

EUGENE WATER & ELECTRIC BOARD
REGULAR BOARD MEETING
EWEB BOARD ROOM
500 E. 4TH AVENUE
JULY 19, 2011- Amended

Commissioners Present: John Brown, President; John Simpson, Vice President; Bob Cassidy, Rich Cunningham and Joann Ernst

Others Present: General Manager Roger Gray, Clay Norris, Patty Boyle, Mel Damewood, Cathy Bloom, Mike McCann, Tom Buckhouse, Laurie Elliott, Suzanne Adkins, Karl Morgenstern, Kevin McCarthy, Felicity Fahy, Lance Robertson, Sybil Geiselman, Catherine Gray, Jeannine Parisi, Eric Hiaasen, Bill Welch, Wendy Schultz-Kerns, Greg Kelleher, Tommy Williams, Cindy McClain, Mel Damewood, Jill Hoyenga, Dustin Ensminger, Kathy Ging, public; and Taryn Johnson of the EWEB staff; Vicki Maxon, minutes recorder.

President Brown convened the Regular Session of the Eugene Water & Electric Board (EWEB) at 7:55 p.m.

AGENDA CHECK

There were no changes.

PUBLIC INPUT

Kathy Ging asked the Board to not move too fast toward smart metering, and said they should be aware of increasing concerns of health researchers and other government jurisdictions regarding the negative effects of adding more electronic smog to our built environment.

Ms. Ging said she talked to Stan Zimmer in Salem, Oregon, whose website is DirtyElectricitySolutions.com, who sells filters that can mitigate some effects of electricity households exposed to various electric fields. Mr. Zimmer said there has been extensive research on smart meters, particularly in Canada, and that they can potentially cause health problems. She mentioned another website, www.smartdangers.org, and read a couple of statements claiming that exposure to electromagnetic radiation from smart meters is worse than the exposure from a cell phone.

Ms. Ging then said it is her feeling and that of several other community members that EWEB's recent customer survey regarding the level of interest in future conservation measures was acceptable for a minimalist survey but that it does not address many of the real issues of the role of a public utility in our energy future. She suggested that a round table of local energy experts be convened in order to obtain draft questions and then have those questions reviewed by a professional survey team and not only by EWEB staff. She added that she believes the public deserves more input than was allowed in the brief survey and that the results could be published in the Register-Guard, Eugene Weekly and Daily Emerald and sent to people this fall in the quarterly newsletter.

Lastly, Ms. Ging voiced concern about EWEB's Board minutes and Integrated Energy Resource Plan (IERP) Advisory Panel minutes not being posted on line within a reasonable time period, which in her opinion would be before the next meeting. She noted that instead the minutes are several months behind and are thus unavailable to the Board, ratepayers, and members of the IERP advisory panel. She added that she believes a utility with a \$350 million budget should be able to publish minutes in a timely manner, and that in a previous position she held, she posted minutes of an eight-hour meeting within a week. In closing, she said that many nonprofit organizations have minutes completed within one day, and that she thinks EWEB should follow their lead.

APPROVAL OF CONSENT CALENDAR

MINUTES

- 1a. April 5, 2011 Executive Session
- 1b. April 5, 2011 Work Session
- 1c. April 5, 2011 Regular Session
- 1d. April 19, 2011 Work Session
- 1e. April 19, 2011 Regular Session
- 1f. April 5, 2011 Regular Session – Amended Minutes

BUDGET AMENDMENTS

2. Budget Amendment #5 - Additional Funds requested to cover Dillard to Monroe UG Electric Feeder Tie (Owl Road) – Electric Division. \$143,119 (total \$833,000).
3. Budget Amendment #6 – Additional Funds requested to cover cost of continued construction on the Roosevelt Operations Center, including building automation controls, electrical upgrades, and system development charges – Customer & Shared Services Division. \$550,000 (total \$1,084,938).

