

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

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

Others Present: Kevin Biersdorff, Todd Simmons, Sibyl Geiselman, Gail Murray, Cathy Bloom, Sue Fahey, Deborah Hart, Edward Yan, Kathy Grey, Wally McCullough, Brad Taylor, Jeannine Parisi, Sheila Crawford, Tammy DenOuden, Joe Harwood, Anne Kah, Frank Lawson, Dean Ahlsten, Mark Freeman, Lisa McLaughlin, Susan Eicher, Matt Sayre, Lena Kostopulos, Steve Mangan, Jill Hoyenga, Dave Churchman, and Taryn Johnson of the EWEB staff; Vicki Maxon, recorder.

President Simpson 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 Manning stated that he had attended the Bethel Neighborhood Association annual meeting and heard some great information about various community projects, and that he will be working with General Manager Roger Gray to see if EWEB can assist them with any of those projects. He noted that one of their projects is a garden from which they donate produce to Food for Lane County.

Vice President Brown wondered why the allocation for the watershed protection program includes \$5,000 for outflow from the Springfield storm water system and \$150,000 for the Berggren demonstration farm, and why the disparity between these two items is so large

He also stated that several people had told him that EWEB is removing various items from the Steam Plant during the asbestos abatement process, and he hopes if EWEB declares any turbines or any other items removed for surplus, that staff will first discuss that with the Board.

He noted that it has been one year since the Board has discussed salmon diversion at Walterville and he asked about the status of the \$700,000 study.

He also asked for an update on the Weyerhaeuser plume.

President Simpson congratulated staff for receiving an Excellence in Communication award from the American Public Power Association (APPA) for the development of EWEB's website. He added that EWEB's website has come so far over the past six years that it can't even be measured.

He stated that he had attended the Veneta pipeline dedication ceremony, which was a great event and was well-attended by the public.

He cautioned anyone who has one of EWEB's new water bottles to not wash it in the dishwasher, as it will shrink during the dry cycle.

He noted that he has been working with Jeannine Parisi, Community and Local Government Outreach Coordinator, and City of Eugene staff to finalize plans for the joint EWEB Board/Eugene City Council meeting, which will hopefully be held in January.

General Manager Gray stated that Vice President Brown's concerns can be addressed by Lisa McLaughlin, Staff Biologist as Steve Newcomb, Environmental Manager, is out of town. He added that he is pretty sure that staff is not removing any historical items from the Steam Plant.

Regarding the clean water vs. urban runoff, Ms. McLaughlin deferred to Karl Morgenstern, Drinking Water Source Protection Coordinator, who is out of town attending a conference, as she can't speak to the funding allocation.

Regarding the fish passage issue at Walterville, she stated that radio tracking has been done and verbal approval has been received from the fish agencies, who are pleased with the results and are not recommending further action, as everyone agrees that the equipment is working great.

President Simpson voiced interest in a tour of the Walterville facility. Ms. McLaughlin replied that she would be happy to plan a tour.

Ms. Parisi stated that she is working on a Memorandum of Understanding (MOU) between EWEB and the City of Eugene regarding how Steam Plant artifacts will be preserved, either with items being removed and stored, or made available to EWEB to retain either in the Steam Plant or on-site, and that the items to be retained will be identified, and other materials will be available for scrap or be sold. She noted that staff will look into what monetary value can be placed on the #3 turbine, and that the #1 turbine and the firebox from the 1930s will remain in place in order to retain as much historical value as possible. She added that staff will do a walk-through of the facility and will ask the Board how they feel about leaving those items in place, as they take up quite a bit of space, and then the future property owners can decide what has value vs. removing them and putting them in storage.

Kevin Biersdorff, Riverfront Master Plan Project Manager, stated that many items have to be removed as part of the asbestos abatement process, and that staff is attempting to remove

most of the historic items themselves in order to not burden the contractor and thereby lessen the cost of abatement. Ms. Parisi added that all insignias will be removed from those items so that nameplates, meters, etc., can be retained.

General Manager Gray added that the #3 turbine will be sold. Vice President Brown asked that staff come to the Board before proceeding with the sale. General Manager Gray agreed.

Commissioner Helgeson asked how much of that process has to do with asbestos abatement and demolition, as environmental mitigation or attractivity may or may not be investments that will pay off. He wondered how far that process will go in those respects without knowing the payoff. Mr. Biersdorff replied that staff is leaning to the conservative side so as not to burden the contractor with getting involved in piecing out individual items.

Commissioner Helgeson asked what the advantage is of doing this now or waiting to see if those investments will be needed in order to have the whole process turned down, i.e., a question of timing. Mr. Biersdorff replied that these items need to be removed in order to do the asbestos abatement, and that will drive the decision regarding turbines #1 and #2. He noted that the 1931-era assets have the most value.

President Simpson asked for clarification that this discussion is regarding the performance of the \$473,000 contract to remove and abate/demolish steam plant turbine #3 which was installed in the 1950s compared to doing same earlier for the first two turbines.

Commissioner Helgeson stated that he will call Will Bondioli, Steam Plant Superintendent, to get that information.

PUBLIC INPUT

Bob Dempsey, CEO of the EWEB Credit Union, read the following letter:

“I wish to address the Declaration of Surplus as it relates to the EWEB Employees Federal Credit Union.

I respectfully request that you postpone declaring the Credit Union facility ‘surplus’ until such time as you make that declaration for the administration facility. Failing that, I would request that we work out some sort of co-location agreement. The EWEB Employees Federal Credit Union is a single employer group credit union and has been sponsored by Eugene Water & Electric Board for 60 years. We serve 80% of your employees, retirees, and the families of these groups. We are a financially sound institution focused solely upon the financial well-being of your employees and their families. The liquidation of the credit union facility has the potential to affect us so dramatically that it could make it necessary for us to merge with another financial institution.

