

EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
DECEMBER 2, 2014
5:30 P.M.

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

Others Present: Roger Gray, Roger, Deborah Hart, Frank Lawson, Edward Yan, Cathy Bloom, Roger Kline, Erin Erben, Chris Jones, Lance Robertson, Adam Rue, Mel Damewood, Harvey Hall, Sue Fahey, Jeannine Parisi, Mark Freeman, Jason Heuser, Dave Churchman, Shelley Stephenson, Cheryl Froehlich, Janice Lee, Brad Taylor, Sibyl Gieselman, Todd Simmons, Teresa Dingman, and Taryn Johnson of the EWEB staff; Vicki Maxon, Recorder.

President Brown convened the Regular Session of the Eugene Water & Electric Board (EWEB) at 5:30 p.m.

AGENDA CHECK

There were no items.

ITEMS FROM BOARD MEMBERS

Commissioner Simpson requested a discussion on the proposed Board bylaw and policy changes if the other Commissioners desire it. President Brown stated that this will be reassessed during Board Wrap-Up at the end of the meeting.

Commissioner Manning asked Shelley Stephenson and Cheryl Froehlich to give a brief presentation regarding the recent Run to Stay Warm fundraiser for the Customer Care program. Ms. Stephenson and Ms. Froehlich presented a short slide show and noted that this year's even set a new record with 1,250 participants, and that more than 100 EWEB employees and their family members volunteered to assist with the event. She added that last year's event raised \$24,000 and that it is estimated that it raised over \$30,000 this year.

Commissioner Manning noted that Vice President Mital ran in the event and that there were participants from 21 different states, including Washington, D.C., New York, Maryland and West Virginia. He thanked Ms. Stephenson and Ms. Froehlich for asking him and Commissioner Simpson to participate, and noted that Commissioner Simpson has put together a great video which may be shown to the Board in January.

Commissioner Helgeson stated that he received an e-mail from a customer regarding the possibility of the landlord of a trailer park sub-metering and then charging tenants over and above the amount of their EWEB bill. He noted EWEB's policy regarding landlords charging tenants no more than the cost of their bill, and referred to Section M in EWEB's All Utilities policy for the exact wording.

He also noted an e-mail received from a customer regarding EWEB's requirement to provide identification when they call about their account, and said that he will contact Mark Freeman, Customer Service and Energy Management Services Manager, about that.

Commissioner Simpson wished everyone Happy Holidays. He stated that he would be interested in a brief workshop regarding cost of service allocation (COSA) methods that are used by staff, especially involving ratemaking, because he needs re-exposure to the dividing line between art and science in that process. He also appreciated the opportunity to attend a recent presentation on financial risk management involving power trading, which was very insightful and well-attended.

Vice President Mital noted that he has reached the halfway point in his Board term. He said it has been a fantastic experience, that he is glad to be serving alongside his fellow Commissioners and working with a great staff, and that he looks forward to two more terms. He thanked everyone for contributing to his great experience.

President Brown stated that he has been encouraged by the Board's work with University of Oregon Foundation on the EWEB property redevelopment project. He also asked staff for an update on the Leaburg Dam project regarding possible delays and other issues he has heard about.

He also thanked his fellow Commissioners for allowing him to be Board president and tolerating his style, and that he agrees that it is a great Board to work with. He also gave a check to Ms. Stephenson for his donation to the Run to Stay Warm event.

PUBLIC INPUT

President Brown noted that he is starting the public input earlier than the stated agenda time and will check back at 6:00 p.m. to see if there is anyone else who wishes to present testimony.

Jean Olson is the plant manager at J.H. Baxter Corporation on Roosevelt Blvd. in Eugene, a small family-owned business founded in 1896 which is owned and managed by a woman, and also unionized. She stated that Baxter spends about \$.25 million per year on electricity and that their rates have gone up by about 34.5% in the last three years (she referred to trend lines and graphs). She noted that Baxter has worked with Energy Trust of Oregon on five capital projects in order to save 135,000 therms/year and about \$75,000, with Energy Trust providing 60-75% incentives, analysis, engineering support, etc. She asked the Board if there is a more proactive and robust program that Baxter could participate in with EWEB in order to lower rates and usage and start to have the same kind of dramatic results as they had with Energy Trust of Oregon. She clarified that she is not here to criticize and that she realizes this may be an organizational issue, but that it is important for Baxter to be more energy-efficient and get some support instead of having their energy costs increase so dramatically year after year.

