

EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
FEBRUARY 5, 2013
7:30 P.M.

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

Commissioner Manning was excused.

Others Present: Roger Gray, Debra Smith, Erin Erben, Dave Churchman, Todd Simmons, Mel Damewood, Will Price, Roger Kline, Megan Capper, Brad Taylor, Frank Lawson, Mark Freeman, Lena Kostopulos, Cathy Bloom, Lance Robertson, Sheila Crawford, Sue Fahey, Steve Mangan, Tom Williams, Matt Sayre, and Taryn Johnson of the EWEB staff; Vicki Maxon, recorder.

President Simpson convened the Regular Session of the Eugene Water & Electric Board (EWEB) at 7:30 p.m.

AGENDA CHECK

There were no items.

PUBLIC INPUT

Shawn Boles spoke as a private citizen and an official member of the older generation, having recently turned 70. He introduced Kelsey Juliana, age 16, a member of “Generation Hot,” and a plaintiff in the current climate change litigation based on the Public Trust doctrine. Mr. Boles urged the Board to serve our generations by working with other local jurisdictions to craft an immediate, effective regional response to climate change. To that end, and to help the Board address this intergenerational problem, he gave each Commissioner a book which provides a compelling summary of how decisions in the next few years will change children’s lives forever, and also points out that local government officials and staff are key to addressing climate change. He also gave each Commissioner a DVD starring Ms. Juliana and others that introduces the viewer to those who are depending on the Board to act quickly and effectively. In closing, Mr. Boles said he would check back with the Board soon to see how they and others are working together to address this emergency.

Bob Cassidy, former EWEB Commissioner, said he was pleased to see tonight’s proposed 2013 EWEB Operating Plan, and regarding borrowing funds, he said he hopes the Board will put off borrowing as long as they can so they don’t have to pay it back with inflated dollars. He asked the Board to not be a slave to the metric of the Operating Plan and not to be afraid of doing what they have to do.

Commissioner Mital thanked Mr. Boles and Mr. Cassidy for their input. He said that public input is his favorite agenda item of the Board meeting and that it always “adds color” to the evening. He told Mr. Boles that he agrees with him regarding addressing climate change, and that one of his top goals is to work with senior management and staff to find ways for EWEB to get involved in the discussion at the correct level.

Commissioner Helgeson thanked Mr. Boles for his input and for the book, and said that he has been concerned about EWEB’s failure, particularly during the recession, to begin to address climate change. He added that he believes that the nation is sleepwalking on this issue and that he is trying to find things he can do locally to address it.

Commissioner Helgeson assured Mr. Cassidy that the Board will look at where to be borrowing from for long-term investments and that, in his opinion, the Board hasn’t put a prohibition on the use of utility bonds to fund infrastructure.

Vice President Brown thanked Mr. Boles and said he understands the need to address climate change. He told Mr. Cassidy that debt coverage and bond covenants are laws that the Board can’t ignore, and that they always have to be careful to not affect EWEB’s bond rating.

President Simpson stated that it has been disheartening for him to see the degradation of priority regarding the environment and climate change in light of the economic hardships over the last four years. He thanked Mr. Boles for his testimony and told him that he has his support. He noted that he also supports EWEB’s efforts to tread lightly on the environment and that he believes EWEB has made great strides with its triple bottom line analysis, ethics and sustainability.

General Manager Gray stated that the Board will be discussing financial issues at their March 5 meeting and that EWEB’s financial consultant will also be present. He thanked Mr. Boles for his presentation this evening, and also for his participation on the Integrated Energy Resource Plan (IERP) citizen advisory panel last year, which is perceived to be one of the most interesting resource plans in the nation. He added that Governor Kitzhaber has taken the same philosophy and that there will be an attempt to rally other utilities in the state to support that. He reiterated that EWEB staff participated in a study regarding carbon tax in Portland today, and that information from that study will be passed along to the Board.