Our Board of Directors and I invite you to learn more about the credit union by either attending one of our board meetings or meeting with me individually. The next credit union board meeting is November 18 at 5:00 p.m. I am available to meet with you at your convenience.”

Bob Cassidy noted that the recent electric rate increase resulted in only a \$2 increase in his monthly bill. He appreciated what EWEB has done around public information about its budget and noted that it is important to maintain EWEB’s existing work force and not lay off any more employees. Regarding demand response, he hopes that EWEB is doing their part on this, and he said he had thought about the pumps that fill the reservoirs and that he hopes they are not running at peak times. He wondered if smart meters can be placed on reservoir pumps.

Gary Wildish, representing the Eugene Chamber of Commerce, read the following letter signed by Laura Potter, Director of Business Advocacy for the Eugene Chamber of Commerce, regarding the EWEB Riverfront Master Plan:

“Dear General Manager Gray: The Eugene Chamber’s Local Government Affairs Committee (LGAC) and the Chamber Board have identified implementation of the EWEB Riverfront Master Plan as a priority. As you know, we have been deeply involved in this project since the inception of the Community Advisory Team that helped create the Master Plan. With that plan formally adopted as code, we hope to remain involved well after the first new building on the site opens for business. We ask you, the elected board, to continue to carefully balance the fiduciary responsibility to the ratepayers with the need to make this great legacy project a reality. Meanwhile, the Chamber is excited to partner with EWEB to help achieve this vision.

We recognize that with the completion of the Master Plan work, EWEB is now moving into the next phase of the project and getting ready to solicit potential master developers who are interested and financially capable of delivering a development project on this unique and complicated site. We share your interest in securing high-quality development consistent with the Master Plan and understand the importance of finding the right team that can navigate projects in our community. With that in mind, we hope to help convey community and political support for the selected development team and the first projects as they come into public view. The Chamber will work to advocate for the use of urban renewal money and other public funds that maximize value for EWEB ratepayers and the community at large. We strongly believe that partnership and financing tools are going to be critical to our success and stand ready to support policy makers, ECO Northwest and EWEB staff as this work moves forward.”

B.K. Hoffman has been an EWEB customer for 30 years. He reiterated his previous public testimony against smart metering and urged the Board to proceed with caution.

Lisa Marie DiVincent gave the following testimony: “Greetings, Commissioners, staff, and citizens. My name is Lisa-Marie DiVincent, counselor, nonviolent communication trainer, and mediator in private practice. Please recall my message last month, ‘Do no harm.’ Let us continue to strive for that goal.

Next, I'd like to appreciate the wireless meter opt-in, making it easier for those with sufficient scientific understanding to decline a wireless smart meter on our homes or businesses, if self-employed.

However, public and private employees don't have that choice. To prevent scientifically proven harm to the percentage of radiation-sensitive full-time employees who will be physically compromised, I request that all public and commercial buildings remain smart meter-free. An exponential increasing in community education will inform employee lawsuits proving EWEB irresponsible if not negligent. You have received ample documented evidence about smart meter risks and dangers.

In addition, the general public should not be forced to be exposed to smart meter radiation in the course of necessary activities away from home. Concerned citizens are considering maintaining an ongoing list of all homes, buildings, and businesses with smart meters installed so that aware people can protect themselves accordingly. To recap: Please keep all public and commercial buildings wireless smart meter-free.

Finally, I'm formally requesting a Citizen Advisory Board to provide the community with a balanced view of wireless meter pros and cons. All EWEB publicity, promotional and bill inserts, incentives, on-line and hard copy newsletters, as well as media releases regarding this topic need balance. Over the past several months, I'm disheartened to say I've seen a culpable lack of transparency, with biased one-sided pro-smart meter views being consistently distributed by EWEB staff.

The failure of truly informed choice will serve as evidence in future lawsuits. We owe it to our community to let them decide for themselves by hearing the different versions -- the slant of EWEB staff and that of citizens opposed to wireless meters. A large majority of EWEB customers still lack exposure to the pros and cons that would help them decide which presentations to base their choice on. By failing to fully inform customers, the opt-in clause will not protect EWEB from future class action lawsuits.

Despite working full-time, I've been volunteering considerable energy towards researching and informing our community to help EWEB Do No Harm. Please let a Citizen Advisory Committee contribute to the public's right to know instead of continuing down the contentious path of this dangerous controversy."

Klaus Pressler gave the following testimony:

"Good evening. I'd like to begin by thanking EWEB's representative Robert (last name unknown to me) for giving me the wake-up call at 7:09 a.m. this morning. (How many of you are open for business, or even taking calls at 7 am ...? I thought so.) Robert provided a fitting reminder that accountability and transparency are at an all-time low – and declining. For, you see, no matter how much of a 'nice guy' he may be – or how much of a 'Good Cop;/glad-hander EWEB may have hired him to be, Robert failed to carry out what he indicated in writing would be the case – on August 9th, three months ago! So, this serves as a very timely example of just

how much even written notices (and the like) from EWEB can be relied upon. Ratepayers beware!

That said... some time back in late 2005 or early 2006, EWEB attached an Itron brand digital metering device onto my home, without notice, and without my consent. Around the same time, my nearest neighbor 'received' an entirely different type of digital broadcasting 'meter' device... located not 18 feet from where I lay my head at night to sleep. (Curiously, my neighbor on the other side retains their good old reliable analog electrical meter to this day.) How was I 'selected' to become EWEB's 'guinea pig'? (I have some thoughts on that...)

As it turns out I 'happen' to have developed a range of symptoms over the past seven years, which 'happen' to be consistent with the medical/scientific literature on these so-called 'smart' meter devices. I **OBJECT** to what has been installed upon the wall of my home – as well as to what has been installed within 18 feet of where I lay my head at night to sleep – all without notice, nor consent.

I objected then – and I continue to object now. I do not wish to 'Opt In,' and never have – but I was never given a choice. Whatever your current explanation, justification, or excuse – I don't believe it – whether or not it's in writing. Please... do the right thing, and remove these digital broadcasting devices from my and my family's immediate vicinity, without further delay.”