Commissioner Manning stated that small business is vital and noted that EWEB has an energy efficiency assessment program. He asked General Manager Gray to ask staff to start there.

Commissioner Helgeson recalled his concern in the past that those programs were being re-worked and staff response was being reduced because of budget cuts, and that he is also concerned that EWEB's past reputation of being proactive with its customers be upheld. He reiterated that he hopes that these programs will be reconstituted in order to honor that past reputation, and he asked for an update on those programs and what the relative emphasis is across customer classes. He asked staff to follow up with Ms. Olson regarding what programs could be offered, as he would like to regain his confidence that EWEB is proactive in that area.

Commissioner Simpson thanked Ms. Olson, and said he hopes that an energy management specialist as well as a commercial account manager can visit Baxter soon and then follow up to let the Board know the outcome.

<https://ewshare.ewebnetwork.net/es/ba/SitePages/Home.aspx>

President Brown thanked Ms. Olson, and reminded her and the audience that there will be no electric rate increase this winter. He appreciated her constructive feedback and positive solutions instead of attending the meeting only to complain to the Board.

CONSENT CALENDAR

MINUTES

1.a. November 4, 2014 Regular Session

BUDGET AMENDMENTS

2. Budget Amendment No. 8 - Electric power costs and recognized unbudgeted revenue - Power Operations & Trading, Contact Person is Dave Churchman.

CONTRACTS

3. Greg Payne Trucking & Construction - for the Fairmount 603 Reservoir and pump station demolition. \$125,000. Engineering Services. Contact Person is Mel Damewood.

4. The Jerry Brown Co. - for diesel and unleaded fuel and card-lock services. \$4,000,000 (over five years). Generation & Fleet Services. Contact Person is Mike McCann.

5. Wildish Construction Co. - for the 7th Avenue Water Main Replacement to accommodate LTD's West Eugene EmX Extension Project. \$147,000. Engineering Services. Contact Person is Mel Damewood.

Commissioner Simpson pulled item #3. Commissioner Manning pulled item #4. It was moved by Commissioner Simpson, seconded by Commissioner Manning, to approve the remainder of the Consent Calendar. The motion passed unanimously (5-0).

ITEMS REMOVED FROM CONSENT CALENDAR

Regarding item #3, Commissioner Simpson voiced concern that he had recently observed a demolition project by the contract awardee and that the safety conditions on-site.

Mel Damewood, Engineering Manager, stated that EWEB will have inspectors on site daily for several hours, as the project involves removing EWEB facilities in order to return the site to a natural park. He noted that a 6' orange fence will be erected and that the project will last for approximately two months, not including landscape restoration, and that the City of Eugene and Parks & Recreation staff will also be monitoring it closely. In response to a question from Commissioner Simpson, he assured the Board that the contractor is bonded and insured in case of an injury to the public.

General Manager Gray added that staff will also let the contractor know that this issue has been brought to management's attention and that if staff doesn't receive an appropriate response, they will be notified.

It was then moved by Commissioner Helgeson, seconded by Commissioner Manning to approve item #3. The motion passed 4-1 (Simpson voted no).

Regarding item #4, Commissioner Manning asked for clarification on whether there is flexibility in fuel price due to the recent decline in those prices.

Mike McCann, Generation & Fleet Manager replied that EWEB buys fuel at market price and gets custom blends, and that this is a not-to-exceed contract. He also clarified that this contract is not only for the fuel pumps at the Roosevelt Operations Center (ROC) but at other sites.

It was then moved by Commissioner Manning, seconded by Commissioner Simpson, to approve item #4. The motion passed unanimously (5-0).

President Brown asked for any additional Public Input at 6:00 p.m. There was none.

General Manager Gray recalled the Board's earlier requests:

- Follow-up with J. H. Baxter (Mark Freeman for starboard report)
- Suggestion for a workshop regarding COSA (either at a Board meeting or one-on-one meetings). General Manager Gray noted that this item would exceed a starboard report.
- Leaburg Dam status (starboard report)
- Follow-up on EMS practices including follow-up with Ms. Olson at J.H. Baxter

President Brown polled the Board for agreement with the above items. Commissioner Simpson clarified that for the COSA workshop, a 20-minute agenda item before April 15 would suffice. He received three head nods in agreement. Commissioner Helgeson added that he would prefer an update on ratemaking objectives such as when HDR made their presentation to the Board, and echoed Commissioner Simpson's previous request to hear more about the balance between art and science. The Board agreed that Commissioners Simpson and Helgeson would craft this item with General Manager Gray and staff for an information-only agenda item.

