

EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
NOVEMBER 4, 2014
5:30 P.M.

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

Others Present: General Manager Roger Gray, Mark Freeman, Lena Kostopulos, Lisa Atkin, Sue Fahey, Cathy Bloom, Janice Lee, Edward Yan, Deborah Hart, John Femal, Lance Robertson, Harvey Hall, Mel Damewood, Jeannine Parisi, Steve Newcomb, Dave Churchman, Frank Lawson, Joe Harwood, Mike McCann, Gail Murray, Brad Taylor, Susan Eicher, Matt Sayre, Todd Simmons, and Taryn Johnson of the EWEB staff; Vicki Maxon, Recorder.

Vice President Mital 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 noted his attendance at the following events since last month's meeting, and appreciated the opportunity to represent EWEB:

September 11 – United Way kickoff
September 30 – Major customer luncheon
October 9 – Annual Central Latino Americano auction
October 16 – Education Foundation breakfast
October 21 – Community service awards and Eugene Education Foundation luncheon
October 29 – Food for Lane County event with Vice President Mital

Commissioner Helgeson stated that he would like to attend the annual Public Power Council meeting on December 11 at the Portland Airport Sheraton Hotel, and would be happy to carpool.

Regarding tonight's scheduled discussion about proposed budgets, revenue requirements and rates, Commissioner Helgeson voiced the desire to gain more understanding about EWEB's water reliability initiatives and water rate actions, and some clarity around funding requirements for the scheduled water utility work which is part of EWEB's Master Plan.

He then asked his fellow Commissioners to consider him for Vice President of the Board when the nomination process commences.

General Manager Gray stated that the water initiative/rate discussion is teed up for the January 2015 Board meeting.

Commissioner Simpson stated that he will be attending a session hosted by NWPPA regarding cyber-security hack attack on December 10 and 11 in Portland with Commissioner Manning.

He thanked staff for their work during the recent wind storm and said it was impressive to see incident command work together.

He stated that he will be attending an emergency oil spill drill at Cougar Reservoir on Wednesday, November 5 that will demonstrate environmental mitigation measures for the McKenzie River and will involve several local agencies.

He thanked staff for meeting with him to review the impressive new text messaging system for customers to report power outages.

Lastly, he reminded the Board that the year 2015 will bring EWEB's next lobbying opportunity, and that there will also be opportunities for regional and national lobbying efforts.

Vice President Mital stated that he is looking forward to joining Commissioner Simpson and EWEB staff next week at a power trading seminar.

PUBLIC INPUT

Will Rutherford of the McKenzie ClearWater Coalition presented a brief overview of the recent removal of a vehicle from the McKenzie River. Articles and photos of that process are available on the McKenzie ClearWater Coalition website. He noted that a debrief with Senator Floyd Prozanski will be held in the near future in order to discuss how the removal could have been done sooner and by whom.

Bob Cassidy, former EWEB Commissioner, reminded the Board that General Manager Gray's annual performance evaluation will occur in January. He stated that he believes the Board's method of basing his pay on what other utilities pay their general managers doesn't make sense, that the Board should instead compare his pay to that of other general managers in the area, and that in the future, the Board should consider a bonus for General Manager Gray.

Tim Whitley, Education Coordinator for the Eugene School District, manages EWEB's education grant. He thanked the Board for supporting local schools and students, showed photographs from a recent field trip to Leaburg for a salmon watch, and noted that EWEB's grant will serve 55 classrooms and 1,300 students by the end of this school year. In closing, he presented the Board with some posters that were made by students and read a thank you letter from a third grader.

Commissioner Manning noted that he had the opportunity to be “principal for a day” at Prairie Mountain School, and that President Brown, Vice President Mital and he had attended the Eugene Education Association luncheon where EWEB had donated \$4,000. He also noted the recent Industry Day that EWEB hosted, which was attended by 500 high school students, and thanked staff for hosting this.

Commissioner Helgeson thanked Mr. Rutherford for his overview of the vehicle removal process and appreciated everyone’s assistance. He thanked Mr. Whitley for his regular appearance at Board meetings in order to appreciate EWEB’s energy education grants, and stated that EWEB gets a lot of value from those programs and also from the good will it creates in students’ homes.

Regarding Mr. Cassidy’s testimony, Commissioner Helgeson commented that last year’s Board action returned some semblance of structure for adjustment of General Manager Gray’s salary (which had not been adjusted for four years), and noted that the structure is not arbitrary but comparable to what is used for EWEB’s other managers, employees, and is also compared to what other utilities pay.

Commissioner Simpson made the observation that the three people who testified tonight were a perfect triad of social, environmental and economic concerns, and that because EWEB had celebrated Public Power Week just last week, it was heartening to hear public testimony that resonated with that, as the Board takes the balancing of those three concerns very seriously.