Loretta Houston is a former EWEB employee who was “let go” on October 29, 2013 for various reasons, however she stated that she is testifying tonight as a ratepayer regarding EWEB’s financial future, and also regarding AMI. She stated that there are more and more people who are unemployed, and as EWEB pushes toward modernizing of its systems, she questions and does not understand why EWEB keeps pouring more money into the future while at the same time letting go of very good entry-level positions (family wage jobs). She wonders why EWEB is offering an opt-in AMI project for which the Board approved \$26 million, and she wonders who is going to pay for that. She said that there is no such thing as a free smart meter and that she would like to get more information. She added that EWEB employees aren’t as informed as they used to be, either, and she would appreciate more clarity on who is going to pay for this future debt, especially with such short-lived digital technology.

Richard Gabriel, a retired dentist, doesn’t want the money from rate increases that should go to support infrastructure and alternative water supplies to go toward smart metering. He realizes that he has the option to opt in, and also to put his cell phone to his head, and he takes that risk, but he doesn’t have an option when a smart meter installed within five to 30 feet of his bedroom window or wherever else. He stated that an opt-in does not protect a customer or the public health, and that when his neighbor installs a smart meter on an apartment or commercial building, opt-in is a public health risk to the people surrounding it. He asked the Board to do a medi-analysis of medical documentation being done worldwide in North America, Europe and everywhere else. He recommended that the Board not move further ahead with smart meters and that they spend money on things that will improve and guarantee water supply and clean electricity in our community, instead of wasting money on smart metering.

Yaqin Sliwinski echoed Dr. Gabriel's comments. He reiterated his testimony from previous Board meetings that smart metering harms pregnant women, embryos, children, and the like.

Kathy Ging gave the following testimony: "The theme of my remarks is the phrase 'rules of thumb' used by former EWEB General Manager Randy Berggren on March 23, 2010 at EWEB's annual retreat, responding to a question by Commissioner John Brown as to whether the community might show opposition to smart meters, which Randy discussed taking off the shelf when the economy improved. Free Dictionary defines rule of thumbs as: A useful principle having wide application but not intended to be strictly accurate or reliable in every situation.

It is this tone that dominated EWEB's smart meter indoctrination style campaign, often denying public requests for more balanced information on its website and in public releases. As a result, most of the public is still uninformed about differences between wired and wireless smart meters and the advantages and disadvantages of each and of smart meters in general.

EWEB AMI engineer Greg Armstead's letter at the introduction to Good Company's triple bottom line smart meter analysis in August 2011 sets the intention stating that the study was to assure the success of smart meter implementation (EWEB paid for the study).

EWEB wanted to conduct this analysis early in the planning process, to help shape the ultimate – and successful – outcome of the project. We purposefully asked The Good Company to take an outside-in community perspective of the potential impact of this technology. The Good Company looked at three potential AMI scenarios that range from a 'bare bones' AMI system to one that provides a much higher potential for integrating 'smart grid,' demand-response and other initiatives that will benefit the community, EWEB and its customers.

<http://www.eweb.org/public/documents/smartmeter/TBLanalysis.pdf>

Smart meters have opened a seller disclosure statement new Pandora box for realtors, sellers and buyers of residential property.

I have been in discussion with legal counsel at Oregon Association of Realtors alerting them to the fact that since smart meters have been the subject of recalls, settlements and litigation (Oregon Sellers Disclosure Statement required by state law, page 3, item 6 asks if any product in the house has been subject to any of the above three problems), they now may need to consider adding information about smart meter manufacturer and model number, including antenna, to seller disclosure statements and add transparent information about smart meter liabilities to requirements for initial and continuing realtor education.

I am not familiar with the smart meter vendor or installer potentially culpable in the settlement of Larry Nikkel in Vacaville, CA, who died in a house fire the day after a smart meter was installed, but an out-of-court settlement for an undisclosed amount of money was awarded to his family in 2012, two years later, a warning to those who accept smart meters on their homes or other buildings and fail to disclose this issue if a fire or explosion occurs (or even a health issue

develops after property sale). Sellers have a duty to disclose any potential material defects that exist in transferring real estate.

Litigation has been filed in several states (some lawsuits have been won by litigants) and countries regarding smart meters and recall of thousands of Sensus-USA meters in the PECO, Philadelphia, PA, utility district is documented in press items. News items report dozens of fires triggered also in Texas, California, Florida, Canada and elsewhere from smart meters.

A seller's disclosure statement is required to be completed in Oregon by sellers in all residential sales transaction with certain exceptions. Not informing sellers and realtors about potential liability in neglecting due diligence and standard of care in advising their principal about issues can create liability for sellers and realtors who are assumed to be professionals trained in the problems and possible material defects in the built environment.

As documented in affidavits and filings, FCC proceeding 13-84, a new class of refugees sensitive to electromagnetic fields has resulted from proliferation of wireless technology. It could be that a publicly available list of buildings with wired meters should be mandated and that this should be an essential part of EWEB's opt-in plan. The exact model number and name of the manufacturer and installer should be provided to homeowners by EWEB for their permanent files so that they can disclose this information on seller disclosure statements.

Your erroneous decision to allow an OPT IN instead of a 10-year zero option or a real zero option - indefinite moratorium which many informed ratepayers wanted - now creates another complexity in real estate sales.

About your annual survey indicating about half of the respondents supporting and half not supporting smart meters: more significant is that as people learned about smart meter problems and controversies, there was a 340% increase of those opposing EWEB's planned AMI program from 2011 to 2013.

If you read the comments on one of the TV channel Facebook postings after October 1, 2013, all were opposed to smart meters except for one woman who thought she had a smart meter but since wireless meters cannot be used in rural areas, she may not have known that her meter probably was NOT wireless and may have been a digital AMR or ETR not a smart meter.

