Calendar

Vice President Brown pulled Item 4 from the Consent Calendar.

Commissioner Simpson pulled Item 6 from the Consent Calendar.

Commissioner Carlson moved to approve the Consent Calendar with the exception of items 4 and 6. The motion passed unanimously 5:0.

Items Removed From Consent Calendar

Vice President Brown asked Mr. Lawson if it was imperative that this Consent Calendar item be passed at this meeting.

Mr. Lawson responded there were a couple of options:

- The vote on this item could be tabled based on the RFP process for another month and revisit it in January.
- The Board could appoint a separate attorney or legal counsel outside of the RFP process.

Commissioner Mital suggested culling the list of current Board-appointed consultants. He also suggested Board interviews for future consultants.

Ms. Gorsegrner said that the contract in question had been issued a notice of intent to award, but the contract was not final until approved by the Board.

Commissioner Simpson asked if the January meeting would be an appropriate amount of time to revisit this issue.

Mr. Lawson agreed that January was appropriate.

Commissioner Simpson moved to postpone consideration of general counsel services until the January 2018 meeting. The motion passed unanimously 5:0.

Commissioner Simpson said he had concerns about the wording in item D of the Service Lateral Substructure Inspection Charge. He recommended clearer language of

said item such as: "Service Lateral Substructure Re-inspection Charge per visit - \$75." He added the explanatory note on item D should read: "First inspection per job included free of charge."

Mr. Price said that language change would be appropriate.

Commissioner Simpson moved to change the aforementioned language as he specified.

Commissioner Mital suggested postponing the vote on this item until the new language could be inserted, and the Board had a chance to read through the new language.

Commissioner Simpson moved to have staff re-present this item next month including the new language. The motion passed unanimously 5:0.

Commissioner Mital stated that he did not want to send a message that would jeopardize EWEB's relationship with Luvaas Cobb.

Mr. Lawson clarified that he had an upcoming meeting with Luvaas Cobb on December 19.

Public Hearing on 2018 Proposed Budget and Prices

President Helgeson opened the Public Hearing at 6:16 p.m. Seeing no one who wished to speak, he then closed the Public Hearing.

2018 Proposed Budgets, Revenue Requirements, and Prices

Ms. Fahey and Ms. Hart offered the Board a report and Power Point presentation on the 2018 Proposed Budgets, Revenue Requirements, and Prices.

Commissioner Simpson expressed satisfaction with the proposed budget.

With regard to electric prices, President Helgeson acknowledged that absorbing the BPA increase will affect customer classes differently in the next COSA as the increased power costs make up a different percentage of the revenue requirements among classes. He inquired if EWEB is within a reasonable range in terms of any variances.

Ms. Fahey replied that for 2018, the range was reasonable, but for 2019, it may be a challenge for some of the customer classes and this will be assessed when the 2019 budget is prepared.

Commissioner Simpson moved to approve Resolution No. 1733 - 2018 Budget Adoption. The motion passed unanimously 5:0.

Commissioner Simpson moved to approve Resolution No. 1734 - 2018 Water Prices. The motion passed unanimously 5:0.

Commissioner Simpson moved to approve Resolution No. 1735 - Electric Partial Requirements Service Prices. The motion passed unanimously 5:0.

PERS Liability Mitigation Strategy, Resolution No. 1731

Ms. Fahey offered the Board a report and Power Point presentation on Resolution No. 1731.

Commissioner Carlson asked if the side account funds could be used to pay the transition liability costs associated with joining the State & Local Government Rate Pool (SLGRP).

Ms. Fahey said they could not.

Commissioner Carlson asked if EWEB joined the SLGRP and paid down the transition liability costs—since the funds do not take effect until 2018—what benefit the utility would see from paying those costs.

Ms. Fahey replied that if EWEB joined the SLGRP, the transition liability costs would not be known until a year from now, and the pool would not have those funds until right before the rates take effect.

Commissioner Carlson asked if the pending court case would affect the amount of EWEB's transition liability costs.

Ms. Fahey responded that case had been resolved.

Commissioner Simpson wondered why there was a two-year delay in the rate impact of joining the SLGRP.

Ms. Fahey replied that she believed it was due to the amount of time it would take to figure the transition liability costs, and that it would have to begin at the start of a biennium.

