

**EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
500 EAST 4TH AVENUE
November 6, 2018
5:30 P.M.**

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

Others Present: Frank Lawson, General Manager; Mel Damewood, Chief Water Engineering & Operations Officer; Sue Fahey, Chief Financial Officer; Deborah Hart, Interim Finance Manager; Julie McGaughey, Customer Operations Manager; Lisa McLaughlin, Environmental Supervisor; Rod Price, Chief Electric Engineering & Operations Officer; Jerry Reller, Senior Financial Analyst; Adam Rue, Interim Fiscal Services Supervisor; Nate Schultz, Senior Financial Analyst; Ben Ulrich, Interim General Accounting & Treasury Supervisor

President Brown 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 Helgeson said he had been attending local neighborhood meetings, and he thanked staff for their work on said meetings. He announced he also attended a meeting sponsored by a group in town who has concerns about EWEB's meter deployment strategy. In the context of one of the neighborhood meetings, as well as the other aforementioned meeting, Commissioner Helgeson was concerned there was misinformation about EWEB's meter deployment strategy and opt out characteristics as well as questions asked which implied misinformation. He asked staff to join him in reviewing the video from that meeting and the Q&A that was put forth in the neighborhood meetings to determine if there is anything that should be added to our website to address confusion.
- Commissioner Mital reported that he had attended the demonstration of the Alternative Water Supply (AWS) project in Bethel last month; he said it occurred to him that residents seeking emergency water sources, may also be seeking emergency sources of electricity as well, especially in order to charge their phones/devices. He asked the Board for support in asking Mr. Lawson to calculate the cost of adding charging stations to those five centers that we are contemplating. The Board was in support.
- President Brown offered he had a great interaction with staff concerning tree trimming. He said a letter had been drafted to EWEB staff and Wright Tree Trimming, thanking them for their work.

Public Input

Cindy Allen of Eugene spoke in opposition to AMI. She referenced a 2013 report compiled by Dr. Paul Dart and a local medical advisory board on the biological effects of EMF radiation. She said the report was given to the EWEB Board in order to help them make informed decisions as per their smart meter rollout. Ms. Allen cited three states—Kentucky, New Mexico, and Massachusetts—which had rejected smart meter technology.

Jim Neu of Eugene, and 350 Eugene, spoke in favor of de-carbonizing the energy grid. He said Northwest Natural Gas had sent him many offers to switch to natural gas, including hundreds of dollars in incentives for switching to natural gas appliances. Mr. Neu suggested EWEB ramp up their marketing campaign for electrification, in order to compete with the strong and myriad marketing of switching to natural gas.

Tana Shepard of Eugene, and the 4J School District, announced she was working with Bethel to get some 4J teachers into the Wind Challenge next year. She said she was making efforts toward hydro power education for third graders, including field trips. Ms. Shepard said the Solar Challenge was being moved up a week this year, and the event would take place the first week of June, 2019.

Vice President Carlson thanked those who participated in Public Input. She said she too was concerned with EWEB's marketing vis a vis electrification.

Commissioner Simpson thanked those who participated in Public Input. He said he would be following up with staff about EWEB's marketing materials. He asked for and received Ms. Shepard's contact information, and said that he would be reaching out to her on his own time.

Commissioner Helgeson said he was supportive of incentives for switching from gas to electric. He reminded those present that Northwest Natural Gas was a for-profit entity, and as such, they had the power to use shareholder monies for marketing and incentives. EWEB does not have a profit margin that belongs to shareholders that could otherwise be devoted to these incentives, thus there are some limitations and rules for EWEB that differ from Northwest Natural Gas.

Commissioner Mital said he appreciated Ms. Allen's concerns with AMI deployment, but he said he believed EWEB and the EWEB Board had done sufficient investigation into possible issues with AMI deployment, and had reached different conclusions than those concerned. He expressed agreement with Mr. Neu about marketing for electrification, and he felt confident that EWEB was positioning itself to compete aggressively with Northwest Natural. Commissioner Mital said he appreciated Ms. Shepard continuously showing up to divulge the ways in which 4J was using EWEB funds. He had a concern with the wind/solar education program and stated that he wants students to understand the regional context that renewables should be placed in. EWEB has reduced its support for solar as we have come to understand that it is not a great resource in the

hyper-local context. We would be doing a disservice if we say that solar is great without explaining why we have concerns locally.