CONSENT CALENDAR

MINUTES

- 1a. December 4, 2012 – Work Session
- 1b. December 4, 2012 – Regular Session
- 1c. December 18, 2012 – Executive Session
- 1d. December 18, 2012 – Regular Session
- 1e. January 2, 2013 – Special Board Meeting
- 1f. January 2, 2013 – Work Session

CONTRACTS

2. Armadillo Boring, Inc. – for directional drilling and pipe installation under railroad tracks – Engineering Department – \$100,000. Contact person is Mel Damewood.
3. Ferguson of Eugene – for the purchase of Low Lead Brass Fittings for the Water Utility on an as needed basis – Engineering Department – \$815,000 (over five years). Contact person is Mel Damewood.
4. Neilson Research Corporation – for Water Quality Analytical Testing Services performed several times each year – Water Operations – \$149,000 (over five years). Contact person is Brad Taylor.

INTERGOVERNMENTAL AGREEMENT (IGA)

5. USDA Forest Service, Willamette National Forest – for the administration, supervision, and maintenance of the Carmen-Smith recreation complexes located on lands administered by the Forest Service – Generation & Fleet Services – \$30,000. Contact person is Roger Kline.

RESOLUTION

6. Resolution No. 1301 – Board Appointments, Board Committees, Advisory Committees and Outside Liaisons. Contact person is Roger Gray.

OTHER

7. Board Policy SD 4, Public Use of Meeting Rooms Policy – Contact Person is Mark Freeman.

ITEMS REMOVED FROM CONSENT CALENDAR

Vice President Brown pulled item #7. Commissioner Mital pulled item #5.

It was moved by Vice President Brown, seconded by President Simpson, to approve the remainder of the Consent Calendar.

Regarding item #7, President Brown stated that EWEB needs to specify that the Board Room may not be available, so as to minimize public concern. President Simpson suggested

putting a disclaimer in the application form that the meeting rooms are part of the EWEB riverfront property, which is subject to sale at any time.

Commissioner Helgeson asked for clarification about EWEB providing a sponsor for each meeting. Mark Freeman, Customer Service and Energy Management Manager, replied that for evening meetings, EWEB security personnel will remain the sponsor, and for daytime meetings, an EWEB employee will be the sponsor. He reiterated that meeting rooms cannot be reserved more than 30 days in advance, and that the group reserving the room is required to call EWEB each month to be sure a room is available.

It was then moved by Vice President Brown, seconded by Commissioner Mital, to approve item #7. The motion passed unanimously (4-0).

Regarding item #5, Commissioner Mital asked for a brief history on this item since he is a new Commissioner. Roger Kline, Generation & Fleet Services Manager, explained that due to Carmen-Smith's remote location, it is more affordable to pay the U.S. Forest Service to do maintenance activities than to have EWEB staff do them, and that this contract is part of EWEB's settlement agreement to provide these services. He added that the contract was renewed for one year instead of five years until the final scope is better understood.

General Manager Gray added that this is typical for this type of an agreement and that EWEB can't justify a full-time employee to perform these maintenance activities.

Vice President Brown asked Mr. Kline for contact information for someone at the Forest Service so that he can discuss a couple of issues with them.

It was then moved by Vice President Brown, seconded by Commissioner Helgeson, to approve item #5. The motion passed unanimously (4-0).

President Simpson reminded the Board that each consent calendar item has a contact person listed if more background information is needed or for low-level questions, otherwise any other issues should be discussed at the Board level.

2013 STATE OF THE UTILITY ADDRESS

President Simpson delivered the following:

"Thanks for coming out tonight. It's great to see so many familiar faces, and there are three new faces on the EWEB Board. Welcome, new Commissioners James Manning, Dick Helgeson and Steve Mital. I look forward to working with all of you.

Usually these State of the Utility addresses tend to look forward. I am going to do that tonight, but first I want to reflect back on last year and examine some of the hallmarks over the past 101 years that that have made this utility so great.

Last year was a difficult one, to say the least. It was perhaps the toughest in the six years I've served on the Board. While it was hard for me and other Commissioners, 2012 was most difficult for EWEB's 500-plus employees. For the first time in our 101-year history, this utility initiated layoffs in the face of financial distress brought on by factors largely out of our control.

Keep in mind that EWEB has always been like a big family, made up of brothers and sisters who share an unwavering dedication to serving our customer-owners. These are people who take pride in the fact that we are owned by the public. These are outstanding women and men who contribute to this utility's well-deserved reputation as a cutting-edge provider of clean water and reliable electricity – key ingredients to sustaining life.

