

EUGENE WATER & ELECTRIC BOARD
EXECUTIVE SESSION
EWEB BOARD ROOM
500 EAST 4TH AVENUE
APRIL 7, 2015
4:00 P.M.

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

Others Present: General Manager Roger Gray, Patty Boyle, Dave Churchman, Mark Zinniker, Sue Fahey, Mike McCann and Cathy Bloom.

President Mital called the Executive Session meeting of the EWEB Board of Directors to order pursuant to ORS 192.660(2)(e) at 4:00 p.m. to deliberate with persons designated by the governing body to negotiate real property transactions.

President Mital adjourned the Executive Session meeting at 4:15 p.m.

Others Present: General Manager Roger Gray, Laurie Muggy, Lena Kostopulos, Brad Taylor, Beth Machamer, Todd Simmons and Sharon Rudnick of Harrang Long Gary Rudnick Attorneys at Law.

President Mital called the Executive Session meeting of the EWEB Board of Directors to order pursuant to ORS 192.660(2)(d) at 4:15 p.m. to deliberate with persons designated by the governing body to carry on labor negotiations.

President Mital adjourned the Executive Session meeting at 5:00 p.m.

Assistant Secretary

President

EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
APRIL 7, 2015
5:30 P.M.

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

Others Present: Roger Gray, Erin Erben, Adam Rue, Lena Kostopulos, Mark Freeman, Sue Fahey, Cathy Bloom, Deborah Hart, Joe Harwood, Roger Kline, Jeannine Parisi, Mike McCann, Brad Taylor, Todd Simmons, Dave Churchman, Edward Yan, Frank Lawson, Harvey Hall, Cathy Gray, Will Price, Sarah Gorsenger, and Taryn Johnson of the EWEB staff; Vicki Maxon, Recorder.

President Mital convened the Regular Session of the Eugene Water & Electric Board (EWEB) at 5:30 p.m.

AGENDA CHECK

There were no items.

CEREMONIAL RECOGNITION: “NATIONAL RISE TO THE FUTURE – WATERSHED RESOURCES AWARDS,” USDA FOREST SERVICE, FOR PUBLIC AWARENESS

President Mital introduced Terry Baker, District Ranger, McKenzie River Ranger District, U.S. Forest Service. Mr. Baker announced that Karl Morgenstern, Environmental Supervisor and EWEB had been nominated for and received a regional award from the Forest Service for aquatic and water quality, which was then submitted to the national office in Washington, D.C., and subsequently received a national award. Mr. Baker thanked the Board, EWEB staff and Mr. Morgenstern for their excellent work and coordination with the Forest Service, and added that Mr. Morgenstern has the option to travel to Washington, D.C. to receive the national award in person. Mr. Baker also recognized Nancy Toth, Environmental Specialist I and stated that she and Mr. Morgenstern are a joy to work with and that he is grateful for all their work.

President Mital noted that this is the second award Mr. Morgenstern has received this month. Steve Newcomb, Environmental Manager, stated that Mr. Morgenstern has also received a source protection award from the American Waterworks Association (AWWA) for forward thinking relating to water resources, which will be presented later in the year at the AWWA conference. Mr. Newcomb added that everywhere he goes, people know Mr. Morgenstern and appreciate his decade of service to EWEB.

Mr. Morgenstern thanked the Board and EWEB staff.

President Mital also announced that EWEB's Fleet Services group had once again received an award from the Clean Fleet Coalition.

AGENDA CHECK

There were no items.

ITEMS FROM BOARD MEMBERS

Commissioner Helgeson stated that he sat in on a meeting with solar interest groups and that staff did a great job of explaining solar program and incentives and their context relative to EWEB's surplus position and budget constraints. He noted that the cost of solar has come down considerably over the last five years but that it is still relatively high-cost, in his opinion, at 10-15 cents/KWhr. He added that these groups are concerned about the potential reduction in State and Federal subsidies for solar installations and probably will be advocating regarding some of the bills that Jason Heuser, Legislative Liaison, is following.

Commissioner Manning thanked Mr. Heuser and the Board for the recent day spent in Salem at the legislature, and commented that he believes the Board got the legislature's attention regarding bills that will affect ratepayers and EWEB as a whole.

He then stated that he spoke to a Junction City elementary school 4th grade class on March 17 regarding energy and water conservation. He encouraged his fellow Commissioners to take the time to go to a school to speak to students whenever possible.

Commissioner Brown thanked the Water Operations Department for their rapid response to the poorly patched roadwork related to the EmX project.