Regarding General Manager Gray’s salary adjustment, he assured Mr. Cassidy that the Board had normalized a situation that had not been normal, and that setting his salary at a comparable and normalized level gives the Board great basis for moving forward with the bonuses that he suggests.

President Brown thanked Mr. Rutherford for his overview of the vehicle removal process, and appreciated Mr. Whitley for his yearly in-person appreciation for EWEB’s education grant.

Vice President Mital echoed President Brown’s appreciation, and noted that between EWEB’s energy education grant, the Greenpower program, and the Customer Care program, EWEB is probably the largest grant foundation in Eugene that makes local grants. He thanked Mr. Whitley for setting the great example of consistently offering his thanks in person.

CONSENT CALENDAR

MINUTES

1a. October 7, 2014 Regular Session

BUDGET AMENDMENTS

2. Water Capital Budget Amendment No. 7 - LTD/EmX - Engineering Services, Contact Person is Mel Damewood.

CONTRACTS

3. Cable Huston, LLP - for Special Counsel Legal Services on an as-needed basis. \$3,200,000 (over five years), Power & Strategic Planning. Contact Person is Frank Lawson.

4. Cascade Truck Body & Trailer Sales and Brattain International Trucks, Inc. - for the purchase, installation and repair of fleet truck bodies. \$800,000 (five-year estimate), Generation & Fleet Services. Contact Person is Mike McCann.

5. Law Offices of Jeremy Weinstein - for Special Counsel Legal Services on an as-needed basis. \$150,000 (over five years), Trading & Power Operations. Contact Person is Dave Churchman.

6. Schneider Electric, Inc. - for 15KV circuit breaker roll-in replacement and supporting services on an as-needed basis. \$2,000,000 (over five years), Engineering Services. Contact Person is Mel Damewood.

RESOLUTIONS

7. Resolution No. 1415 - 2015 Trojan Budget. Contact Person is Cathy Bloom.

8. Resolution No. 1416 - Granting Authorization for Executing All Required Forms and Documents for the Purpose of Obtaining Financial Assistance through Federal Grant Programs.

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

2015 PROPOSED BUDGETS, REVENUE REQUIREMENTS AND RATES

With the aid of overheads, Cathy Bloom, Finance Manager; Sue Fahey, Fiscal Services Supervisor; and Edward Yan, Harvey Hall and Deborah Hart, Senior Financial Analysts, reviewed staff's previous recommendations, current recommendations, and comparisons for rates and customer bills. Following review of next steps, staff addressed questions and comments from the Board.

President Brown voiced the desire to see (as part of staff's future presentations) how rate actions affect typical household income, i.e., if a customer's EWEB bill is the second highest expense behind a mortgage payment (and that is the case for most customers), an EWEB bill will have a much more significant impact on a low-income customer's ability to pay.

Commissioner Helgeson reiterated that while he continues to see support for water utility initiatives, he would like to get clearer about how this will affect the budget, i.e., reallocation of benefits, an addition to working cash, etc., in order for EWEB to give a clear rendition of this to his constituents, either via the newspaper or in a conversation.

Commissioner Manning asked what the most significant difference is from staff's previous proposed budget and the current one. Ms. Fahey replied that the new budget information is on the water utility side, and that there is also a significant gap to close for 2017 due to an 8% increase in EWEB's power costs.

Vice President Mital echoed Commissioner Helgeson's clarification request, and added that because he needs some clarity and additional discussion, he isn't prepared to support the proposed water rate increase, as he believes he heard different information last month. He asked for staff clarification that part of that rate increase is dedicated to second source water, and also asked for clarification that contribution in lieu of tax (CILT) is held out of this increase. He added that he would like to discuss what the metric actually is before changing it.

President Brown asked Brad Taylor, Water Operations Supervisor, to explain why Willamette Water Company's rate increase is greater than the rate increase for River Road Water District. Mr. Taylor explained that this was due to the cost of service allocation being refigured and being strictly applied as a constant across all customer classes, and that principle being applied in order to have Willamette Water's rate closer to true cost, thus matching up with the model. General Manager Gray added that Willamette Water Company serves customers at all three elevations and that River Road Water District serves a more basic-level customer.

Commissioner Helgeson asked for an average rate by retail breakdown between utilities. Vice President Mital asked for information regarding how the above two rate designs will accommodate conservation.

After a brief discussion, General Manager Gray stated that the best message to send to customers is that if they make the investment in conservation measures, they will save money as well as kilowatt-hours.

Ms. Bloom summarized the Board's concerns—a request for more information around benefits allocation, and information regarding the drivers for water rate assumptions.

Commissioner Simpson recommended that the Board ask staff to proceed with the budget process, as he is concerned about the process other than that the water rate increase information be communicated. He wondered if a starboard report could accomplish this along with the possibility of one-on-one meetings with staff.

He also asked for clarification that the 3% rate increase for second water source is already included in customer bills. Ms. Fahey clarified this. Commissioner Simpson then noted that he was not planning on stopping at a 3% rate increase and that he may propose a larger increase next year.