Yet 38 of these family members walked out the door last June as our managers made the tough decision to reduce costs without sacrificing quality and reliability. Those who stayed on have conducted themselves in the remarkable and professional manner we have all come to expect. They picked up the duties left behind, and worked longer hours. They accepted new assignments and additional responsibilities with minimum complaints.

In a nutshell, the discipline and character displayed by our employees following the difficult, but necessary, shake-up seven months ago inspires me. At a time of vocal and rising dissatisfaction with government in general, our work force continues to show up every day to keep the lights on and water flowing. Oftentimes they show up late at night in foul weather to do their jobs, or they come in on weekends to finish a project, and all of them do it with pride and professionalism. This inspires me. We have great employees who are paid fair wages, and we are going to continue taking care of them.

Despite significant reductions to our budget in 2012 and again this year, in an effort to mitigate the impact of electric and water rate increases, we heard a growing chorus of frustration from our customer-owners, and they weren't singing praise. They were demanding--no more rate increases. We all know there is never a good time to raise rates, especially when our local and regional economy is trying to crawl out of a recession. Along with other commissioners and EWEB workers, I heard the complaints loud and clear. Let there be no doubt in anyone's mind that this utility has received a mandate from its owners to control costs. The good news is we have controlled costs, we are controlling costs, and we will continue to find ways to reduce overhead and become even more efficient. It's time to put utilitarian back into utility. Maybe not as fast or as dramatically as some would like, but we will get the job done, as we always have.

Our current challenges remind me of a quote that I read, as a new Board member, from Norman F. Stone's 1986 book: *Bountiful McKenzie: The Story of Eugene Water & Electric Board*. The quote reads:

"Over many years EWEB has tended to function in a light-cavalry mode. It has avoided the pitfall of becoming a sluggish bureaucracy. It has moved quickly and decisively when required to do so in the interests of its customers. And it seems to have understood the dynamics of change."

As hard as it was to make the cuts we took in 2012, and the difficult decisions we will have to make in 2013 and beyond, it is clear to me that this utility maintains that nimble posture Norman Stone referred to as “light-cavalry mode.”

EWEB has always been way out in front of its peers in terms of conservation and renewable energy. We were the first utility in this state to invest in wind energy. We were the first utility in the nation to launch a conservation program. We are going to continue to be the leading edge utility here in Oregon, across the Pacific Northwest, and throughout this great country. EWEB will not lose its world class reputation. Not on my watch, and not during the careers of our talented and hard-working employees.

I have great faith that new generations of employees and customers alike will spark new energy here at EWEB. They will find ways to demonstrate and embrace the many benefits of public ownership.

Despite the plentiful and cheap supply of natural gas that has made hydro, wind and other renewable power sources relatively expensive, we’re not going to turn our back on the wishes of customers to power Eugene with energy resources that tread lightly on our planet Earth. We may ratchet down the amount of renewables we now hold, and we may delay some future capital investments. But we will never abandon the course we set out upon 35 years ago: Helping customers conserve energy and delivering electricity that is clean, affordable, and carbon-free.

This utility has stood the test of time for more than 100 years. Aside from providing great water and reliable electricity, this public utility does good things for its customers and for the community at large. Even though we’ve cut back on some of our Customer Care programs for limited-income folks, EWEB still has the most robust assistance program in the state of Oregon, on a per capita basis. We invest in our community by helping residential and commercial customers conserve electricity and lower their bills. We support energy and water education programs in Eugene, Springfield, Bethel and McKenzie schools. We pay our employees appropriate living wages, which then spread out to support local business and the economy here at home.

Before I conclude, I want to share a personal story from my childhood. I was born in 1959. Two years later, my family moved to southern California. I hated the drinking water down there, and my mom would disguise the metallic, astringent taste of it for me and my brother by adding powdered milk, which we drank by the gallon. Yuck!

Every summer vacation, we would come back to Eugene. I remember driving up Fairmount Boulevard to my grandparents’ house. As soon as the car stopped, I would run into the kitchen and pour myself a glass of cold, fresh, sweet water from the kitchen tap. Ah, it was soooooo good. I didn’t even know it was EWEB at the time.

My first memory of EWEB was visiting the fish ladder at Leaburg Dam. I was four years old, and I’ve never forgotten that. The dam and the Leaburg power plant are iconic. They are a symbol of a solid utility that has served its customers with superior products, at cost, for more

than 100 years. They are also a representation of a stable utility that will stand for generations to come.