CONTRACTS

4. Good Company – Development of the 2010 Sustainability Report – Customer & Shared Services Division. \$45,000.
5. Habitat Contracting LLC – Provide vegetation control services along the Carmen-Smith Transmission Corridor – Customer & Shared Services Division. \$55,000.
6. Haley Construction Company – For construction services for building a new emergency access road at Smith Dam – Power Resources Division. \$541,000.
7. Murray, Smith & Associates – To provide engineering design and construction services for the Shasta 1150 Pump Station – Water Division. \$167,000.

8. Professional Training Systems, Inc. – For Electric Utility Systems Operations (EUSO) Training. Customer & Shared Services Division. \$111,000 (for five years).

9. TEKsystems – A temporary SQL Server Database Administrator to upgrade all existing SQL Servers. Customer & Shared Services Division. \$50,000.

INTERGOVERNMENTAL AGREEMENTS

10. Public Agency Network (PAN) – Annual budget of \$138,366 for fiscal year 2011-2012 operations, commencing July 1, 2011. The EWEB Board serves as the executive operation authority for the PAN, and the budget has been reviewed and approved by the PAN Executive Committee.

11. University of Oregon, Community Planning Workshop – Community Planning Workshop for upcoming planning and research projects to engage graduate and undergraduate students that are mutually beneficial to both entities. Customer & Shared Services Division. \$330,000 (over five years).

MEMORANDUM OF UNDERSTANDING

12. Lane Community College – To provide a Greenpower grant in support of educational activities. Customer & Shared Services Division. \$100,000.

RESOLUTIONS

13. Resolution No. 1123 – Carmen-Smith License Acceptance.

14. Resolution No. 1124 – Western Generation Agency EWEB Board Appointment.

15. Resolution No. 1125 – Carmen Smith Reimbursement Resolution.

Vice President Simpson pulled Item 1C.

President Brown pulled Items 3 and 4.

Commissioner Cunningham, seconded by Commissioner Ernst, moved to approve the Consent Calendar, with the exceptions of Items 1c, 3 and 4. The motion passed unanimously, 5:0.

ITEMS REMOVED FROM THE CONSENT CALENDAR

Vice President Simpson noted that he had previously asked for two revisions to the April 5, 2011 Regular Session Minutes: to correct the name of Northwest Energy Corporation to Northwest Energy Coalition (which appears in two places); and that whether or not Commissioner Cunningham called the point of order, he was not present at the April 5 regular meeting, so the reference to Vice President Simpson should instead be President Brown.

Taryn Johnson, Executive Assistant to the General Manager, said that those revisions were submitted in the Board packet.

Vice President Simpson, seconded by Commissioner Cassidy, moved to approve Consent Calendar item 1c, the April 5, 2011 Regular Session Minutes, with the above revisions.

President Brown said he wanted to comment on item #3 for the record. He said it appears that there is no accountability when EWEB pays experts a lot of money for advice on a project and then has to pay out another \$5,000 for system control, etc., that was not anticipated. He said he is isn't berating EWEB staff but that he blames the Board. He said he wants to convey this message to at least his own constituency because EWEB is facing future rate increases that are beyond belief.

Regarding item #4, President Brown again said it's about accountability, and he asked if this amount was going to have to be spent every month or every year. He added that he is all for triple bottom line and sustainability, but he wondered how staff and the Board would know if \$50,000 or \$60,000 is an appropriate amount.

Felicity Fahy, Sustainability Coordinator, replied that the bulk of the money was spent up front when she had no staff. She said that the costs are going down and that she and her staff are looking for ways to be more efficient and to focus on strategic planning efforts, and honing in on changes that in-house staff can make without having to hire outside consultants. She added that she sees what has been spent so far as an investment in the triple bottom line in order to do better planning.

President Brown reiterated that he felt that it was a lot of money spent for a report that has now been done twice, and that Board and staff needs to take a closer look at these costs.

Commissioner Ernst asked if staff is anticipating any more unexpected costs for the Roosevelt Operations Center (ROC). Kevin McCarthy, Operations Support Services Manager, replied that this amount is carryover cost from the previous existing Scope of Work. Commissioner Ernst asked if that carryover was budgeted. Mr. McCarthy replied that it was budgeted

from the original bond measure. He said that \$390,000 of the \$550,000 was carryover, some of the cost was for additional work on the eco machine, and some for system development charges and electrical upgrades.

