

EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
JANUARY 7, 2014
5:30 P.M.

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

Others Present: Roger Gray, Cathy Bloom, Sue Fahey, Mel Damewood, Susan Eicher, Anne Kah, Deborah Hart, Roger Kline, Lance Robertson, Joe Harwood, Brad Taylor, Harvey Hall, Wally McCullough, Mark Freeman, Jill Hoyenga, Steve Mangan, Will Bondioli, Steve Newcomb, Lena Kostopulos, Wendi Schultz-Kerns, Kathy Grey, Matt Sayre, Gail Murray, Dave Churchman, Laura Farthing, Julie Bivens, and Taryn Johnson of the EWEB staff; Vicki Maxon, recorder.

President Simpson convened the Regular Session of the Eugene Water & Electric Board (EWEB) at 5:35 p.m., and wished everyone a Happy New Year.

AGENDA CHECK

There were no items.

ITEMS FROM BOARD MEMBERS

Commissioner Manning wished everyone a Happy New Year. He reflected on his first year on the Board and said it has been a great learning experience and that he has learned that there are many moving parts to EWEB that operate together at a high level. He thanked his fellow Commissioners for the privilege of serving with them and said they are an inspiration to him, and he appreciated their shared values and effectiveness in a very short time while dealing with some tough issues. He noted that a customer in his ward would be offering some valid points for the Board in his public testimony this evening.

Commissioner Mital wished everyone a Happy New Year.

Commissioner Helgeson appreciated EWEB staff and crews for their response during the recent snow and ice storm, and said he was impressed that there were fewer outages than anticipated and that those were of relatively short duration. He was also impressed with the Customer Service Department's response and proactive steps to address customers' high bills because of the storm, not only in getting the word out about what options were available, but the responses that were given, and he complimented staff for offering that, especially for low-income and senior customers. He added that these are the times when EWEB distinguishes themselves and earns their excellent reputation, and that he is proud to be part of an organization that functions that way under difficult circumstances.

Vice President Brown wished everyone a Happy New Year, and noted that he had read more positive comments from customers in the last three weeks than he had for the last eight years, and that the comments from senior citizens were especially gratifying. He added that while the Board often gets overwhelmed with negative comments, he was glad to see only one negative comment out of approximately 25 positive comments.

He then commented that he has been getting negative feedback from the Eugene business community on how long the EWEB real estate process/property sale has taken, and that they are no closer to selling it than when the process started, so it is apparent that there are people who are watching that process.

President Simpson wished everyone a Happy New Year. He echoed Commissioner Helgeson's comments regarding low-income and senior assistance during the recent snow and ice storm, and lamented the single negative comment from a customer who "couldn't believe EWEB would spend money to help people in need."

He noted that on December 19 he was appointed to serve a second term on the Lane Council of Governments (LCOG) Executive Committee, and that he is presently the chair of their budget committee, and that he wishes to continue as EWEB's liaison to LCOG and would be honored to receive the Board's nomination and support.

He thanked staff and crews for their response to the recent snow and ice storm and also thanked General Manager Gray for adding an additional \$600,000 to the Customer Care program funding to address the high electric bills that resulted from the storm.

PUBLIC INPUT

Bill Northrup (Ward 6&7) presented his research regarding the history of EWEB rate increases from the year 2000 to the present, including compounded interest and inflation. He asked Board and staff to communicate rate increases to the public in a more detailed and complete manner and give them some ideas as to whether they have control over these costs and who they should go to with questions and comments. He wondered what rate increases staff projects in the next 10-15 years with all they are trying to accomplish and what those rate scenarios are, as he feels that customers have no control over and not enough knowledge of these scenarios.

Vice President Brown thanked Mr. Northrup for his comments and statistics, and for his civility in presenting them. He said that staff will be giving customers an education and starting a dialogue with them, but that the rate process is most often difficult to understand, and that he has been on the Board for seven years and is still not sure that he understands it. He reminded Mr. Northrup that Bonneville Power Administration (BPA) continues to raise EWEB's rates and that EWEB is also affected by inflation, is being required to spend \$150,000 in order to relicense a dam, and has other huge expenditures that unfortunately don't get publicized. He also noted that if EWEB's bond rating is reduced, capital projects will have to be funded through rates, and the Board doesn't want to do that. He agreed that EWEB needs to better educate the public.