Commissioner Simpson asked why EWEB was not invited to join the SLGRP in 2015.

Ms. Fahey answered that the Finance Department had received information from an actuary that it would have been favorable to join the SLGRP in 2015, but she was not made aware of that information until very recently.

Commissioner Mital asked if the transition liability costs would remain unknown for at least a year, could that money, or a part of it, be placed into the PERS account.

Ms. Fahey replied that if EWEB decided to join the pool, they could not put any of those monies into a side account until after the transition liability costs were calculated and paid off.

President Helgeson asked if next year's 35% rate increase for 2018 a harbinger of what the utility could expect in terms of the magnitude of the jump in their Unfunded Actuarial Liability (UAL) calculation.

Ms. Fahey said they could be a forecast of what could happen in July of 2019.

Commissioner Carlson moved to approve Resolution No. 1731. The motion passed unanimously 5:0.

GENERAL BUSINESS ITEMS

2017 Year-End Audit Planning

Ms. Fahey and Ms. Desimone offered the Board a report and Power Point presentation on 2017 Year-End Audit Planning.

Commissioner Simpson asked Ms. Fahey if she could give the Board examples of users or consumers of the financial statements.

Ms. Fahey replied that for the most part, it was EWEB's investors. The City of Eugene, EWEB Commissioners, and counterparties for power trades are also users of the statements.

Vice President Brown asked if the auditor assigned to EWEB would be completely independent, with subpoena powers, such as is being requested by a City of Eugene Ballot Measure.

Ms. Desimone answered that Moss Adams' lawyers were looking into the matter.

Break

President Helgeson called a break at 7:19 p.m. He reconvened the meeting at 7:31 p.m.

Carbon Market Study Presentation & Resolution No. 1736, Approval of EWEB's 2018 State Legislative Agenda

Mr. Heuser offered the Board a report and Power Point presentation on the Carbon Market Study, and Resolution No. 1736.

Commissioner Carlson asked if the Study takes into account the embedded carbon that would go in to new infrastructure.

Mr. Heuser said it did not.

Commissioner Carlson was curious if the study addressed the feedback loop created by vehicles relying more on the electric sector.

Mr. Lawson said the Study itself did not address industrial or transportation, but EWEB did a scenario involving high electrification of the transportation sector.

Commissioner Carlson asked if the study looked at pumped hydro storage.

Mr. Heuser said it did.

Commissioner Simpson expressed curiosity at how the material covered in the study would affect the average residential rental owner. He also wondered if the study touched on surcharges placed on carbon-consuming appliances and devices.

Mr. Lawson clarified that carbon content comes from generation, not from storage.

Commissioner Mital asked if Oregon were to join other states in a carbon reduction program, where the cheapest carbon reduction projects would reside geographically.

Mr. Heuser said as he recalled, the Northwest would be the best candidate for carbon reduction.

Commissioner Carlson asked if EWEB sold excess energy to another utility, would that mean said utility would not have to build further energy infrastructure. She wondered if energy assets needed to be kept regionally, or within each utility.

Mr. Lawson answered they would need to be maintained regionally.

President Helgeson moved to approve Resolution No. 1736. The motion passed unanimously 5:0.

Mr. Lawson stated that the carbon study will be accessible via eweb.org once it becomes available. There will also be a follow up meeting in January.

Correspondence & Board Agendas

Mr. Lawson offered the Board a report on correspondence and future Board agendas. In response to Commissioner Mital's question around the amount of funding provided to McKenzie River Trust, Mr. Morgenstern replied that \$250,000 helped them with restoration last year, in addition to that amount, there was a \$500,000 matching grant in 2017 for a total of \$750,000.

A public meeting was added on January 24th, the goal of this carbon discussion is to examine the study and talk about the goals and impacts locally of carbon legislation from various perspectives outside of EWEB which will include a presenter from E3 as well as representatives from City and State local government.

In closing, Mr. Lawson thanked the board for a good year, including the action that was taken this evening, specifically, approving the PERS liability mitigation strategy and the 2018 budget.

Mr. Lawson indicated that he will work with staff to format certain board discussions such that commissioners will have more opportunity to interact with each other when deliberating.

Assistant Secretary

President