Commissioner Ernst asked if the eco machine manufacturer and EWEB both took responsibility for the problems with the eco machine. Mr. McCarthy said that was correct.

Commissioner Ernst then asked if the sustainability report can be done in-house from now on. Ms. Fahy replied that she and her staff are working with Good Company and have targeted the use of the company's time regarding data collection, but have also begun to involve EWEB staff in data collection and physical labor. She added that she is managing multiple projects and continues to have discussions with her manager about how best to balance the work load.

Regarding the above questions, General Manager Gray commented that he does expect some unforeseen issues, but that amendment #6 brings the original scope of work to a close and fixes some things that aren't working properly. He said that the capital improvement presentation at the August 2 meeting includes some ROC-related items, but they are changes in the scope of work for maintenance in years to come, and that in the grand scheme of things, those are not unreasonable. He added that the eco machine was an unfortunate decision.

Commissioner Ernst asked for re-confirmation that the amount of money for this item was from carryover funds. General Manager Gray said that was correct.

Commissioner Cunningham asked if the eco machine is now operational. Mr. McCarthy said that in his opinion it is 99.9% operational.

APPROVAL OF CONSENT CALENDAR

Vice President Simpson, seconded by President Brown, moved to approve Consent Calendar item 3, Budget Amendment #6, additional funds to cover cost of continued construction on the ROC, including building automation controls, electrical upgrades and system development charges. The motion passed unanimously, 5-0.

Vice President Simpson, seconded by President Brown, moved to approve Consent Calendar item 4, development of the 2010 Sustainability Report with Good Company. The motion passed 4:1. Commissioner Cunningham voted against the motion and said he would like a report.

ITEMS FROM BOARD MEMBERS

Commissioner Cassidy and Vice President Simpson voiced concern about how long it is taking for meeting minutes to be completed.

General Manager Gray pointed out that, as the Board can see at tonight's meeting, LCOG has assigned a new minutes recorder for Board meetings. He added that he and Ms. Johnson are looking at minutes policy and the possibility of changing over to results-oriented minutes, which would be more streamlined and would focus only on outcome. He said that another possibility is to post the audio recording on line for verbatim minutes. He added that it is his hope that this issue will soon be resolved and that the minutes will only be one or two meetings behind.

Vice President Simpson said he wouldn't want to pare down the minutes to be results-oriented, as the minutes serve as the only historical record of Board meetings, and he felt value could be lost if they were pared down. He said he would like to have more discussion regarding a minutes policy change that would involve audio minutes only for a work session.

Commissioner Ernst thanked the Board for allowing her time during the work session to read the comments she had compiled from the IERP meetings. She asked the Board to read them at their leisure and develop their own questions. She said she believes the IERP 20-year plan should be updated every five years and maybe more often than that.

Regarding the minutes, Commissioner Ernst said she might be convinced to pare down the minutes if the audio recording was posted on line.

Commissioner Ernst noted that she had sent out Greater American information on tariffs in State legislation and that she would continue to bring that information to the Board.

Vice President Simpson noted the following items:

- Toured ROC wetlands site with staff and learned a wealth of information
- Participated as a notetaker in an EWEB Water Department focus group. He said it was a rich process for him personally and thanked staff.
- Attended 2011 American Public Power Association (APPA) national conference in Washington, D.C. and has directories of federal legislature review for the Board
- Attended several seminars, meetings and receptions with Powerpoint slides available on request
- Attended industry rate trends and future rates conference, which was excellent for getting customer buy-in on smart programs
- Attended power marketing administration task force meeting to discuss agencies such as BPA selling power and market rates rather than offering preference rates
- Attended a local public power breakfast and reception with some EPUD Board members
- Signed a petition on behalf of the Board to stop the Bulb Act at the federal level (HR 91). The bill did not pass.