Commissioner Helgeson thanked Mr. Northrup and agreed that EWEB needs to do a better job of communicating information to the public. He briefly explained the shift of the wholesale energy market in the last few years which has reduced revenue from sales of surplus power, and that EWEB is scrambling in the short run to fill that revenue gap with budget cuts and other actions. He noted that the Board's upcoming strategic planning session will include positioning EWEB for the long term regarding this and many other issues, as it is clear that the current trend is not sustainable for the utility or its customers.

Commissioner Manning thanked Mr. Northrup for his presentation and for his e-mails to General Manager Gray and staff, and added that the Board will consider his suggestions and that this isn't the end of the conversation.

General Manager Gray thanked Mr. Northrup and noted that, regarding the point he raised about any critical product not being sustainable if it's above the consumer price index (CPI), staff uses the CPI as a proxy regarding its implications for reliability and infrastructure.

President Simpson agreed that the issues Mr. Northrup raised are important, and that the difference is when raw goods for EWEB products (materials, staff, etc.) rise above the CPI. He encouraged Mr. Northrup to continue to provide testimony to the Board.

APPROVAL OF CONSENT CALENDAR

MINUTES

1. a. December 3, 2013 Regular Session

RATIFICATION OF BOARD CONSULTANTS FOR 2014

2. Ratification of Board Consultants for 2014

- 2.1 Independent Actuaries - Kenney Consulting
- 2.2 Independent Auditor and Certified Public Accountant - Moss Adams
- 2.3 Financial Advisor – Piper Jaffray (Seattle Northwest Securities Corp)

RATIFICATION OF RETAINED PROFESSIONALS FOR 2014

3. Retained Professionals and Attorneys for 2014

- 3.1 General Counsel - Eric DeFreest, Luvaas Cobb Law Office
- 3.2 Special Counsel and Power Risk Counsel - Cable Huston Benedict Haagensen & Lloyd
- 3.3 Special Counsel (BPA Rate Review) Murphy & Buchal LLP
- 3.4 Human Resources Counsel - Harrang, Long, Gary and Rudnick
- 3.5 Bond Counsel - Mersereau and Shannon

RESOLUTIONS

4. Resolution No. 1329 - February 2014 Water Rates (Revised January 2014). Contact Person is Cathy Bloom.

5. Resolution No. 1402 - Smith Creek Hydro Project Surplus Property Declaration. Contact Person is Dave Churchman.

CONTRACTS

6. US Bank - for Trustee and Custodial Services to administer and manage debt service funds and accounts, and provide for safekeeping of securities. \$300,000 (for five years), Financial Services. Contact Person is Cathy Bloom.

7. West Yost Associates - for consulting services for the 2014 Water Master Plan Update. \$410,000. Engineering. Contact Person is Mel Damewood.

BUDGET AMENDMENTS

8. Budget Amendment #1 - Steam Building Decommissioning. Contact Person is Steve Newcomb.

OTHER

9. Proposed Revision to Board Policy EL1, Financial Controls. Contact Person is Cathy Bloom.

Commissioner Mital pulled item #9. 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 REMOVED FROM CONSENT CALENDAR

Commissioner Mital stated that he pulled this item due to its complexity and his need to get a better feel for this item and any possible concerns.

Commissioner Helgeson voiced a process concern regarding a possible cumulative effect and how this policy will allow the Board to progress toward its goals.

President Simpson appreciated the staff backgrounder and stated that he sees this policy as staff-driven and that he believes it will help streamline and align the financial controls policy to better match the trust between Board and staff, and that he believes it is time for the Board to focus on strategic planning and policy setting.

General Manager Gray explained the history of this policy, and a lengthy discussion commenced.

Commissioner Mital asked if delaying the vote on this item until the February Board meeting would create problems. Cathy Bloom, Finance Manager, explained how a delayed vote would affect the process.

President Simpson also supported delaying the vote until the February Board meeting.

Vice President Brown asked Mel Damewood, Engineering Manager, to explain the difference between this policy and the one that the Board recently passed. Mr. Damewood offered an explanation and further discussion ensued.

