

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

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

Others Present: Roger Gray, Mel Damewood, Todd Simmons, Mark Freeman, Deborah Hart, Dave Churchman, Erin Erben, Jeannine Parisi, Harvey Hall, Brad Taylor, Cathy Bloom, Sue Fahey, Roger Kline, Kathy Grey, Steve Newcomb, Mike McCann, Frank Lawson, Wally McCulloch, Kim Morgan, Lance Robertson, Susan Eicher, Lena Kostupolos, Anne Kah, 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., and noted that Commissioner Helgeson is on vacation.

AGENDA CHECK

There were no items.

ITEMS FROM BOARD MEMBERS

Commissioner Brown commented that he continues to be impressed with the Water Operations Department crews' hard work related to LTD's EmX construction, on graveyard shift in sometimes inclement weather.

Vice President Simpson gave kudos to the Public Affairs Department for their water quality promotion and their marketing of EWEB's alternative water source pursuit.

He then commented that he spent a week in Washington, D.C. for the Northwest Public Power Association (NWPPA) federal rally, and that his personal highlight of the trip was the compelling speech made by Michael Hayden, regarding cyber security and how it affects the utility industry. He noted that the Department of Defense now considers cyber security a fourth domain (land, sea and air space being the other three) and a new threat and "war zone." He added that preservation and municipal bond authority were also a focus on the Hill, and that Senator Wyden, a member of the Finance Committee, had told the EWEB delegation that there was nothing to worry about, including the latest efforts to potentially tax municipal bonds, which EWEB heavily relies on. Other issues that were addressed included energy policy, the Clean Power Plan, the Endangered Species Act, and U.S. waterways.

Commissioner Manning thanked his fellow Commissioners for a very informative Board retreat in which he learned quite a bit, and that the conversation regarding Board vision and their views of the future of EWEB were very well laid out.

He then stated that he took part in the April 27 EWEB riverfront property walking tour along with Commissioner Brown, City of Eugene officials and others, and looks forward to moving this project along in order to allow EWEB to get back to their main focus of providing water and electricity. He thanked Monica Shovlin, Marketing Program Supervisor for her work on the Greenpower project, and noted that he presented a large check to the Bethel School District, who is one of this year's awardees. He also thanked all EWEB employees for keeping ratepayers at the forefront of their minds.

President Mital noted that his summary of the recent Board retreat will be shared with Roger Gray, General Manager, and staff. He added that the retreat focused on Board process and feeling comfortable working together as a group, and looking at what Board priorities are and making sure those are aligned, and that it went so well that the Board has decided to make it an annual event.

He then thanked the Public Affairs Department for scheduling him for the other half of the Greenpower event giveaway, in which he traveled to the Berggren Farm to present the other big check for their Greenpower award. He noted that he hadn't been there before, and that the farm is doing some great things and provides great outreach.

PUBLIC INPUT

Webb Sussman (Ward 1) called the Board's attention to this week's announcement from Tesla, and his concern that it should serve as a wake-up call for EWEB, not in regard to technology or emphasizing solar, per se, over various other forms of energy, but that it indicates an interest in technology industry to enter a utility's space. He opined that the impact on EWEB will be huge, as it will impact customers and EWEB itself, mostly in the way of much faster decision cycles, and that when a technology company gets inside those cycles, the technology company can react faster than the utility, and that is potentially dangerous. On the other hand, he opined that it also presents a huge opportunity, as if the utility can react positively to this entry instead of negatively, and use this as sort of a wake-up call to speed up their own decision cycles to become more aggressive in technology space, it will allow EWEB to remain relevant and react to changes that he believes are coming.

Vice President Simpson thanked Mr. Sussman for his comments and perspective, and said that he had also heard this announcement. He noted that most energy resources require integration because they're intermittent, and that solar electricity generation obviously doesn't happen at night. Because batteries are recharged at the same time as daytime consumption, they are depended on at night, and in theory one could be grid-free. He added that he sees this not as a threat to EWEB, but as an opportunity, because EWEB exists to serve the public, and if the public wishes to have that model of delivery and be self-sustaining, that would become the Board's purview and responsibility to support that. Regarding decision-making turnaround time, he noted that EWEB has been turning around quite quickly lately, and that while EWEB has its tendrils connected to their utility brethren, it has done a great job of making rapid decisions.