But stability doesn't mean same old, same old. As the world changes around us, we must continue to demonstrate flexibility, vision, and the strength to make hard choices in the face of increased uncertainty. We won't become mired in regret. We won't kowtow to the vocal minority. What we will do is listen to everyone, and act, because the needs of the community and the utility don't grind to a halt in times of financial distress.

In 2013, there will be two major changes that I'm proud to announce tonight.

The first is the creation of a Citizens' Budget Committee that will allow our customers to participate in the budgeting process. It is my hope that this group of owner-customers will provide a higher level of transparency at EWEB. We've always listened to our customers. This raises the bar even higher, and I look forward to its development and implementation.

A second change went live on Monday morning: A new and vastly improved on-line bill pay system that makes managing and paying bills as easy as clicking a mouse. We will even see a mobile app in the not-too-distant future. We want to provide our customers with multiple options so they can personalize their EWEB experience in a way that is most convenient to them.

There will be significant changes at EWEB this year and in the decades to come. One thing that that won't change will be this utility's commitment to excellence, as demonstrated every day by our employees.

Thank you."

2013 EWEB GOALS GUIDANCE OR APPROVAL

President Simpson recalled that General Manager Gray had presented the 2013 EWEB Operating Plan in tonight's Work Session. He asked for a motion for approval of the draft plan and direction to staff to proceed with the model that General Manager Gray had presented.

It was moved by President Brown, seconded by Commissioner Helgeson, to approve the plan and direct staff to proceed.

President Simpson thanked General Manager Gray, and stated that he is pleased with the operating plan and tends to support it, while recognizing that it is in its infancy and will go through a few iterations of process improvement, and that he will assist General Manager Gray in implementing and fine tuning it over time.

Commissioner Helgeson stated that he also believes the operating plan is a good approach and that he appreciates that it is subject to refinement, and that he is looking forward to taking part in the strategic piece.

Commissioner Mital asked for clarification of the motion. President Simpson replied that the Board is giving staff permission to proceed with the operating plan as presented.

General Manager Gray stated that he sees Board approval as general approval of a set of tools with tune-up and true-up improvements, but with a few things missing: 1) the upcoming Strategic Plan check-in may also create changes that are necessary; 2) how do we measure and calibrate items; and 3) information from other utilities about their operating plans.

Commissioner Mital stated that it seems strange to approve something that is going to change significantly, and he wanted to be sure that the Board would see it at a later time.

President Simpson reiterated that he sees the Board approval as a “go forth vote.” Commissioner Helgeson added that it might help to observe that something like this will come to the Board annually for general guidance, as an alternative to what has been done in the past.

A brief discussion ensued. Ms. Smith suggested finalizing some of the items and then placing it on the Consent Calendar, perhaps in March, so that targets can be seen before the report-out in May. President Simpson added that May would be the first real test drive of the template.

Commissioner Mital stated that he would like to go forward with structure but not with content.

Commissioner Helgeson stated that he is voting in favor of the plan because of what Commissioner Mital had just described—structure but not content. He added that he is comfortable with the Board giving acknowledgement of the direction General Manager Gray is taking and the work he is doing.

After further discussion clarifying a motion to support direction but fill out the content, the motion passed unanimously (4-0).

BOARD BYLAW REVIEW

President Simpson recalled that Article XII, Section 2 of the Board by-laws is to be reviewed within the first three months of the swearing in of new Commissioners. He explained that it is not mandatory that any bylaw be changed but that they can be changed at any time during the year, and that any change must be presented in writing to the entire Board at least 10 days before a meeting in order to consider the change. He noted that he had received ideas regarding changes but they were then retracted, so at this time he has no active requests for changes.

He asked the Board if they had any changes to submit. There were none, and President Simpson added that Commissioner Manning had not submitted any changes.

ITEMS FROM BOARD MEMBERS

Regarding the strategic planning session on February 19, President Simpson asked for a poll on whether to refine the existing strategic plan or do a major revision. He stated that in his opinion, the refinement piece represents very much where EWEB is today and that he doesn't see any requirement for a major revision, other than the question of whether EWEB can really afford a second source of water at this time. He added that staff has assured him that their presentation will include a preamble regarding affordability.