Commissioner Helgeson supported deferring action until the February Board meeting and said that he wants to see major investments being made to move EWEB in the right direction so that the ability to continue to fund items or drop items off the time frame isn't lost.

Commissioner Manning stated that he would be concerned if a contract amendment increased the funding amount, and that he did not have any other issues except to be sure staff and Board are transparent and up front.

Ms. Bloom reiterated that this policy change will create a more effective process for the Board to monitor the budget process.

It was then moved by Commissioner Mital, seconded by President Simpson, to table item #9 until the February Board meeting (as an agenda item and not as part of the Consent Calendar). The motion passed unanimously (5-0).

General Manager Gray offered the Board one-on-one meetings with either him or Ms. Bloom if they so desire.

2014 ELECTION OF OFFICERS

President Simpson stated that he has been President for two years and has also been President and Vice president during a previous tenure on the Board, and he believes it is time for him to step down and for "new blood" in the President seat. He explained that the new president will be elected first (followed by the election of Vice President), and he will then hand the gavel over to the president-elect, and the president-elect will chair tonight's meeting from then on.

The nominations for President were opened. Commissioner Manning nominated Vice President Brown. The Board voted 4-1 (Brown abstained) to elect Vice President Brown as President.

The nominations for Vice President were opened. President Brown outlined the voting process (via paper ballot) and reiterated that the terms are for one year. Taryn Johnson, Executive Assistant to the General Manager and Board read the nominations: Four votes for Commissioner Mital and one vote for Commissioner Manning.

It was moved by Commissioner Helgeson, seconded by President Brown, to elect Commissioner Mital as Vice President. The motion passed unanimously (5-0).

Commissioner Helgeson appreciated the leadership that former President Simpson and former Vice President Brown have brought to the Board and thanked them for the examples they have set on how to run a Board meeting.

2014 APPOINTMENT OF COMMISSIONERS TO BOARD LIAISON ASSIGNMENTS AND COMMITTEES

LCOG Board – Commissioner Simpson; Commissioner Manning, alternate
McKenzie Watershed Council (MWC) – President Brown; Commissioner Helgeson, alternate

President Brown questioned the value of a Commissioner being on this committee and noted that the City Charter states that the EWEB representative can be either a Board member or staff member. He noted that meetings are held once a month and a yearly day-long retreat is included.

Commissioner Helgeson stated that he believes the MWC is a good information-sharing forum that EWEB should continue to be a part of, as EWEB was involved in its formation and was a principle funding partner at that time. He added that most of the MWC activities are now funded by Oregon Watershed Enhancement Board (OWEB) and that EWEB is no longer a major funding partner. He also wondered if this committee could be covered at staff level with Commissioner availability as necessary.

General Manager Gray reviewed the current funding level for MWC and confirmed that this committee could be covered at staff level.

It was moved by Commissioner Simpson, seconded by President Brown, that staff will become the primary appointee to the MWC with Commissioners Simpson and Helgeson available as necessary.

Commissioner Helgeson asked to amend the appointment to say that Commissioner representation is only for support and not official representation, and he asked that the MWC be told why the Board decided to represent in this way and confirm that EWEB is not pulling out of its representation. The amendment was approved unanimously (5-0).

General Manager Gray asked that the current liaison be part of that discussion.

Other Post Employment Benefits – Commissioner Manning; no alternate (no vote necessary)

Northwest Public Power Association (NWPPA) – Commissioner Helgeson (also on the Board of Trustees).

It was so moved by Commissioner Simpson, seconded by Commissioner Manning. The motion passed unanimously (5-0). Ms. Johnson noted that the resolution for these appointments will be on the February meeting agenda.

2013 WATEREMERGENCY PLANNING ACTIVITIES SUMMARY

With the use of overheads, Brad Taylor, Water Operations Manager, and Mel Damewood, Engineering Manager, presented the background for planning, the 2013 Emergency Resiliency Plan process and results, the Oregon Resiliency water and wastewater recommendations, information regarding the Cascadia Lifelines Program, EWEB's outreach and community involvement plan for 2014, the prioritization process for capital improvements, and information regarding EWEB's Water System Security and Emergency Preparedness Committee, including the 2013 emergency preparedness items.