He then referred to a recent Los Angeles Times article about California having only eight years of water remaining. He voiced concern that this could cause a population shift from California to Oregon and he wants to make sure that staff is sensitive to that.

He then noted that he will be traveling to Washington, D.C. with an American Public Power Association (APPA) team to lobby Oregon delegates.

He then thanked EWEB's landscape crew for planting the new grass at headquarters and EWEB's facilities staff for the headquarters lobby remodel. He also greatly appreciated the EWEB crews who recently worked graveyard shift in the pouring rain on the downtown project.

He again thanked Mr. Morgenstern for his long-overdue recognition and recalled his incredible job coordinating the fuel tank with the Forest Service, and hoped that Mr. Morgenstern will remain at EWEB long enough to work on the alternative water supply from the Willamette River.

He then noted that EWEB's charge for a temporary service is up 80%. He voiced displeasure with these increases and said he hopes that doesn't happen again.

He noted that a lot of work is currently going into EWEB's Headquarters Master Plan and that a lot of hurdles are expected in the next month, and that he spent more time on that project today than he did on his own business.

He then asked if the contract amount of \$120,000 for two years represents EWEB's cost for the Berggren Farm. Mr. Morgenstern replied that Cascade Pacific runs the farm and also a number of cooperatives, and that all operations are rolled into that amount. He also noted that Cascade Pacific matches a lot of grant money so that amount represents more than just accounting and administration.

President Mital stated that he had gone to Washington, D.C. for the APPA meeting, and that it was most useful for him to befriend the general manager of Springfield Utility Board as well as one of their Board members. He noted that he will share the details of his and the Oregon delegation's lobby efforts off-line.

He then stated that the City Club of Eugene met 2-3 weeks ago regarding cellular phone towers, and that it was reinforced that EWEB is on the right path after their shift to take a very balanced course regarding advanced metering infrastructure (AMI), and that the larger concern is now for cellular phone towers.

He also stated that Environment Oregon had met the same day regarding largely the same solar issues that Commissioner Helgeson had mentioned--ways to reduce the cost of residential rooftop solar in Eugene, and the desire for EWEB to remove the mandate of a manual disconnect switch.

PUBLIC INPUT

Webb Sussman (Ward 1) directed the first item of his testimony to EWEB's Information Technology department, and wondered why Board agendas and meetings aren't a calendar event which is subscribable on EWEB's website. He noted that Bike Commission and other agendas/meetings are there, and that the City Council is working on getting theirs subscribable.

Mr. Sussman also commented that Nest and Honeywell produce intelligent thermostats that allow fairly effective management of energy use, including via a smart phone. He explained that he can turn down his home thermostat from his smart phone, and that both companies offer programs that incorporate utility rate structures into energy use in the home in order to alert the time of day that a surcharge occurs, in order for a thermostat to be turned down, or an alert that notifies the most inexpensive part of the day to heat a home. He wondered why EWEB hasn't taken advantage of these thermostats and programs.

Tim Whiteley (Wards 1 and 8) is the coordinator of EWEB's education grant for the Eugene, Springfield and Bethel School Districts. He thanked the Board for supporting education in schools, showed them a small turbine that generates electricity, an example of a project that

was funded by the remainder of a Green Power grant last year, and mentioned several other projects that students have constructed. He invited the Board to once again attend the Solar Challenge on Saturday, May 30, and told them there would be special spots reserved for Roger Gray, General Manager, at the scoreboard and one for Commissioner Manning at the finish line.

Former EWEB Commissioner **Bob Cassidy** complimented the winter edition of Pipeline (EWEB's customer tabloid) which pointed out tax credits that customers can receive, but said that placing that article in the winter edition is a bit late for customers who have already done their taxes. He noted that \$20 million comes in to Lane County because of the EITC (Earned-Income Tax Credit) tax credit. He also wondered why Board meetings have not been published in the Register-Guard meeting calendar.

Paul Dart, M.D. commended staff for reducing AMI data upload intervals from every 3-1/2 days to once a month without increasing transmission from towers, as this is a big deal for the community and any other utilities, and is very progressive. He asked that when hardware is tested, flexibility be built in to track and assess the data and adjust the upload frequency to match it. He used the example of looking at usage every evening and uploading four times a day from the meter; with three out of those four being excessive. He saluted what EWEB has adjusted so far.

Commissioner Helgeson thanked everyone for attending. He commented that Mr. Sussman's calendar suggestion sounds like a logical extension of public outreach. He said he doesn't know how the thermostats Mr. Sussman mentioned fit into EWEB's programs but he believes that ultimately, the market will provide those technologies and that there is some advantage to gaining experience with those that are available. Regarding Mr. Cassidy's comment, he stated that Board meeting dates are always sent to the Register-Guard but the Register-Guard staff doesn't publish them. He thanked Dr. Dart for his suggestions for minimizing telemetry and said it is very helpful to let the Board know what they can do to minimize those concerns.