If it had not been for Families for SAFE Meters and medical, scientific, engineering and education professionals who diligently attempted to educate EWEB staff and board in the last 2-1/4 years, ratepayers would have not been as well-informed as to wireless meter technology and liabilities.

It is puzzling why EWEB General Manager Roger Gray denied the role Families... played in the 10/2/13 R-G article. Three staff and one Board member commented to me that without Families... involvement, a wireless radio mesh net probably would have been installed.

It is difficult especially for a manager to admit mistakes, but the public deserves better treatment by Oregon's largest publicly owned utility leader. Ratepayers also have great consternation about misrepresentations in Gray's responses to Board inquiries about smart meter fires and explosions - over 1,000 worldwide -, health consequences, Fourth Amendment privacy rights violations and other issues that should dictate to a prudent person to approve at least a 10-year moratorium.

One totally voracious statement Gray made confirmed that the smart grid is not hack-proof, adding that he would attend a conference on the topic! For cyber-security concerns alone, EWEB should not have approved smart meters. The public was appalled that they were not given the opportunity to rebut and rectify Gray's numerous mistakes, and the Board made a hasty decision on distorted information and disinformation inadequately researched by the General Manager and staff.

If you as a Board allow the staff to adopt incentives for smart meter installation, it would be further anomalous public policy.

There is still time to reverse your decision approving the opt-in smart meter plan before legal action or a petition drive that could cause more dissension and acrimony in the community.

Thank you for your public service and for your careful consideration of the information provided here."

Abraham Likwornik gave the following testimony: "It is obvious that by your vote to install so-called 'smart' meters, you have given great importance to one man's input (EWEB General Manager Roger Gray) and have chosen to mostly ignore the information of the people of Eugene and other verbal, written and media input presented to you over the past few months. This is unfortunate for the people of Eugene.

Each member of this board of commissioners has been given enough credible, verifiable, proof, information, and resources that would convince any prudent man or woman that these so-called 'smart' meters endanger the health, safety, financial welfare, privacy and security of all the people in EWEB's service area. In other words, you have all been given *lawful notice* of the consequences of your actions. You cannot now claim ignorance of the dangers and controversy about these digital meters. This makes each and every one of you, in your private capacity, liable for your conduct. You have chosen, by your vote, to act outside of your official public capacity by not following EWEB's by-laws and environmental mandate and pledge. Therefore you no longer have the protection or immunity of your office. By installing your first so-called 'smart' meter, you will knowingly and intentionally be endangering the people, animals and the overall quality of the environment of Eugene. In the Law, this constitutes reckless misconduct. It will not be the owners of EWEB who will be taking on the burden of any future lawsuits, it will be you, the men of this commission.

I respectfully demand that you cease and desist all plans and activities related to so-called digital 'smart' meters and that you do not purchase or install these meters on any buildings within your service area."

Ms. Michael Carter appreciates that EWEB is willing to work with low-income customer such as herself, and she appreciates the low-income assistance that EWEB has given her. She said she feels strong about smart metering, not just the meters, but the proliferation of EMF, and also GMOs, and she emphasized that all of these things are harmful to health and the environment, and becoming more and more massive. She believes there has been a real slant on money as a mediating factor in what choices are made, though she doesn't think that is done intentionally. She asked the Board as individuals to really think about this issue and see if they in fact do support this (though she doesn't want to make any judgments). She also believes the community has an opportunity to demonstrate something different than what is happening all over the world that is very destructive, and that the community can be creative and support each other. She again asked the Board to really think about this issue and talk about it amongst themselves, and move in a direction that is good for people and for the environment.

President Simpson thanked everyone for their testimony. He told Mr. Pressler that he will ask staff to contact him and provide him with information regarding his meter. He noted that, to his knowledge, there are no smart meters being installed except for customers who are in the pilot study. He added that staff will provide the Board with a copy of that response. Regarding Mr. Pressler's neighbor's meter, he asked Mr. Pressler to speak to his neighbor.

Vice President Brown thanked everyone for their testimony. He reiterated that the opt-in option is not a mandate, and that he can't tell his neighbor what meter technology to use, nor can he control a cell tower being erected within a few feet of his home. Regarding the threat of a customer suing the Board as a result of smart metering, he said "it is what it is," and that he will take his chances.

Commissioner Mital thanked everyone for their testimony and noted that nine people had spoken against smart metering this evening, and added that he had taken notes on their testimony. He reminded the audience that smart metering is now on a slow-moving route. With regard to Mr. Dempsey's concern about surplus property, he said the Board will get more clear after tonight's agenda item.

Commissioner Helgeson stated that he supports the EWEB Credit Union, and that it has many members and provides a great benefit to those members. He acknowledged that there may be some limitation in resolving any certainty about the credit union's ultimate location, but that he would hope that its value represents employees and everyone else to their mutual benefit.

He appreciated Mr. Wildish for the Chamber of Commerce's support to move forward on the Master Plan, and said he will continue to support it.

He then stated that he continues to feel comfortable with what the Board decided at their last meeting regarding smart metering, and that the sooner the Board begins to more clearly define for EWEB and the public what its intentions are, how that will roll out, the investment from the utility, and options for its customers, the better. He reiterated the significantly different implementation sequence than what was previously considered and also the different approach in

terms of investment and the number of customers participating, which will result in long-term benefits with managing peak demand.

Commissioner Manning thanked everyone for their testimony and said that the Board understands their various positions.

Regarding the EWEB Credit Union, General Manager Gray replied that staff will work with Mr. Dempsey, and that EWEB has a great relationship with the EWEB Credit Union. He said he can't predict any outcome where the EWEB headquarters would not be adjacent to the EWEB Credit Union. He noted that the majority of EWEB's employees who are Credit Union members are at the Roosevelt Operations Center (ROC) now, and that he will figure out how to deal with that aspect, but that the declaration of surplus doesn't change his view of EWEB's role with the Credit Union, and visa versa.