Vice President Brown, Commissioner Helgeson and Commissioner Mital voiced their support for refinement.

Commissioner Helgeson added that he wants to provide an opportunity for the three new Commissioners to join the conversation and dialogue and possibly identify other issues of emphasis. President Simpson agreed, saying that it might be helpful for General Manager Gray to present a contextual piece on what drove the need to create the strategic plan, its timelines, etc.

General Manager Gray stated that he will present a brief history and key up the important issues, in order to see if there are major issues the Board wishes to discuss, i.e., possibly identifying the top five issues for each Commissioner.

Commissioner Mital stated that he will not be able to attend the February 19 work session.

President Simpson reminded the Board of the all-day Board team-building workshop which will be held on March 15 at 8:30 a.m. in the Kilcullen Room at the Eugene Police headquarters on Country Club Road. He thanked Taryn Johnson, Executive Assistant to the Board and General Manager, for her assistance with planning this workshop. He added that he has been working with the workshop facilitator to determine discussion items.

President Simpson thanked the Board for participating in the round robin poll regarding financial institutions. He noted that Commissioner Mital had offered a great suggestion to send the results to staff in order to aggregate or condense some of the topics, and that he will e-mail those questions to the Board.

President Simpson stated that on January 18 he received a complaint from a constituent that individual e-mail addresses of Commissioners are not published on the EWEB website. He said he had explained to her that the e-mail addresses had been removed in order to cut down on the amount of spam that the Commissioners were receiving, and that she was satisfied with his answer.

President Simpson stated that on January 29 he received a verbal complaint from a Whitaker neighborhood resident regarding a tree trimming crew, and that staff had done a site visit and provided a response. He added that he himself had closed the complaint loop to a

roughly 50% satisfaction level, and that he would provide the Board some additional information regarding this complaint.

President Simpson stated that he had met with Brenda Wilson, Lane Council of Governments (LGOC) Executive Director, on January 14. He recalled that he had previously been appointed to serve on the LCOG Board and is also interested in serving on their Executive Board, and that he may be elected for that position on February 28. He noted that Ms. Wilson had said she would be happy to make a presentation about LCOG operations at a future EWEB Board meeting.

He also noted that the LCOG Chair has proposed an amendment to the LCOG by-laws to expand the amount of executive board members from eight to nine and to adjust the quorum appropriately, and that unless the Board has any objections, he will support this proposal.

President Simpson noted his upcoming following meetings/obligations:

February 7 – Harlow Neighborhood meeting (in place of Vice President Brown, who will be out of town).

February 7 – lunch with the director of the Northwest Energy Coalition, Sarah Patton, and staff member Wendy Gerlitz; a representative of EPUD, and possibly City Councilor Alan Zelenka.

March – attendance at the APPA legislative rally in Washington, D.C. with EWEB Lobbyist Jason Heuser.

President Simpson then announced that LCOG had invited the Board to attend their annual appreciation dinner on February 28 (5:30 social, 6:15 dinner and program) featuring keynote speakers State Representative Val Hoyle and Springfield School District Superintendent Nancy Golden. He asked that the Commissioners who wish to attend RSVP to Ms. Johnson.

Vice President Brown recalled that he testified before the Eugene Planning Commission tonight regarding the Riverfront Master Plan, and that the project consultants have done an incredible job. He added that he is hopeful that the process will continue to move along.

Vice President Brown asked for clarification regarding EWEB's offer for customers to save \$25 on their bill if they attend a financial planning class. Mr. Freeman stated that many customers have never been taught how to budget their money, and that staff believes that if EWEB spends some money to teach them how to use their money wisely, they won't continue to have difficulty paying their bill or continue to require a security deposit.

Vice President Brown asked for an overview regarding the McKenzie Fly Fishers' lawsuit against the Oregon Department of Fish & Wildlife (ODFW) and what will happen if it is successful, as the McKenzie River Guides are concerned about how that lawsuit may affect them.

General Manager Gray recommended that staff assess the situation and evaluate whether EWEB needs to intervene or not, and then a discussion may have to be held in Executive Session or, if not, one-on-one briefings will be held with each Commissioner.