Approval of Consent Calendar

President Brown recused himself from voting on the Consent Calendar, due to the presence of his name on a contract for the firm, Evans, Elder, Brown, and Seubert which he is associated with. He went on to explain that he has no present or future contemplated interest in the outcome of the contract award. The company is a cost sharing business, therefore when his partners make money, he does not receive any of it; they only share expenses. He also wished to recuse himself because he represents L.R. Brabham Inc. for the leasing of their shopping center.

MINUTES

1. a. September 18, 2018 Upriver Meeting

b. October 2, 2018 Regular Session

CONTRACTS

2. Cushman & Wakefield and Commercial Quest NW, Inc. - for Real Estate Broker Services. Not to Exceed \$150,000 each (over 5 years).

3. Evans, Elder, Brown, and Seubert - for Real Estate Broker Services. Not to Exceed \$150,000 (over 5 years).

4. GE Prolec - for a single substation transformer for the Holden Creek substation in Lane County. \$734,800.

5. OEG and L.R. Brabham Inc. - for electrical services. \$600,000 over five years between two contracts.

6. Wesco Distribution - for expansion of the prefabricated control house and switchgear at the Holden Creek substation in Lane County. \$437,000

7. Windermere Real Estate - for Real Estate Broker Services. Not to Exceed \$150,000 (over 5 years).

RESOLUTIONS

8. Resolution No. 1825, 2018 Revised and 2019 Trojan Budgets.

Commissioner Mital moved to approve the Consent Calendar minus Items 2, 3, 4, 6, and 7. The motion passed 4:1, with President Brown recusing himself from the vote.

Items Removed From Consent Calendar

Commissioner Mital pulled items 2, 3, and 7.

Ms. McLaughlin explained that these three companies had been put on contract in the event that EWEB would need to sell some of its surplus properties quickly. She added there was no guarantee that EWEB would actually work with any of them.

Commissioner Mital pulled item 4. He wondered how this particular issue wasn't caught and/or rectified in past design work. He also wondered why there was a reliability issue now.

Mr. Price cited previous studies that pointed to EWEB's inability to back-up power for certain conditions in the winter. He said, in short, it was not the most excellent plan but we caught the issue before it happened.

Mr. Lawson offered that part of the reason for this new discovery, was the initial studies were done looking at backing up under normal conditions, instead of stressed or peak conditions.

Commissioner Mital expressed disappointment at the situation.

Vice President Carlson wondered if there were other portions of EWEB's systems that weren't looked at using the criteria mentioned by Mr. Lawson.

Mr. Price said the upriver operations were different than EWEB operations in town; he said that the original studies were performed using the in-town criteria, creating a gap in the information the studies revealed.

Vice President Carlson said she was interested in looking at the criteria being used for said studies, in order to understand the parameters for different situations.

Commissioner Simpson asked if the new transformer would be carrying load all of the time.

Mr. Price said the utility was likely to operate both transformers simultaneously—one for upriver, and one for downriver.

Commissioner Simpson moved to approve Consent Calendar Items 2, 3, 4, 6, and 7. The motion passed 4:1, with President Brown recusing himself from the vote.

EWEB Headquarters Surplus Property, Resolution No. 1826

Mr. Lawson and Ms. McLaughlin offered the board a report and PowerPoint presentation on Resolution No. 1826.

Commissioner Helgeson asked, if the Board approved this Resolution, would there be any future Board considerations or approvals on this transaction.

Mr. Lawson said the authorization was to move forward with negotiations with the

criteria he received in Executive Session.

President Brown asked about the property carve-out for the credit union and 4th & Mill; he asked if there was a specified price for the two carve-outs he mentioned.

Mr. Lawson replied there was no specified price for those two carve-outs. He added that if those two spaces were not part of the EWEB Headquarters sale, they could be sold to the City, but the price had not yet been established.

Commissioner Simpson moved to approve Resolution 1826, and authorize the General Manager or delegate to negotiate and execute all documents on behalf of EWEB necessary for closing the surplus property sale transaction and dispose of the surplus property in accordance with Board policies and terms identified in executive session and permissible under ORS 192.660(2)(e).

President Brown clarified the Board reserved the right to rescind the decision if they did not like what staff came back with.

Vice President Carlson said she saw the issue as a progression—a conversation that had been going on for a while. She said she looked forward to future conversations that would come as a result of the Board's decision on this Resolution.

Commissioner Simpson offered that the community and Eugene City Council were seeking certainty, and he felt that EWEB's pre-definition of the negotiating points would be taken as a positive by the community and the City Council.

Commissioner Mital said that it was not in the best interest of any party involved—including the community—to drag this issue out for a much longer time.

Commissioner Helgeson asserted that he would support the Resolution with the understanding that staff would keep the Board apprised of any and all progress and/or changes moving forward.