Vice President Simpson then said he wanted to take a moment to recognize EWEB fleet staff, as he didn't recall if this had been mentioned in a previous meeting. He noted that in March 2011 the EWEB fleet staff won an award for being in the top 100 best fleets in North America. He congratulated and thanked Gary Lentsch and his team and said that their efforts are noticed and appreciated by the Board.

Vice President Simpson reminded the Board that the proposed by-law amendment discussion will happen later tonight and that there are other policy recommendations still being worked on. He said that he will be scheduling a meeting with Sheila Crawford to continue their work on that project. He added that one week from today he will be meeting with President Brown, General Manager Gray and Debra Smith regarding historic report patterns before the Board to see what can be done to re-cast those items into the monthly meeting schedule.

Commissioner Ernst asked what report patterns are being looked at. Vice President Simpson said he didn't have the list in front of him but would forward it to Commissioner Ernst. Commissioner Cunningham said he would like to be included in the meeting with Sheila Crawford.

President Brown said he had received a compliment from a ratepayer regarding EWEB's security guard and how friendly, professional and helpful he had been in a recent interaction.

Regarding Commissioner Ernst reading her comments at the end of tonight's work session, President Brown said that in the future if a Board member has something of that magnitude to bring to a meeting, he hopes they would be respectful of the process and the Board will try to accommodate it. He added that those types of comments can be submitted in writing previous to the meeting and that would help move the process along.

President Brown reminded the Board that he would be attending the next City Council public forum and to submit any items for that meeting to him if they so desire.

CORRESPONDENCE

General Manager Gray noted the memo asking Board members to swipe their ID badge at the north building door upon entering each Board meeting in order to keep their ID badge activated on a continuing basis. He added that Board members will be given a phone number that will allow them to reach a security guard 24/7. Mr. Gray also noted the memo regarding an update from Debra Smith, Director, Customer & Shared Services Division, and Jason Heuser, EWEB's lobbyist, regarding incident outcomes in the 2011 legislative session.

BOARD AGENDA AND CALENDAR

General Manager Gray reminded the Board to refrain from e-mail conversations with each other regarding tonight's IERP presentation and conservation issues (upon EWEB legal counsel advice regarding public meeting law). He noted that only follow-up e-mails are allowed, and that he will re-send legal counsel's memo regarding public meeting law.

General Manager Gray then noted that the Carmen-Smith agenda item (30 minutes) had been removed from the August 2 work session agenda, so that time slot might allow for discussion of the IERP/conservation presentation along with Commissioner Ernst's questions and comments.

President Brown asked if a special meeting is needed in order to complete that discussion before August 2. General Manager Gray said he would propose not having a special meeting. Commissioner Cunningham said that he cannot attend the August 2 meeting but will possibly participate by phone.

Regarding the future Board agenda listing, Vice President Simpson noted that item #1, the reserves discussion, did not occur at the Board retreat. He added that under the outstanding items/prepare backgrounder category, the Trapper harvest sale was blocked, so he is feeling a lower priority for that agenda item and that it may be unnecessary, but that it had received Board approval. He asked if that item should be revisited at a future meeting.

General Manager Gray replied that some work has been done that has potential impact on the electric side, and that Karl Morgenstern and Steve Newcomb are looking at impacts on the water side. Vice President Simpson reiterated that it is his personal sense that the priority of that item can be diminished.

Vice President Simpson asked when the joint EWEB/City Council session is going to be held. Lance Robertson, Public Affairs Manager, said the date will be firmed up next week.

President Brown commented that the Board has a full agenda for the rest of the year and wondered what would happen if a majority of the Board isn't available for that meeting. Mr. Robertson replied that the meetings alternate between being hosted by the City and EWEB, and that City Council work sessions are normally held on a Monday. After some discussion, it was determined that there was potential for a majority of the Board to not be able to attend during the next two months, and Vice President Simpson asked if EWEB could request that it be held in October. Mr. Robertson replied that he would try for October. He added that Jeannine Parisi, Jason Heuser and Brenda Wilson from the City of Eugene are meeting next week to compile a list of potential targets.