2015 PROPOSED BUDGETS, REVENUE REQUIREMENTS AND RATES

Using overheads, Cathy Bloom, Finance Manager; Sue Fahey, Fiscal Services Supervisor; and Harvey Hall, Edward Yan and Deborah Hart, Senior Financial Analysts, reviewed the above proposals and answered clarifying questions and comments from the Board.

Vice President Mital and Commissioner Helgeson stated that they are still not clear about the 3% water rate increase as relates to build-up of reserves. Vice President Mital said he supports reduction in flexibility in this particular case and clearly stating to customers that the money is being set aside for one purpose only--an alternative water source (AWS).

Commissioner Manning stated that he would like to better understand how rates are affected by unfunded actuarial liability.

General Manager Gray gave a brief explanation of what rate increases were approved last year and how funds were allocated. He proposed that staff do a forecast on how much would be generated in excess, and come back to the Board with the audited financials and the reserve amount (in May 2015). He noted that 2015 expenditures will include costs for land acquisition, and that forecasting in the above way would provide the most transparency and less work for staff. He added that to restrict reserves in any other way would tie this Board and future Boards' hands.

Commissioner Helgeson reiterated that he wants to show customers what the rate burden of this would be, what the purpose is, and what it is spent on. He also reiterated that he wants any excess from a rate increase to go toward AWS. Vice President Mital agreed with Commissioner Helgeson.

Commissioner Simpson stated that he wants to get the message out that the Board is avoiding a huge rate increase in 2018 or 2019, and agreed with the emphasis on transparency.

General Manager Gray voiced agreement regarding dedicating the excess to AWS.

Ms. Bloom assured Commissioner Manning that the Board will receive follow-up information regarding unfunded actuarial liability and how that affects rates.

President Brown called for a 10-minute recess.

PUBLIC HEARING – 2015 PROPOSED BUDGETS, REVENUE REQUIREMENTS AND RATES

There was none.

2015 BUDGETS, REVENUE REQUIREMENTS AND RATE ACTION – Resolutions #1418, 2015 Budget Action; #1419, 2015 Electric Rates; and #1420, 2015 Water Rates

Commissioner Simpson noted that the budget improvement process has improved dramatically in the last few years, and briefly explained how the process has changed for the better. He noted that he will be voting yes for not only the budget but the planning, the process, etc.

It was moved by Commissioner Simpson, seconded by Commissioner Manning, to approve Resolution #1418.

Commissioner Helgeson voiced the desire to be sure that the previous discussion regarding funding for AWS was finished, and again asked for better clarity. He noted that he supports the proposed budget for prefers specifically designating a percentage for AWS.

A brief discussion ensued. Ms. Bloom recommended setting aside an amount far and above what is actually needed, and not a percentage. General Manager Gray suggested a discussion about the amount that is reserved vs. the amount projected to be spent.

Ms. Bloom suggested specific wording in the resolution for X amount at the time that staff returns to the Board in May.

Vice President Mital wondered if the electric and water budgets could be separated for purposes of approval of the resolution, as he supports the electric budget as proposed but isn't prepared to support the water budget. He then moved that Resolution #1418 be amended by crafting two separate resolutions—one that adopts the electric budget and one that adopted the water budget. This was seconded by Commissioner Helgeson.

General Manager Gray clarified that restriction of the rate action will not change the budget, and Vice President Mital was satisfied with that clarification.

Following a brief discussion, the vote was taken on Vice President Mital's motion to amend the Resolution. The motion failed unanimously (0-5).

The original motion for approval of Resolution #1418 was recalled. The motion passed unanimously (5-0).

Regarding Resolution #1419, it was moved by Commissioner Helgeson, seconded by Commissioner Simpson, to amend the resolution by adding the words “are proposed” to in the fourth Whereas statement. The vote passed unanimously (5-0).

It was moved by Commissioner Simpson, seconded by Commissioner Manning, to approve Resolution #1420.

Vice President Mital suggested amending the resolution to dedicate an amount here and now and have a discussion about the percentage, i.e., is 3% an accurate projection for dedication to AWS.