Regarding advanced metering infrastructure (AMI), he reiterated that the process is in place and that staff is focusing on the soonest year right away (2015), and trying to describe in better terms what customers will face. He also reiterated that the kickoff of AMI is still a couple of months away but that staff is on top of it, and that smart meters will not be rolled out without the pilot program happening first. He noted that staff will research Mr. Pressler's Itron meter, and that EWEB also has other residences where there is a bad dog or a customer who doesn't want EWEB on their property, and that staff will gather the facts and provide Mr. Pressler with the information.

CONSENT CALENDAR

MINUTES

1a. September 17, 2013 Regular Session

RESOLUTIONS

2. Resolution No. 1323 – 2014 Trojan Budget. Contact Person is Cathy Bloom.
3. Resolution No. 1324 – Declaring Surplus for Certain Real Property No Longer Needed for Utility Purpose. Contact Person is Steve Newcomb.

CONTRACTS

4. 2G Construction – to provide additional construction services for the Carmen-Smith campus garage additions. \$76,854 (Total \$456,835) Generation. Contact Person is Roger Kline.
5. Performance Abatement Services, Inc. – to provide hazardous material abatement and demolition services for EWEB Steam Plant Boiler #3. \$473,000. Environmental Services. Contact Person is Steve Newcomb.

6. Tyndale Company, Inc. – for the purchase of fire retardant apparel for employees who work on or near energized equipment. \$300,000 (over five years). Electric Operations. Contact Person is Todd Simmons.

7. Wildish Building Co. – for Leaburg Dam Roll Gate Bulkhead Installation and Removal to facilitate inspection, testing and dry operation for the three roll gates. \$399,000 (through December 2014). Engineering Department. Contact Person is Mel Damewood.

OTHER

8. Update to Board Policy Manual; Retire Board Policy SD4, – Contact Person is Steve Newcomb

President Simpson pulled item #3.

It was moved by Vice President Brown, seconded by Commissioner Manning, to approve the remainder of the Consent Calendar. The motion passed unanimously (5-0).

ITEMS FROM CONSENT CALENDAR

Regarding item #3, and Mr. Dempsey's request during Public Input to have the EWEB Credit Union property exempted from the declaration of surplus, General Manager Gray explained that staff's recommendation is to include everything except the former gas plant, and staff is working out the green and open space with the City of Eugene. He stated that the working assumption is that the City will not exercise right of first refusal and then go to market price. It is intended that when the Request for Information (RFI)/Request for Quotation (RFQ) goes out to master developers who are interested in even the headquarters or the North Building, staff will poll all ideas and thoughts.

General Manager Gray continued, saying that he expects that the Credit Union can have their lease retained and it would be better to work with them to work out a long-term solution for the Credit Union, and that there may be higher and better uses for a larger plan including the EWEB Child Development Center and the lease with Systems West for the Midgley Building. He explained that EWEB has to have a transition plan with all those entities, tied in in some fashion to the Credit Union for a long period of time, as there is mutual support there. He noted that staff debated putting the headquarters building in the surplus recommendation but they are not prepared to do that yet, and that staff will put as much as they can into the surplus declaration and resolve the other issues with the City, for example the green space.

President Simpson asked if the Resolution needs to be modified in order to protect the Credit Union or if it can be approved as is.

General Manager Gray replied that EWEB can't declare the Credit Union as surplus but that they're declaring the building as surplus property. He noted that EWEB has annual leases with the Credit Union and Systems West. He stated that EWEB and the Credit Union will have a

long-term cohabitation plan but that it may not be located on EWEB's current property, and it might be at the ROC or on the first floor of the headquarters, or a developer might leave the CU building alone. He said that staff will work with the Credit Union to make sure that it and EWEB stay tied together, and that he doesn't know if both entities will be at the presentation in the long term, but if EWEB exits, he hopes that the Credit Union will exit with them, unless they expand their customer base.

Vice President Brown asked how many parking spaces EWEB is contracted to provide to EGI (the new tenant in the headquarters building). General Manager Gray replied that there aren't enough parking spaces retained, but that if there is surplus property, that will have to be worked out, and that some parking will be retained for EWEB, EGI, the EWEB Credit Union, and Systems West.

Mr. Biersdorff added that the exact figure hasn't been added up but that the declaration of surplus does not preclude the normal negotiating process with a developer, or more likely minor developers, who are interested in specific parcels. He added that there is enough vacant property around the building that a leased building could be moved if necessary, and possibly leased back to the developer in the interim.

Vice President Brown asked if EWEB has received confirmation that the above process won't put it the property on the tax rolls. Vice President Brown added that PeaceHealth is taxed on the ownerships that they don't use in their hospital functions, and that is what is concerning.

General Manager Gray replied that the tax roll issue has been confirmed with legal counsel, and that staff would rather work with the master developer to locate parking further away if necessary, as he doesn't want to carve out too much parking area up front.

Commissioner Helgeson stated that it seems to him that the declaration is for making property available, but also for a host of issues that relate to use of the property and other interests. He wondered if the Steam Plant would be included in the above process. He said that to him, the Midgley building has potential for retaining a downtown EWEB location for customers. He asked for confirmation that this action doesn't cause anything to be sold or disposed of, but simply outlines the areas made available for certain purposes, particularly for the City to cut loose with their option for first refusal, but to withhold parcels. He added that he would like to keep an eye on that objective and move forward with the declaration. He also voiced a desire to meet with Mr. Dempsey and learn more about their institution and about their relationship with EWEB.

General Manager Gray then restated key points from the above discussion:

- Declaration of property and not to sell X, Y or Z
- Begin process with City of Eugene to prepare surplus (90 days before actual issue to the City) in order to work out open space and park issues
- Once declaration takes place, it is our hope that City would not exercise right of first refusal and then would go to market price

- Will not sell a parcel without the Board's prior knowledge

President Simpson asked if the same declaration of surplus process would be required if a buyer is interested in the headquarters building. General Manager Gray replied that it would, and stated that the process is tied to the MOU with the City of Eugene.