PROPOSED BY-LAW AMENDMENT DISCUSSION

General Manager Gray deferred this item to Vice President Simpson. Vice President Simpson said that he had met with Commissioner Cunningham and EWEB staff to recommend the following amendments to four by-laws:

1) Article V, Section – Term Office Limits for Board Members. Amends Article V, Section 1, by eliminating term limits that prohibit any Commissioner from serving in the same office for more than two consecutive one-year terms.

2) Article VII, Section 4 – Commissioners Qualifying for EWEB Employment. Amends Article VII, Section 4, by increasing the time from six months to 12 months before a Commissioner could qualify for EWEB employment.

3) Article X, Section 1 – EWEB Regular Board Meetings. Amends Article X, Section 1, by requiring one Board meeting be held per month rather than two Board meetings be held per month. Does not preclude a second meeting from being held, only changes the requirement to hold two Board meetings per month.

4) Article XII, Section 1 – Time Frames for By-Law Amendments. Amends Article XII, Section 1, by increasing the time of notification posted at EWEB HQ from ten (10) to fourteen (14) days in order to align with the notification period for the media.

Vice President Simpson asked for questions or comments from the Board.

Commissioner Cunningham asked if amendment #2 includes independent contractors. Vice President Simpson said it does not.

Commissioner Cassidy voiced concern about amendment #1 but said he is satisfied with amendments #2-4.

Commissioner Cunningham commented that term limits in Oregon have been consistently repealed by the voters since put in place by the legislature years ago, and that they were at one time limited to 12 years in the legislature and two terms in the Senate and House. He said he believes that elected and appointed bodies should have the prerogative to elect the officers they choose to preside over their governing body, with the exception of the City Council, who elects the Mayor.

Commissioner Cassidy said he believes that the EWEB Board is a different matter and that there is value in having turnover with new blood coming in and different leadership, and the ability for people to grow in their position.

Commissioner Cunningham said that while he respects Commissioner Cassidy's opinion, he has seen many good people bring long-term consensus to a body based on their leadership qualities, and reiterated that he believes that the existing Board should retain the power to elect whoever they wish as chair and vice chair and not be bound by previous policy.

Vice President Simpson noted that there will be a public hearing following Board discussion of these amendments and that after that, the resolution will be up for approval. He added that the Board that the motion could be divided and that any single amendment could be pulled out independently, or a vote could pass all four at once.

Commissioner Ernst asked if there will be opportunity for further amendment. Vice President Simpson said there will be.

Commissioner Ernst said she agreed with Commissioner Cassidy regarding amendment #1. She said she believes that part of this amendment does allow the Board to elect whoever they wish, but that it's also sort of a stop guard for constituents in various wards to go forth to be president or vice president. Regarding amendment #2, she said most people who work at EWEB don't want to be on the Board. She said she would like to put amendment #3 on hold until next year, and that she has no problem with amendment #4.

PUBLIC HEARING FOR PROPOSED BY-LAW AMENDMENTS

There was no public comment.

BY-LAW AMENDMENT APPROVAL

It was moved by Commissioner Cunningham, seconded by President Brown, to approve Resolution #1122, amendment of by-law items #1-4, as listed above.

Commissioner Ernst, seconded by Commissioner Cassidy, amended the motion to remove items #1 and #3, thus reducing the resolution to include only items #2 and #4.

President Brown asked for a show of hands for the vote. The show of hands revealed two Commissioners (Cassidy and Ernst) in favor of amending the original motion and three Commissioners (Brown, Simpson and Cunningham) against. The amended motion failed 3:2.

The original motion was restated by Commissioner Cunningham, seconded by President Brown, to approve Resolution #1122, amendment of by-law items #1-4. The motion passed 3:2.

2011 WATER POLICIES AND PROCEDURES UPDATE AND APPROVAL

Tom Buckhouse introduced Dustin Ensminger, Water Operations Manager, who assisted with the presentation.

Mr. Buckhouse thanked Jill Hoyenga, Water Resource & Systems Planner, for all her hard work on the policies and procedures project.