Commissioner Manning thanked everyone for their testimony and said he enjoys their feedback about how EWEB is run. He appreciated Dr. Dart's comments, as the Board has the desire to make the AMI technology not only efficient but as safe as possible, and provide more efficient service with minimal to no side effects. He asked Dr. Dart to continue to provide feedback. He added that he is looking forward to the Solar Challenge.

Vice President Simpson thanked everyone for their testimony. He told Mr. Sussman that calendar subscription on the website is a great idea and that he will do his best to champion that. Regarding demand management at the residential level, he explained that the standard specification is open and allows direct or third party communication on/off requests. He invited Mr. Sussman to stay for tonight's agenda item #8 (the Integrated Electric Resource Plan update) and informed him of the R&D pilot program semi-annual summary that is on EWEB's website which answers questions about how EWEB is experiencing more return on investment by accentuating commercial and business demand response rather than residential. He noted that

California is very mature in the development of automated demand response (ADR) with many service providers. Regarding AMI, he noted that as program and time of use programs roll out, the pilot study will inform regarding the viability for shifting power to off peak.

He also commented that he owes Mr. Whiteley a timer system and thanked Dr. Dart for his feedback.

President Mital noted that in tonight's public testimony he had heard the words compliment, commend and appreciate, and that those words are tough to beat. He especially appreciated Dr. Dart's feedback.

Commissioner Brown thanked Mr. Sussman for the calendar and thermostat information, commended Mr. Whiteley for the Solar Challenge, and told Mr. Cassidy that pressure will be put on the Register-Guard to publish Board meeting dates. He then commended Dr. Dart for his positive comments, as in his experience, it is rare for someone in an adversarial position to reverse their position and then attend a meeting to thank the Board.

APPROVAL OF CONSENT CALENDAR

MINUTES

1. a. February 17, 2015 Executive Session
- b. February 17, 2015 Regular Session
- c. March 3, 2015 Executive Session
- d. March 3, 2015 Regular Session

CONTRACTS

2. AAC Utility Partners, LLC - for Customer Information System (CIS) Consulting Services. \$262,000 (total \$274,000). Customer Service. Contact Person is Mark Freeman.
3. Ausland Group - for construction services to upgrade Headquarters HVAC system. \$684,800. Facilities Maintenance Services. Contact Person is Todd Simmons.
4. CLEAResult Consulting, Inc. - for EWEB's Residential LED Retail Buy-Down Program. \$770,000 (forecast for two years; total \$896,000 estimated over three years). Energy Management Services. Contact Person is Mark Freeman.
5. Pacific Excavation, Inc. - for the Avalon, Juhl and Cascade Water Main Replacement. \$395,000. Engineering Services. Contact Person is Mel Damewood.
6. Schnitzer Steel - for the sale of EWEB's copper scrap metal. \$200,000. Distribution Reliability. Contact Person is Todd Simmons.

RESOLUTIONS

7. Resolution No. 1506 - Harvest Wind Bank Note Pay off, Contact Person is Cathy Bloom.

8. Resolution No. 1509 - Updated Temporary Electric Service Charges, Contact Person is Mel Damewood.

President Mital pulled item #8. Commissioner Helgeson pulled item #3. It was moved by Vice President Simpson, seconded by Commissioner Brown, to approve the remainder of the Consent Calendar. The motion passed unanimously (5-0).

Regarding item #3, Commissioner Helgeson stated that Board and staff have struggled mightily with the HVAC system over the life of the headquarters building, and it seems that within the last decade even emergency appropriations have been made in order to do some work on it. He voiced concern that still more work may need to be done and, if there's something wrong that can't be cured, he hopes staff is looking into that. He wondered what needs to be done now, and noted that major components are seeming to require replacement at an unusual frequency.

Todd Simmons, Facilities Services Manager, replied that he shares Commissioner Helgeson's frustration. He explained that the major conversion was from steam to natural gas heat, and that there were problems with how things were originally built, but that staff believes this upgrade will take advantage of the original design in a way to maximize the ability to control conditions. He added that he sincerely believes this is the last time that staff will come to the Board for approval for an upgrade on the headquarters HVAC system.

Vice President Simpson asked if this work will be funded through the 2015 budget and whether or not this was a surprise. Mr. Simmons replied that this was not a surprise, that this work will be funded out of the five-year Facilities Services budget, and that this budget also includes new roofs, sealing asphalt at the Roosevelt Operations Center (ROC), and a few other projects.