It was then moved by President Simpson, seconded by Vice President Brown, to approve item #3 (Resolution No. 1324). The motion passed unanimously (5-0).

Regarding item #7, Commissioner Mital stated that he is under-prepared, and asked if capital budget changes are included in the discussion. He noted that the failure of Leaburg Dam roll gate #2 is an expensive failure and he wondered if EWEB has any recourse with the manufacturer.

General Manager Gray replied that he will follow up with the Board on that.

Mark Zinniker, Generation Supervisor, replied that manufacturing defects and a failed motor are covered, but there is a diverse spectrum of other potential contributors to failure. He added that the combination of the length of time in service (seven years) and the diversity of factors and considerable amount of forensics that are necessary (which haven't been pursued) have limited potential for a positive outcome.

Vice President Brown asked if this is the roll gate that failed to open a couple of years ago, as he thought it was replaced at that time.

Mr. Zinniker replied that the motor was removed from the pier house and a crane was brought in in order to get the roll gate to the shop so it could be opened and cause could be determined.

General Manager Gray added that the dam is currently operating safely but there is concern about certain flow conditions when roll gate #2 is necessary, and about the need to get it back into operation. Mr. Zinniker added that the remaining roll gates #1 and #3 have 100-year flood passage capacity but redundancy has been lost.

Commissioner Helgeson stated that he supports staff's judgment in these areas but he would like an update on what kind of insurance and stop clauses exist for these types of failures.

General Manager Gray stated that staff is in the process of carrying out EWEB's first enterprise risk/benefit assessment, and that he would like to come back to the Board in an overall context with policies, deductibles, etc.

Commissioner Helgeson stated that he would also like a briefing regarding Board liability for various actions. Commissioner Mital stated that he would like a briefing regarding what would happen if College Hill Reservoir fails and what work has been done to assess whether or not staff would have recourse with the manufacturer.

**WILLAMETTE VALLEY REHABILITATION SERVICES, INC.
JANITORIAL CONTRACT**

Todd Simmons, Electric Operations and Facilities Manager, requested approval of this contract for janitorial services for both the EWEB headquarters building and the ROC. He referred to the backgrounder the Board had previously received, and stated that this contract is in accordance with Oregon law.

Vice President Brown thanked Mr. Simmons for putting up with his previous questions regarding this contract, and gave a brief explanation of his previous concerns about the cost of this contract, as if EWEB could have put it out for bid, the cost would have been less, but EWEB has to comply with State contract law. Mr. Brown reiterated that his concerns were out of frustration and that he has nothing against the process.

Commissioner Helgeson stated that EWEB has a responsibility to the community to continue this contract.

It was moved by Commissioner Manning, seconded by Vice President Brown, to approve the above contract. The motion passed unanimously (5-0).

CAPITAL BUDGET AMENDMENTS (BAM Nos. 8-16)

Frank Lawson, Systems Engineering Supervisor; Wally McCullough, Water Engineering Supervisor; and Matt Sayre, Information Services Manager, presented the above capital budget amendments.

Commissioner Mital stated that he had previously voted against budget amendment #15 and that he is still against it.

Mr. Simmons stated that the design and overhead piece were added and that this amount represents the actual bid.

General Manager Gray explained that this is an issue of internal vs. contract work and that if internal, it is not included in the contract. He noted that the project cost didn't necessarily go up, but that different rates apply to different services, i.e., smaller vs. larger.

Commissioner Mital reminded the Board that this item was supposed to save money and generate a payback of 10 years, and now it is more like a 14- or 15-year payback, and that it was supposed to create improved overall reliability with no worry about adequacy of fuel supply. He reiterated that he is still against this item.

General Manager Gray stated that this item has zero impact on safety and that large events of this scale are not included in the SAIDI (system average interruption duration index) but that if this item is not approved, it will affect the ability to respond to a major emergency because of limited fuel.

Mr. Simmons noted that crews had trouble getting fuel during the 2012 snowstorm because many fuel stations weren't open. General Manager Gray added that this is more an issue of major event-drive ability to respond.

Vice President Brown stated that he is all for it, and reiterated his previous concerns regarding lost time in driving to fuel stations, overtime pay, wasting gas with multiple trips back and forth from fuel stations, etc.

Mr. Simmons explained that different set-ups and contracts will still exist because people who are traveling will still have fuel cards, and that he doesn't want to limit crews' ability to respond if fuel vendors aren't operational. He added that this wouldn't end all fuel contracts but would afford staff flexibility and immediate response, and then explained the difference between the budget and a budget amendment.

Commissioner Helgeson agreed with Vice President Brown's comments and said that he believes this is a critical capability issue.

Commissioner Manning also supported the budget amendment. He asked for an explanation of a fuel contract vs. a fuel card.

Mr. Simmons replied that EWEB gets a better price with a contract vs. a fuel card and can negotiate better prices with the vendors, and that biodiesel and diesel fuel can be blended for an optimal combination for all EWEB fleet vehicles.

Commissioner Mital asked if this is in line with previous years' budgets. Mr. McCullough replied that this item is larger than it has been in previous years.

General Manager Gray reiterated the Board control points for this budget item.

Mr. Lawson added that a lot of the amendments were as a result of the reclassification of projects and moving items from operation and maintenance to capital.

Commissioner Mital appreciated staff for staying close to the threshold and coming to the Board even when they didn't have to.

Commissioner Mital asked about the \$500,000 item for the network between the ROC and EWEB headquarters.

Mr. Lawson replied that this will also connect all the substations and that it is already in place, and so far the reliability has been is very favorable, and that a multi-connection network for water, electricity and, potentially AMI, is down the road.

Commissioner Helgeson said it would be helpful to become more clear about what the net effect of these items is, as he can't see it right away by looking at the paperwork, but that he senses there is not much of a net effect.