Regarding the water service charges and rates presentation, Commissioner Ernst asked if these charges are for fire hydrant flushes for the City of Eugene and other services of that nature. Mr. Ensminger replied that these charges are for flow tests for new development for construction purposes and assist in recovering the cost of staff who provide that service. Mr. Buckhouse added that in the process of obtaining building permits, contractors require information from EWEB regarding water availability to the construction site and, if water is not available, that is when the flow tests are done.

Commissioner Ernst asked if EWEB was consulted about pump stations in the Spring Blvd. area when the houses built in that area couldn't be gravity-fed. Mel Damewood, (title), said they were, and that EWEB had to prove that there was enough fire flow available to meet

the square footage of those homes. Mr. Buckhouse added that the fire flow did meet those needs but that there is some redundancy.

President Brown asked if the requirement for multiple meters for multi-family dwellings has changed. Mr. Damewood said that was one of the major changes in the policy, reiterating that master metering is EWEB's policy, but that the builder has the option to go with individual meters provided they meet certain conditions, and clarifying what those conditions are.

Vice President Simpson asked if in the future the revised text could be redlined in order to compare it to the previous text, as it would be helpful to see existing and proposed language at the same time. He added that the actual charges were not listed, but only labor rates, and asked if that is going to be satisfactory for contractors. Mr. Buckhouse replied that labor rates change each year and, in order for policy not to be re-invested each year, if a contractor asks, the charges can be priced out.

Commissioner Cunningham, seconded by Commissioner Ernst, moved to approve the 2011 water policies and procedures update. The motion passed unanimously, 5:0.

APPROVE NEW CONTRACTS TO PURCHASE DUCTILE IRON PIPE FITTINGS

Mr. Buckhouse noted that this is a five-year contract with five separate locks, as presented in the Board packet.

Vice President Simpson asked if prices have consistently increased since the first contract approximately five years ago. Mr. Damewood said prices have consistently increased at about 10-15%.

Cindy McClaren, Purchasing Analyst, commented that the previous contract was for a lesser amount but that there are installation clauses each year, so the contract goes up 5% and sometimes more if the market justifies that.

Commissioner Ernst, seconded by Commissioner Cassidy, moved to approve the new contracts to purchase ductile iron pipe fittings. The motion passed unanimously, 5:0.

APPROVE TRAFFIC CONTROL AND FLAGGING SERVICES CONTRACT FOR CAPITAL WORK

Commissioner Cunningham commented that General Manager Gray had told him that he hopes to bring traffic control and flagging services in-house in approximately six months. He said that he has observed flaggers on EWEB projects who are smoking on the job and he feels this is a disgrace to EWEB. He added that he feels the labor charge for flaggers is excessive and that he would prefer approval of a contract term of no more than 180 days.

Tom Buckhouse replied that he has also received complaints about flaggers on EWEB projects. He said it is his desire to combine flagging with other EWEB services that are contracted out in order to sustain a level of professionalism on the job, and that position

descriptions are currently being developed and wage information is being gathered in order to approach IBEW for negotiations. He added that staff wants to proceed in a manner that is responsive to staff needs and amenable to ratepayers, but in the meantime a contract is needed.

President Brown commented that he too believes there are problems with flaggers displaying unprofessional behavior, and that they should not be allowed to sit down or to smoke on the job. He related an experience where he had observed a flagger on an EWEB project for 30 minutes, and not once in that 30 minutes did he touch a flag, but instead smoked cigarettes and talked on a cell phone. He agreed that this is bad public relations for EWEB.

Vice President Simpson asked if Westates is the only flagging service in the Eugene area. Mr. Buckhouse replied that they have been the most responsive. He then asked the Board if they would consider a reduction in the contract amount instead of putting a time limit on it.

Commissioner Cunningham asked why in-house flagging services will have to be negotiated with the union. Mr. Buckhouse replied that is because the flaggers will be working with field crews on job sites, and when they aren't flagging, they will be working elsewhere on the job site.

Commissioner Cunningham moved, President Brown seconded, to amend the contract for traffic control and flagging services to a not-to-exceed contract for \$1 million. The motion passed 4:1.

President Brown adjourned the Regular Session at 9:14 p.m.

Assistant Secretary

President