It was then moved by Vice President Simpson, seconded by Commissioner Helgeson, to approve item #3. The motion passed unanimously (5-0).

President Mital asked Mark Oberle, Electric Distribution Engineering Supervisor, to come forward to address Board questions about item #8. He then told Mr. Oberle that there was actually no problem with this resolution, and that instead the Board wished to congratulate him on his pending retirement. President Mital then read a statement (prepared by Mr. Oberle's supervisor, Mel Damewood, Engineering Manager).

President Mital congratulated Mark on over 31.5 years of service in a lot of various positions here at EWEB.

Commissioner Brown commented that he worked with Mr. Oberle for many years on many assignments, and thanked him for his great representation of EWEB and for being a great employee.

Commissioner Helgeson commented that he also worked directly with Mr. Oberle for many years at EWEB, and that the challenges and complexity were what kept him motivated, but it was the people like Mark who made the difference and kept him coming back to work.

Commissioner Simpson recalled when Mr. Oberle took him on a 2004 walking tour of the EWEB property (before the ROC was built) and pointed out its “warts.” He told Mr. Oberle that it was a distinct pleasure and honor to work with him, and wished him the best of luck.

Though Commissioner Manning has the least amount of experience working with Mr. Oberle, he thanked him, and said it sounded like he has left EWEB in a much better state than it was in when he was first employed.

It was then moved by President Mital, seconded by Commissioner Manning, to approve item #8. The vote was 4-1 (with Vice President Simpson voting no).

ANNUAL GENERAL MANAGER PERFORMANCE EVALUATION FOR YEAR 2014 AND COMPENSATION

Lena Kostupolos, Human Resources Manager, recalled that General Manager Gray’s performance evaluation from the Board was, in general, excellent, and that he had received an overall rating of highly skilled/experienced. She noted that the Board did express that General Manager Gray’s job fulfills a big role and that his knowledge and capabilities are constantly expanded, even just in a regular eight-hour work day. She then asked for comments from the Board.

Commissioner Brown commented that he is the only Commissioner on the Board who has had the privilege of evaluating both General Manager Gray and his predecessor, and that he is very pleased with his leadership, and that he leads by example.

Vice President Simpson thanked General Manager Gray for making many difficult and hard decisions in this new era, with budgets that are \$50 million less than they used to be being just one example. He also thanked him for constantly keeping Board and staff apprised of information and that he has received nothing but great feedback from the community, EWEB staff, and his fellow Commissioners.

Commissioner Manning commented that leadership is a very difficult thing at times, but that General Manager Gray’s style has stabilized EWEB, and that General Manager Gray constantly gives the credit to everyone but himself. He added that the way General Manager Gray empowers EWEB staff is nothing short of outstanding, and it has made the relationship between the two grow stronger. He asked General Manager Gray to let him know what he can

do to help continue with that relationship and with his relationship with the Board, and noted that in spite of recent personal hardships, General Manager Gray has done an outstanding job.

Commissioner Helgeson commented that he understands the challenges with EWEB's revenue situation with wholesale markets, which are unprecedented steps, and he appreciates that by and large EWEB's employees, managers and supervisors have hung in there with that because it has been culturally difficult. He added that it is his sense General Manager Gray has stayed focused on core values for EWEB's customers and the community, so by extension he appreciates all employees for being partners in that, as he knows it has been difficult at times, and he appreciates General Manager Gray carrying forward the values of the institution.

It was then moved by President Mital, seconded by Vice President Simpson, to approve the previously submitted summary of General Manager Gray's performance evaluation. Commissioner Brown added that he had reviewed the salaries of comparable general managers and had polled his fellow Commissioners, and that the Board agrees that a 2.1% wage increase for General Manager Gray is appropriate.

Commissioner Helgeson stated that he believes it is important to recognize some of the history behind this wage increase—that General Manager Gray was hired at a relatively low salary and then decided against accepting a wage increase or getting wage adjustments due to budget constraints, employee layoffs, etc. This in essence put the Board behind in regard to General Manager Gray's salary, and the Board then had to make a major adjustment a year or two ago to bring his salary to market rate and have it positioned in a similar way to market comparability. He also voiced support for a 2.1% wage increase for General Manager Gray, as it keeps the Board's commitment to keep his salary current with the market, and strikes a balance with keeping his salary current along with the financial concerns that EWEB continues to face. He also noted that a 2.1% wage increase is consistent with what was allowed for in the 2015 budget process.