Mr. Taylor noted that the planned December 2013 emergency preparedness training exercise was pre-empted by an actual incident (the December 2013 sub-zero temperatures with snow and ice), which caused widespread water main breaks and outages. He stated that incident response was markedly improved compared to the past, and that approximately 660 work orders were processed for customer issues, there were 17 water main breaks, and 1,600 total calls were received between December 8th and December 16th.

Commissioner Helgeson commended staff for their work during the snow and ice storm.

Commissioner Manning wondered if staff could reach out to the Federal Emergency Management Agency (FEMA), the National Guard and other groups to see if they have knowledge about this process.

Mr. Taylor replied that staff has contacted these agencies as well as the Eugene Armory, American Red Cross and others, and that what they have learned is that there will always be a time when EWEB will be on its own in regard to emergency response.

Commissioner Simpson voiced concern about the loss of water and electricity for such a long period of time, especially since EWEB is so dependent on Bonneville Power Administration (BPA) to deliver its power.

Mr. Damewood stated that all other major utilities plus BPA would be involved so EWEB would not be alone. Mr. Taylor noted that one of the biggest issues would be fuel supply, and that staff is working with the City of Eugene to reach out to citizen groups to see how they can play a role in planning.

Commissioner Simpson reiterated that he appreciates the time and effort in planning and that he likes the idea of non-operational staff stepping in to assist with these functions.

President Brown wondered if any other entity could take away the power generated by the Seneca plant during an emergency. General Manager Gray replied that BPA has taken this issue very seriously and that if EWEB customers become isolated, EWEB can do whatever they wish with the power they have. He added that EWEB isn't well-designed to operate as an island and staff would need to prioritize what customers are serviced first, and if using power off the

grid, EWEB would fall under federal and other guidelines for priority power, which are pre-set guidelines. In other words, EWEB has to play by BPA's rules.

Mr. Taylor stated that he believes EWEB could handle an emergency via their own water treatment facilities.

CORRESPONDENCE AND BOARD AGENDAS

General Manager Gray briefly noted the correspondence items.

Commissioner Simpson voiced appreciation for the backgrounder from Energy Management Services (EMS) staff. Mark Freeman, Manager of Customer Service and Energy Management Services, in turn appreciated Kathy Grey for her contribution.

General Manager Gray noted that, with previous Board approval, a second meeting has been added in January (January 21) and February (February 18) solely for strategic planning purposes. He recalled that the January strategic planning meeting will be held from noon to 4:00 p.m. and the February strategic planning meeting will be held from 5:30 to 8:30 p.m., and that the strategic planning agenda for the February 18 meeting will flow out of the January 21 meeting results.

Commissioner Helgeson asked General Manager Gray when an update on the revised insight and information regarding advanced metering infrastructure (AMI) might occur. General Manager Gray replied that a slower than anticipated rollout of AMI in 2015/16/17 will occur with a change in emphasis, and that a Board discussion will eventually be held regarding where AMI fits in strategically within the agenda process.

Vice President Mital thanked Mr. Freeman, Ms. Grey and EMS staff for the backgrounder and recalled that this information is in preparation for a possible discussion at the EWEB/City Council joint meeting in April. He wondered if this item will be put on a future Board meeting agenda for discussion of how that might be approached.

Lance Robertson, Public Affairs Manager, replied that staff is still attempting to schedule the joint meeting, but that it will hopefully occur in the spring of 2014.

Commissioner Helgeson stated that he believes there is a gap between where EWEB wants to be and where they actually are regarding energy conservation programs for renters and low-income customers, and that in some cases landlords may need additional motivation to support these investments so that they are not subsidized by others. He said that he would still like to see that accomplished between now and the time the Board decides whether or not to put this topic on a meeting agenda.

President Brown replied that this item will be put on an agenda even if the joint City Council/EWEB meeting doesn't occur.

Mr. Freeman noted that there are still approximately 6,800 electrically heated homes that staff is attempting to incentivize for weatherization.

President Brown reiterated that he and Vice President Mital will meet with General Manager Gray to place this item on a future agenda.

President Brown adjourned the Regular Session at 7:55 p.m.

Assistant Secretary

President