Mr. Sayre replied that the total 2013 net effect is evaluated on a monthly basis, and that staff predicts that it will be within 5% of the proposed budget. Mr. Lawson added that the type 1 capital amount was negligible.

It was moved by Vice President Brown, seconded by Commissioner Helgeson, to approve item #15 of the capital budget amendments. The motion passed 4-1 (Mital voted no). The remainder of the capital budget amendments was approved unanimously (5-0).

President Simpson called for a 10-minute recess.

2014 PROPOSED BUDGETS AND RATES; FEBRUARY 2014 ELECTRIC RATE PROPOSAL; FEBRUARY 2014 WATER RATE PROPOSAL

Cathy Bloom, Finance Manager, introduced Deborah Hart, Senior Financial/Rates Analyst, Edward Yan, Senior Budget/Rates Analyst; Harvey Hall, and Sue Fahey, Fiscal Services Supervisor, who assisted her with the presentation.

Using overheads, staff presented the 2014 budget and rate proposals. Mr. Yan summarized electric and water rate comparisons and customer bill impacts.

Ms. Fahey then reviewed the next steps. She thanked Teresa Dingman, Budget/Rates Analyst for her assistance.

Vice President Brown asked who the large General Service rate customer is that staff spoke of and asked why their rate was reduced. Mr. Hall replied that it was Hynix, because their usage was less.

Vice President Brown then asked why fixed cost wasn't part of their rate, and he wondered how he would explain this to one of Hynix's neighbors when the neighbor's rate is going up.

General Manager Gray replied that staff needs to do a thorough review of the cost of service model and also needs to tackle the rate design for large customers.

Vice President Brown asked why Willamette Water Company (WWC) has a different rate than Oakway and River Road Water Districts. Mr. Yan replied that WWC's rate will be bumped up in February and Oakway's and River Road's rate will be bumped up in July.

Commissioner Helgeson thanked staff for their hard work and asked for confirmation that rates are being raised to cover debt service. Ms. Bloom replied that this is correct and she then explained what drives electric rate increases. Debra Hart explained what drives water rate increases.

Regarding the 1.74 debt service ratio, Commissioner Mital asked why staff wouldn't seek a rate increase in order to get that amount. Ms. Fahey replied that reserves are being used to fund those in 2013, which is a defensible position with the rate agencies.

Commissioner Mital asked what an additional rate increase would have to be in order to get there. Ms. Fahey replied that it would be .25% to .50% (potentially a 4.5% rate increase across the board).

In response to a question from Commissioner Mital regarding the slight increase in contribution in lieu of tax (CILT) payments in 2014, Mr. Hall and General Manager Gray offered explanations. They also answered questions regarding what it would take to achieve a possible cap of 4% on the residential electric rate increase. Mr. Hall noted that the total dollar impact would be an approximately \$500,000 reduction.

Commissioner Mital reiterated his two small corrections:

- He doesn't support a reduction to 1.6% for Hynix
- He wants to see options to keep the residential rate increase at 4%, as in his mind that's what the Board had discussed all along

Vice President Brown wondered how other utilities are keeping their rates so much lower than EWEB's, and noted that EWEB rates used to be one of the lowest about five years ago and now they're almost the highest.

General Manager Gray explained that Lane Electric Co-Op (LEC) and Emerald People's Utility District (EPUD) are 100% BPA customers, i.e., buy what you need, and they don't have a huge surplus or deficit; where about half of EWEB's power is from BPA and the other is from EWEB's own generation. He noted that Carmen-Smith generation is economic at 1.6 cents/kwhr, but some generation is not economic and is in excess of EWEB's needs. He said that EWEB used to make money on its power to help keep rates comparative, but those days have disappeared, and EWEB has lost \$60-70 million in revenue in the last several years, and the #1 reason is because surplus power is not easy to dispose of.

Regarding ratemaking principles, President Simpson recalled that the Board had chosen then-option 1 for three tiers and had set a 21% basic charge increase and an even more aggressive option 2, though he had no appetite for that then. He said that he is comfortable with the chosen size of tier flattening and compression, however he would like to get more information from staff on what the most aggressive approach would be for cost-limiting tiers in preparation for time of use (TOU) tariffs. He said that in his opinion it is very difficult for consumers to compare and choose whether they wish to have a TOU tariff vs. a standard rate tariff, and if asked to compare a flat tariff with these two time-based bumps, and to compare that against a tiered structure, it is a very difficult value comparison.

He reiterated that he is in favor of the chosen flattening but wishes to go on record that, though he chimes in with the gradualism piece, he doesn't put as much emphasis on gradualism as the principle declares. He said he is more in favor of being more aggressive, and that he

would like to hear staff's proposal/recommendation on whether disposal of tiers is appropriate and, if so, what the plan would be for that direction. He added that whether or not the Board as a whole wants to go in that direction, they would need that background material in order to make that decision.

Regarding the typical single family electric rate comparison chart, President Simpson noted that EWEB is still on the right side of the graph, whether behind or ahead of Blachly-Lane Co-Op, and that no one on the graph is static. He asked staff if they have a vision as to the future of all utilities to the left side of EWEB's present position regarding whether they will be shifting to the right so as to put EWEB in the middle of pack.

Mr. Yan replied that staff doesn't have that information, as many utilities don't disclose their rate plans until they are approved. General Manager Gray reiterated that many utilities are driven by BPA and have experienced a 9% BPA rate increase, so he doesn't see how anyone who relies on BPA can use reserves to fund rates.

Regarding the typical single family water rate, President Simpson asked what the status of the water reserves is, as he is not recommending an alternate for the current water rate proposal, but if water reserves are behind, it looks like there might be wiggle room for a greater increase than planned, or possibly delay it until next year.

Ms. Hart replied that the projections show that working cash is just above target but capital improvement reserves fall a bit short for the end of 2013. Ms. Fahey added that the 2014 budget provides target amounts for operating reserves and working cash.