General Manager Gray also clarified the Board's concerns and noted that he needs more time than would be allotted for a starboard report to research President Brown's request for information, that the CILT piece needs more discussion, and that a discussion is also needed regarding the average revenue/KWHR request for 2015—all of which is too much research to complete before the December Board meeting.

The Board agreed to lengthen the turnaround time for the above requests.

Vice President Mital called for a 10-minute recess.

PUBLIC HEARING: 2015 PROPOSED BUDGETS, REVENUE REQUIREMENTS AND RATES

There was none.

2014 AUDIT PLANNING

With the aid of overheads, Julie Desimone and Keith Simovic of Moss Adams LLP reviewed the upcoming 2015 audit, including areas of emphasis and reporting standards. Following this, they addressed clarifying questions and comments.

Commissioner Manning voiced the desire to see how the audit process works and possibly sit in on portions of it. General Manager Gray had no objection.

Commissioner Simpson thanked Ms. Desimone and Mr. Simovic for their work over the years and appreciated the focus on the Work Asset Management (WAM) piece. He encouraged them to contact each Commissioner and not just communicate in depth with only one, when necessary.

Vice President Mital asked how the audit process will help the Board understand EWEB's risks from exposure to internet hackers, billing errors, etc. Ms. Desimone replied that an information technology auditor/consultant is brought in for that piece and that it is covered in a more broad way, with cash receipts being the focus. General Manager Gray added that an external auditor is on board, and that in 2015 an auditor from Western Energy Council will be added (for the operational systems audit that is done every three years).

THIRD QUARTER 2014: FINANCIAL REPORT

With the aid of overheads, Cathy Bloom, Finance Manager, and Susan Eicher, General Accounting Supervisor, reviewed the third quarter financial report and addressed clarifying questions and comments from the Board.

THIRD QUARTER 2014: OPERATING DASHBOARD AND MANAGEMENT LETTER FINDINGS DASHBOARD

General Manager Gray noted that EWEB's portion of the Lane Transit District's EmX project contributed to the delay on water utility work which had been planned for 2014, and that staff is planning to outsource some of that work. He also highlighted an influx of new business (new customer connects) to the community, generation assets, and real estate property issues.

He also noted that former Generation Manager Roger Kline has been made EWEB's Enterprise Risk and Internal Controls manager.

President Brown voiced concern about the burden that the EmX project has created on EWEB's resources and employees, and wondered how the work that has been delayed will be made up. Mel Damewood, Engineering Manager, gave a brief explanation.

Commissioner Helgeson appreciated the quality of the Board packets and thanked General Manager Gray and staff for their excellent work on the dashboard documents.

CORRESPONDENCE/BOARD AGENDAS

General Manager Gray stated that the agenda for the January 6, 2015 meeting is very full and noted that goal-setting will be done much earlier in the year than previously, and will include water and electric master plan discussions.

BOARD WRAP-UP

Commissioner Manning thanked staff for their phenomenal work, especially Public Affairs staff, who continue to disseminate detailed and timely information.

He also gave kudos to General Manager Gray for his participation in community events, i.e., the Bethel Foundation breakfast, and the entire Board for their community outreach, which sends a great message to the community.

Commissioner Helgeson apologized for not being able to attend the water emergency response drill on Wednesday, November 5.

He noted that he recently heard an Oregon Department of Energy presentation regarding greenhouse gas reduction strategy, which included information regarding the carbon footprint of bottled water, which obviously enhances the value of drinking tap water over bottled water.

Commissioner Simpson thanked Vice President Mital for leading a great meeting this evening, and reminded him that spending more than the allotted amount of time for an agenda item requires agreement from the entire Board.

Vice President Mital voiced concern that this month's Board packet was extremely long and created a time burden in which to read it. He wondered if the Board should have two meetings a month when there is this much information to digest.

President Brown also apologized for not being able to attend the water emergency response drill on Wednesday, November 5. He agreed that the Board packet needs to be streamlined somehow in order to have less pages to read, but that meetings need to be kept to a minimum. Commissioner Simpson also voiced the desire for the packet to be smaller.

A brief discussion ensued regarding the Board packet and how to streamline it. General Manager Gray noted that having two Board meetings in a month may not make a difference and that he is making less and less changes in order to prepare the packet.

Taryn Johnson, Executive Assistant to the Board and General Manager, reminded the Board that the tentative calendar is posted months in advance. General Manager Gray proposed that he and Ms. Johnson consider some different options for the packet and come back to the Board with the pros and cons of each.

Commissioner Manning noted that one-on-one meetings with Commissioners and staff have helped move along the meetings quite a bit. He agreed that the packet needs to be streamlined.

Commissioner Helgeson reminded the Board to be mindful about staff's time availability and convenience.

Vice President Mital adjourned the Regular Session at 8:15 p.m.

Assistant Secretary

President