The vote on Commissioner Simpson's motion above was unanimous in favor of the Resolution (1826), 5:0.

President Brown suggested, since the meeting was ahead of schedule, they skip the Break for now, and move to the next agenda item: 2019 Proposed Budgets and Prices.

Ms. Fahey suggested moving to item 11 on the agenda, Customer Service Policy, Cost-Based Fees, in order to keep all the agenda items dealing with 2019 Proposed Budgets and Prices together.

The Board agreed.

Customer Service Policy, Cost-Based Fees

Ms. Fahey and Ms. McGaughey offered the Board a report and PowerPoint presentation on the Cost-Based Fees portion of the Customer Service Policy.

Ms. McGaughey said that any changes would be incorporated and brought back to the Board for approval in December. She added any changes would be effective February 1, 2019.

Vice President Carlson asked how EWEB would contact a ratepayer about possible disconnection if said ratepayer did not have a phone.

Ms. McGaughey responded EWEB would attempt to email the ratepayer, and if there was no email or phone on record for the ratepayer, EWEB would send a letter through conventional mail.

Commissioner Mital said he noticed some of the fees could be avoided if the ratepayer decided to install a smart meter, but he wondered what would happen if the ratepayer already had a smart meter.

Ms. McGaughey answered if the smart meter was in place and transmitting properly, the utility would not have to initiate a truck roll for that ratepayer, so there would be no fees incurred.

Commissioner Mital asked if there had been any recent changes to the late fee charge.

Ms. Fahey said there was not.

Commissioner Mital wondered about the suggestion that the meter test fee be reduced from \$180 to \$125; he expressed concern about ratepayers blaming the smart meters for a change in their consumption. Commissioner Mital posited it would be a good idea to offer a free first-time smart meter inspection, until the community gained more confidence in the AMI technology.

Commissioner Simpson wondered if opting out of smart meters was, at this time, a free choice.

Ms. Fahey said that was correct, for now.

Commissioner Helgeson wondered about after-hours costs that might be incurred in the event of installing a smart meter so the ratepayer could avoid fees.

Ms. Fahey said the number of times that happens is very small, so they were not justified in creating a separate fee schedule for it.

Vice President Carlson asked if EWEB had the capability to randomly test the AMI system.

Ms. Fahey said yes.

President Brown asked if there was a limit in place to the number of upriver service calls for moving in/moving out.

Ms. Fahey offered that upriver ratepayers comprised a small enough percentage of EWEB's customers, that upriver truck rolls were not a major concern for the utility.

President Brown asked what EWEB had in place to deal with the scenario of a ratepayer receiving a smart meter only to find, according to that new meter, that their consumption was lower before due to the old meter not functioning properly.

Ms. McGaughey said there were EWEB analysts equipped with thorough checklists that would address such a situation if it were to arise.

Commissioner Simpson inquired if ownership of the old meter would be retained, in order for the utility to do comparative analyses between the old meter and the new meter.

Ms. Fahey replied no; if the issue was with the new meter, that would be the utility's focus, not the old meter.

Vice President Carlson wondered if there was anything in EWEB policy that would take into account faulty meters.

Ms. Fahey said the Customer Service Analysts mentioned above had the ability to wave fees if that was warranted, i.e. in the case of faulty equipment from the utility.

Commissioner Helgeson expressed concern with older meters running down over time and under-registering consumption, so in the event of smart meter installation, it would appear as if the consumption itself had gone up, due to the slowed meter being replaced.

Commissioner Mital, after hearing the discussion, wished to withdraw his earlier concern about ratepayers blaming new meters for consumption changes. He said that concern could be addressed by some sort of random meter testing program.

Break

President Brown called for a break at 6:53 p.m. The meeting resumed at 7:04 p.m.

2019 Proposed Budgets and Prices: Update

Ms. Fahey, Mr. Reller, Mr. Schultz, Mr. Rue, and Ms. Hart offered the Board an update

and PowerPoint presentation on 2019 proposed budgets and prices. Commissioner Simpson asked the difference (in characteristics) between the R-1 and R-2 pricing schedule for water.

Mr. Shultz said R-1 was within the city, and R-2 was outside of the city.

Commissioner Simpson wondered if “less than 1 inch” would actually be used in the language of R-1 and R-2.

Mr. Shultz said that was what was being proposed.

Commissioner Helgeson offered that he hoped staff would fully go through the Cost of Service Analysis (COSA) in order to reconcile the COSA’s impact on cost allocation to the Basic Charge. He also urged staff to look at System Development Charges (SDCs) for the same reason.