Commissioner Mital stated that he agrees that it is a good idea to think about long-term cap reserves and building of reserves.

Ms. Bloom noted that the Board will be hearing more information regarding the master plan for the water side and that it will probably move rates further to the left.

Commissioner Helgeson echoed General Manager Gray's comments regarding power supply costs being the driver for rates and also the causes of cost of service fluctuations, and he stated that he would be interested in loosening the strict adherence for stability. A brief discussion ensued, after which Commissioner Helgeson asked staff to bring the Board something that would put a rate increase in a more favorable light, either relative to the long-term trend in financial trajectory to avoid bigger increases in future, or something else. He added that he is looking for more traction relative to how what EWEB is doing becomes necessary and benefits its customers.

Vice President Brown voiced support for Commissioner Mital's request and for President Simpson possibly considering bumping up the water rate increase. He added that he would rather raise water rates (maybe another 0.5%) and protect the watershed, especially since a second water source is on the horizon.

Ms. Fahey stated that staff agrees with Commissioner Helgeson's comments and believes that they are headed in that direction.

General Manager Gray summarized the above issues:

- Heading in the right direction toward tiered rates - current ones relate in no way to cost structures
- Make sure COSA is updated
- Review options for residential rates capped at 4%
- Advised Board not to focus on outcome-oriented results but first principles
- Recommend against individual tweaks

Regarding water rate increases and other water issues, General Manager Gray stated that many utilities have a second source and EWEB doesn't have that yet, and if a higher water rate increase is required, he isn't opposed to that, and that staff can begin to earmark those funds to go to second source and will get permission from the Board to do that. He also agreed with informing customers as to where the money from the rate increase is going to go (toward second source).

Ms. Fahey confirmed that an across the Board rate increase would be in the 5% range.

Commissioner Manning supported Vice President Brown's and Commissioner Mital's and Helgeson's comments. He added that he doesn't want to go below a single A rating because of the potential impact of that. He wondered how water sales to Veneta will factor in as new generation revenue and whether the Board should decide to go with an additional water increase or target it for second source, as he wants to insure that the money is earmarked specifically for that and no other project.

President Simpson commented that the public may be more palatable toward a rate increase if it was locked in and earmarked in that manner, and that he doesn't see large political problems with that.

Ms. Hart stated that the water sales revenue from Veneta is in the budget and that Veneta will receive a 3% rate increase in February. Brad Taylor, Water Operations Manager, added that Veneta is aware of that rate increase.

Commissioner Mital stated that the Board needs to provide more clarity to staff next time regarding what they expect. He stated that he will let go of getting to a 4% water increase on the water side but that he still doesn't like the large customer rate increase, and that he agrees with Vice President Brown about a larger water rate increase in order to begin to build reserves and the commitment to second source.

Further discussion ensued regarding the size of a water rate increase for second source and the options that the Board would like to see.

President Simpson stated that he is not in favor of a residential rate cap and that he is not married to rates in a negative number.

Ms. Fahey briefly discussed some challenges that the above rate options may cause.

PUBLIC HEARING ON PROPOSED 2014 ELECTRIC/WATER BUDGET AND RATES

Maurya Kaarhus lives in south Eugene. She stated that rate increases are a hardship for many customers, and that she has questions about the Seneca biomass contract, as she heard that it is a 15-year contract and that EWEB is buying power at twice the rate they're selling it for, and she wonders why. She added that she is concerned about biomass in general because it causes pollution in the valley and problems for residents who have asthma. She also wondered why EWEB may not relicense Carmen-Smith, which is green, renewable, clean energy. She questioned why EWEB is laying off employees and cutting its energy conservation programs and that, if that is true, EWEB is heading in the wrong direction, and rate increases probably won't solve the problem.

General Manager Gray explained the history and length of the Seneca biomass contract, particularly that Seneca power is an above-market contract. He added that Carmen-Smith is in fact going to be relicensed but that staff is exploring alternatives to the current relicensing effort which might include some modifications. He noted that there are some problems with some of the parties involved in the relicensing effort, but there has been no discussion about abandonment, and instead about a new relicensing effort that may happen several years from now. He also noted that EWEB is not planning to lay off any more employees and that EWEB's energy conservation programs have been re-opened.

THIRD QUARTER 2013 OPERATING PLAN DASHBOARD RESULTS

General Manager Gray highlighted various affordability and electric rate trends in the dashboard results and improvement in various categories, and answered clarifying questions and comments from the Board.

Commissioner Helgeson stated that he would like staff to improve communication regarding the value of the products EWEB provides, i.e., low carbon footprint, energy conservation programs, green power, etc., and that they continue to be outstanding in value for what customers are charged. He thanked the EWEB employees for hanging in there.

Commissioner Manning appreciated General Manager Gray's dashboard explanations and congratulated staff for staying transparent, as customers need to understand what the rate increases mean.

CORRESPONDENCE AND AGENDAS

Regarding the long length of some recent Board meetings, General Manager Gray asked the Board if they would like to return to two meetings per month and whether 9:00 or 9:30 p.m. is an acceptable time to adjourn.

Commissioner Mital supported a 10:00 p.m. cap for adjournment.

Commissioner Helgeson stated that there was too much content in last month's meeting and that there should have been two meetings last month.

President Simpson supported a 9:15 p.m. cap for adjournment and stated that he is not opposed to two meetings per month if necessary. He noted that he won't be running for President or Vice President next year.

Vice President Brown voiced support for a five-hour cap on meeting length, and a desire for time and queue to be better managed.

General Manager Gray stated that he will forward the Board more information regarding EWEB's rate position and reiterated that employee layoffs won't solve that issue. He added that the good news is that if a carbon tax is passed, it will have no impact on EWEB because of its low carbon footprint.

President Simpson stated that he would like further Board discussion regarding their retreat in March and the upcoming joint City Council/EWEB meeting.

President Simpson adjourned the Regular Session at 9:27 p.m.

Assistant Secretary

President