Commissioner Helgeson said that he attended his first McKenzie Watershed Council meeting in January to get some initial grounding, and that a report regarding Springfield Utility Board's (SUB) water source protection program seemed to parallel the work EWEB is doing upriver.

Commissioner Helgeson said that he had received a call from a customer who is new to the area voicing concern about the fixed charges on EWEB's bill, even when his bill was only for a partial month, and that it reminded him that the fixed charges vs. variable rates add up. He said he hopes that can be kept in mind and a balance can be struck when rates are designed.

Commissioner Helgeson then acknowledged that the change in administration at Bonneville Power Administration (BPA), and acknowledged former administrator Steve Wright, who held that position for 12 years, and was always a friend of public power and quite effective in Washington, D.C. in that regard. He added that he endorses BPA's new administrator, Bill Drummond, who is also a friend of public power, and who was a former director of the Public Power Council and also a former manager of a co-op group in Montana. He said that he believes Mr. Drummond understands the role EWEB plays in BPA operations and that he believes BPA is in good hands.

Commissioner Mital noted that he will also be having coffee with Sarah Patton and Wendy Gerlitz of the NVEC staff this Thursday.

Regarding EWEB rates, Commissioner Mital reminded the Board that there are many EWEB customers who live close to the margin and that rate increases obviously affect their livelihood. He noted that currently EWEB has a three-tiered rate system and that rate increases affect all three tiers. He recalled his request at a previous work session for staff to review options to possibly insulate Tier 1 customers from those rate increases, at least partially, so that rate increases don't affect low-income customers as much as they affect the rest of EWEB customers.

President Simpson stated that there is an item on the March meeting agenda which will address that.

General Manager Gray stated that he feels it is important to address this issue, and that what led to this was a previous request from Commissioners Helgeson and Ernst to look at EWEB's rate policies and strategies around large loads. In that regard, staff had said it would be better to look at all rate classes and have a discussion around that, and that Commissioner Mital's request would be a natural add-on to that effort. He added that staff has already started to make some strategy changes on the water side regarding fixed costs, and that the overall concept will be introduced at the March 5 meeting.

Commissioner Helgeson stated that he thinks the Board needs to be clear about policy objectives before they have a rate discussion, and that while he is happy to entertain conversation about how to address rates, he's not convinced that rate design is the most effective way to treat rate issues, and that he is hoping that a rate redesign wouldn't interfere with other priorities like budget issues, the BPA passthrough, etc. He added that he would like to have that discussion and then see what resources would be tied up depending on what came out of that discussion.

President Simpson stated that he isn't looking for pre-packaged rate options but merely wants to examine what it is that is attempting to be fixed.

General Manager Gray stated that this would be a more policy-oriented paper and that there does need to be a policy discussion, and then items need to be prioritized to see if there are resources to do it. He added that the Board may be driven to have a policy discussion regarding large load, because right now it is covered by a default, which may not be the best approach.

Ms. Smith pointed out that with only one rate analyst on staff, a rate re-design would require a lot of time and resources.

Commissioner Mital stated that it is possible that there are other customers besides low-income customers who can't afford rate increases. General Manager Gray added that when EWEB's rate design results in any customer losing comfort by having to turn off their heat in order to afford their bill, that doesn't help the customer or EWEB.

Vice President Brown stated that he too would like to have that discussion and not just about the rate piece, but also about EWEB's fixed charges. He gave the example an unoccupied three-bedroom duplex having an EWEB bill of \$185.

CORRESPONDENCE AND BOARD AGENDAS

General Manager Gray noted one correspondence item regarding an explanation of electric reliability.

He reminded the Board that the trip to the State Capitol is next week and that Ms. Johnson is putting the information together for that.

He noted that he continues to plan future Board agendas with President Simpson and Vice President Brown.

He told the Board that a meeting on March 19 will almost certainly be needed because of necessary Board direction regarding the citizen budget advisory panel and also because of needed follow-up or continuation of the financial discussion that will be held on March 5.

He reminded the Board of the upcoming APPA webinar on February 19 and that Anne Kah will send out an RSVP for that. If any Commissioner cannot attend, the material will be sent out after that date.

Commissioner Helgeson stated that he will not be able to attend the May 7 Board meeting.

President Simpson adjourned the Regular Session at 9:05 p.m.

Assistant Secretary

President