Ms. Bloom and General Manager Gray gave brief explanations of how the resolution could be reworded. The Board voted to extend the discussion time for this agenda item.

President Brown and Commissioner Simpson stated they wouldn't approve Vice President Mital's proposed amendment.

Vice President Mital offered a second suggestion for amending the wording in the resolution. Commissioner Helgeson agreed.

A vote was taken on the above motion to amend the Resolution. It failed 2-3 (Brown, Simpson and Manning voted no).

The original motion was recalled, with no change in the wording of the resolution. The motion passed unanimously (5-0).

2015 LEGISLATIVE AGENDA DISCUSSION

Lance Robertson, Public Affairs Manager, and Jason Heuser, Legislative Representative, led the discussion. Mr. Robertson noted that Mr. Heuser is planning for the Board to spend a day at the legislature in order to meet the various local representatives, and referred to the backgrounder the Board had received which lists upcoming EWEB-related issues to come before the Legislature.

Mr. Heuser recapped the November election results as part of the discussion, and addressed clarifying questions and comments from the Board.

Commissioner Manning noted that he had read about de-incentivizing renewables in certain states. Mr. Heuser stated that distributed generation is not an issue at the national level but largely at the State level.

General Manager Gray added that staff will monitor this issue carefully as it applies to carbon responsibility, and that Mr. Heuser has been instrumental in sharing EWEB's carbon pricing position, though EWEB is not sponsoring a bill, per se.

Commissioner Manning asked if EWEB is involved in the new facilities being built in the Bethel School District. Mr. Robertson replied that historically, EWEB has been involved, and the Bethel is looking to EWEB to assist with rising construction costs. General Manager Gray added that new construction energy efficiency is driven by code. He noted that he serves on the School District 4J community panel and that 4J will probably adopt silver LEED standards, and EWEB would offer the same to Bethel.

It was moved by Commissioner Simpson, seconded by Commissioner Manning, to approve Resolution #1417 regarding the 2015 legislative agenda.

It was then moved by Commissioner Simpson, seconded by Commissioner Manning, to amend the Resolution by changing the date in the first line from February 3, 2014 to February 3, 2015. The motion passed unanimously (5-0).

General Manager Gray thanked the Board for the previous attendance at the capitol in order to influence other elected officials.

CORRESPONDENCE AND BOARD AGENDAS

General Manager Gray noted that the Northwest Public Power Association and Public Power Council meetings will be held next week.

General Manager Gray also noted that, as a result of the November election, President Brown and Commissioner Simpson will be sworn in to office on January 6th (legal swearing-in) and 7th at the State of the City Address.

Vice President Mital asked for clarification on Board policy GP-4 regarding the Board president having the power to put items on the agenda without Board agreement.

Commissioner Helgeson replied that usually it is the president and the General Manager who do this. Commissioner Simpson agreed, and further clarified that the President and the General Manager do this, with assistance from Ms. Johnson, and that the Vice President assisting with that occurred later on in policy making, and is still somewhat optional.

Commissioner Helgeson said it is his understanding that the Vice President reference refers to items from staff, and items from the president are discussed with the Board. General Manager Gray clarified this is true.

BOARD WRAP-UP

Vice President Mital noted that the full 25 minutes of agenda time allotted for Items for Board Members is rarely used, and he suggested reducing that agenda item to 10-15 minutes.

Commissioner Helgeson voiced concern about moving the Public Input agenda item up any further because an earlier start than presently would not allow the public enough after-work time to get to a meeting.

President Brown stated that he believes it is easier to adjust the starting time based on whether or not there is public present who wish to testify.

It was moved by Commissioner Simpson, seconded by Commissioner Helgeson, to empower the president, General Manager Gray and Ms. Johnson to adjust the start time of Public Input without restriction. Commissioner Manning agreed that flexibility is key. The motion passed unanimously (5-0).

Commissioner Helgeson and Commissioner Manning gave kudos to staff for an excellent job on the budget process. Commissioner Manning added that he intends to be even more supportive of staff in the future, and wished everyone Happy Holidays.

President Brown thanked everyone for the last year of his term. He recalled that nominations and voting for new officers can be done by voting slate or voting position, closed or open ballot, and that the Board should have a brief discussion about that tonight since it will be done at the January meeting.

Commissioner Simpson briefly explained last year's nomination and voting process. The Board agreed.

President Brown adjourned the Regular Session at 8:20 p.m.

Assistant Secretary

President