Ms. Hart reassured Commissioner Helgeson that Finance was currently reviewing SDCs.

2019 Proposed Budgets and Prices: Public Hearing

President Brown opened the Public Hearing at 7:12 p.m.

Cindy Allen of Eugene pointed to electrical engineer William Bathgate, who had, in February of 2018, spoken before the Michigan House Energy Committee about how smart meters cause electricity bills to go up. She urged the Board to examine closely the correlation between smart meter installation/operation, and higher energy bills.

Kathy Ging of Eugene cited an October 2018 lecture given by Dr. Martin Pall of Portland, in which Dr. Paul discusses the harmful effects of non-ionizing radiation on humans and other sentient beings. She urged the Board to admit it had made a faulty decision under the guidance of the former EWEB General Manager; Ms. Ging said that, based on new evidence of the ill health effects of smart meter technology, EWEB had a responsibility to cancel the installation of smart meters.

President Brown closed the Public Hearing at 7:18 p.m.

2019 Proposed Budgets and Prices: Direction

Commissioner Mital asked for clarification about the comparison bar charts for EWEB’s water rates; he noticed that Veneta, Corvallis and Junction City showed up on the rate comparison charts for Water and Combined, but not for the same comparative chart for Electric only.

Ms. Fahey clarified that all the entities mentioned were under the Pacific Power umbrella, so have the same rates for Electric.

Vice President Carlson asked if there were certain infrastructure costs—such as elevation pumping charges—across the board not covered by the rate.

Ms. Hart answered that infrastructure was not captured in the elevation charge; we capture the power for pumping and the labor cost associated, but we do not currently break out infrastructure costs for any area of town.

Use of Reserves for Pension and Other Post-employment Liabilities

Ms. Fahey, Ms. Hart, and Mr. Ulrich offered the Board a report and PowerPoint presentation on the use of EWEB reserves for pension and other post-employment liabilities.

Vice President Carlson asked if the 7.2% interest rate outlined under Transition Liability in the presentation was representative of the current market.

Ms. Fahey said that interest rate was fixed.

Vice President Carlson wondered whether staff's recommendation would still be a good idea if the market were to fluctuate wildly.

Ms. Fahey responded that for PERS transition liability, it does not make a difference if you want to remove that 7.2% interest that we are paying. If investment returns were better than the assumed rate of return, from a PERS liability perspective, it will likely only reduce the statute-required collar. Investment returns will not make much difference on the PERS side. She added that on the Other Post-employment Benefit (OPEB) side of things, investment returns will improve the funded status if they were above the assumed rate which is 6.5 or 7%. In that case, if we are better funded, there is a likelihood that the annual contribution EWEB pays would go down.

President Brown asked if EWEB paid an outside party to manage the OPEB fund.

Ms. Fahey said that was correct; US Bank handled that for EWEB.

President Brown asked if EWEB was making the assumed rate.

Ms. Fahey said EWEB did not make the assumed rate this year.

Commissioner Mital inquired when the earliest EWEB could have begun to pay off the transition liability was.

Ms. Fahey answered that they would not let us to make a payment until we received the actuarial valuation.

Commissioner Simpson asked what the present return on investment was for EWEB's reserves.

Ms. Fahey replied two and a quarter.

Simpson moved that staff prepare a Resolution on EWEB's use of reserves for pension and other post-employment benefits. The motion passed unanimously 5:0

Quarterly Strategic & Operational Report for Q3 2018

Mr. Lawson, Mr. Damewood, Mr. Price, Ms. Hart, and Ms. McGaughey offered the Board a report and PowerPoint presentation on EWEB's quarterly strategic and operational report for Q3 2018.

Commissioner Helgeson thanked the Executive Team for a great quarterly report.

Correspondence & Board Agendas

Mr. Lawson offered the Board a report on Correspondence & Board Agendas.

Board Wrap Up

President Brown thanked staff for their thorough reports and presentations.

Commissioner Helgeson said that although many assertions had been made pointing to the health risks of smart metering, he had yet to see any actual evidence to that end.

Commissioner Simpson offered that the next EWEB Board meeting will be his final meeting as an EWEB Commissioner; he asked if he could receive more than the customary three minutes in order to give a farewell speech.

President Brown pointed out that there was an agenda item scheduled for ten minutes in which Commissioner Simpson could give a farewell speech.

Vice President Carlson reminded everyone present that the Run to Stay Warm was coming up in November; she was sad to report that she would not be able to attend.

Adjourn

President Brown adjourned the meeting at 8:29 p.m.

Assistant Secretary

President