Vice President Simpson commented that the Board has always wished to stay abreast of the general manager's salary and that it is the Board's role to keep the general manager's salary at a fair and comparable rate. He noted that if General Manager Gray moves on from EWEB and the Board develops another salary gap and therefore get behind the going wage rate, it will be incumbent on the Board to either bring the salary current or end up with low-quality applicants, and he doesn't believe the community would want that.

President Mital then asked for a vote on the previous motion. The vote was unanimous (5-0).

General Manager Gray appreciated the feedback and accolades from the Board, and acknowledged his leadership team, who helped get the Board and 525 other employees through the tough times. He added that the Board's constructive feedback stops with him and that he will own it and work on it.

INTEGRATED ELECTRIC RESOURCE PLAN (IERP) UPDATE

Using overheads, Erin Erben, Power & Strategic Planning Manager, and Adam Rue, Rate Analyst, presented the 2011-12 IERP recommendations, 2014 activities and highlights, the annual IERP update, review of the mid-plan IERP check-in (2012-2018), and addressed next steps.

To summarize, as indicated in prior annual updates by staff, EWEB still does not need to acquire energy resources, and will continue to provide annual updates reflecting any changes in conditions. EWEB will also continue to conduct R&D pilots (next areas of focus under development) and continue to provide annual updates to the Board.

Staff then addressed questions and comments from the Board.

Commissioner Brown noted that future grow operations and the new occupant in the Hynix building will bring new load. Staff assured him that they have had conversations about these upcoming new loads.

In reply to a question about low stream flow and no snowpack this winter, staff also noted that the likelihood of a firm water year for two years in a row is close to zero, but even in a worst water year, EWEB still have plenty of surplus to meet load. General Manager Gray added that locally it is a horrible water year but other areas are about average, and that the Public Power Council (PPC) is looking at climate change, population, water supply changes, and running scenarios for that.

Commissioner Helgeson thanked staff for the clarity of their presentation. He wondered if there are times when EWEB finds themselves short on the trading floor and if there are alternatives for trading strategies such as DG (distributed generation), batteries, etc.

Ms. Erben replied that, regarding time of use differentials and the impact from the pilot staff just committed to, the learnings so far have not been lost regardless of what pricing scheme they are applied to, and are mostly internal, i.e., changing processes to do things differently, modifying the billing system to bill differently, enhanced communication, etc.

President Mital called for a 10-minute recess.

COST OF SERVICE ALLOCATION (COSA) AND RATEMAKING UPDATE

Using overheads, Cathy Bloom, Finance Manager; Harvey Hall, Senior Financial Analyst and Mr. Rue gave a brief overview of the COSA, revenue requirements and ratemaking process, and addressed clarifying questions and comments from the Board.

CORRESPONDENCE AND BOARD AGENDAS

General Manager Gray briefly reviewed upcoming events:

- May 3-9 EWEB Water Week (similar event to Public Power Week in October) – probable emphasis on water conservation and emergency water supply

- May 21 Board retreat
- May 30 Solar Challenge

BOARD WRAP-UP

Commissioner Manning commended staff for continuing to develop their learning process and knowledge-sharing between departments, which translates to ratepayer savings and cost analysis, and for seeking ways to maximize current resources while seeking a decrease in ratepayer burden. He added that, in his opinion, staff has turned it up many notches, and that staff and General Manager Gray are a great team.

President Mital noted that he will send out a reminder to his fellow Commissioners about the Board retreat and some blank evaluation forms.

President Mital adjourned the Regular Session at 7:57 p.m.

Assistant Secretary

President

**RESOLUTION NO. 1510
MAY 2015**

**EUGENE WATER & ELECTRIC BOARD
APPOINTMENT OF BOARD TREASURER**

WHEREAS, the Eugene Water & Electric Board bylaws Article V, Section 1 provides for the General Manager to designate an Assistant Secretary, Treasurer and Assistant Treasurer.

WHEREAS, the EWEB Treasurer will be vacant effective May 18, 2015;

WHEREAS, General Manager Roger Gray duly appoints Susan K. Fahey to be Treasurer to the Eugene Water & Electric Board effective May 19, 2015;

THEREFORE BE IT RESOLVED that the Eugene Water & Electric Board hereby authorizes General Manager Roger Gray to designate Susan K. Fahey as Treasurer to the Board of Commissioners effective May 19, 2015.

Dated this 5th day of May 2015

THE CITY OF EUGENE, OREGON
Acting by and through the
Eugene Water& Electric Board

President

I, TARYN M JOHNSON, the duly appointed, qualified, and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its May 5th 2015 Regular Board Meeting.

Assistant Secretary