Commissioner Manning stated that the Board often discusses technology and technological advancement, and that they have also challenged staff to maximize new technology to the extent where it is cost-effective and also provides value to EWEB's ratepayers. He added that the Board is always looking at ways to make sure they consider what the ratepayer wants.

Commissioner Brown echoed the previous comments.

President Mital gave kudos to Erin Erben, Power Planning Manager, who has instructed the Board on some of the issues that Mr. Sussman mentioned, and on how to insure that the integrity of the business remains intact and at the same time remains neutral to different models. He added that he believes EWEB is reasonably well-positioned in this regard, but that the Board will pay attention to this.

CONSENT CALENDAR

MINUTES

- 1a. April 7, 2015 Executive Session
- 1b. April 7, 2015 Regular Session

RESOLUTIONS

- 2. Resolution No. 1510 - Appointment of Board Treasurer, Contact Person is Roger Gray.

Vice President Simpson pulled item 1b. It was moved by Commissioner Brown, seconded by Vice President Simpson, to approve the remainder of the Consent Calendar. The motion passed unanimously (4-0).

ITEMS REMOVED FROM CONSENT CALENDAR

It was moved by Vice President Simpson, seconded by Commissioner Brown, to defer approval of the April 7, 2015 Regular Session minutes until the June Board meeting. The motion passed unanimously (4-0).

ELECTRIC AND WATER CAPITAL TRUE-UP AND BUDGET AMENDMENTS

Mel Damewood, Engineering Manager, briefly summarized budget amendment #1 to the 2015 water utility capital budget and budget amendment #2 to the 2015 electric utility capital budget, and addressed clarifying questions and comments from the Board.

It was moved by Vice President Simpson, seconded by Commissioner Brown, to approve budget amendments #1 and #2. The motion passed unanimously (4-0).

Commissioner Brown noted that work on the downtown electric network has been delayed partially because of the LTD EmX project, and asked when that work might be completed (including the installation of solar panels).

Mr. Damewood replied that staff is currently in discussions with the manufacturer and that they are close to making a choice to do a beta test, but that staff needs to decide whether or not EWEB wants to be the “guinea pig.” He noted that primary cable is currently being replaced and that it will be up to the O&M crews to do preventive maintenance on the network. He also stated that he feels confident about what EWEB has already done but that he believes it may be another year or two before that technology will be realized.

President Mital noted that the Board hasn’t seen the previous project tracking/reporting process lately. Mr. Damewood replied that because of a change in EWEB’s financial systems, staff was recently able to again visualize those projects, and that the Board will see year end 2014 and first quarter 2015 reports in June.

KNIGHT CONSTRUCTION – LEABURG DAM ROLLGATE #3

Mr. Damewood briefly summarized two contract amendments, one of which was already initiated due to the emergency declaration in December, as well as one for the rollgate #3 replacement motor.

It was moved by Commissioner Brown, seconded by Commissioner Manning, to approve the above contract amendments.

Commissioner Brown commended staff for how they have very successfully handled the intermittent shutdowns of the rollgates and intermittent closure of the access road with nearby residents. He asked them not to change the process from what they did last time because they did an excellent job of “keeping the peace.”

RIVERFRONT PROPERTY UPDATE

Steve Newcomb, Environmental and Property Manager, and Jeannine Parisi, Community & Local Government Outreach Coordinator, presented the above update.

In summary, most of the significant milestones are on track, such as due diligence and property appraisal, and there is also positive progress in quantifying the City’s role in redevelopment as well as momentum on the new park and railroad quiet zone. The development team has invested heavily in site investigations and continues to actively seek potential uses to refine a viable development program.

Staff recommended Board approval of the Exclusive Negotiation Agreement (ENA) extension.

It was moved by Vice President Simpson, seconded by Commissioner Manning, to delay ENA approval for 60 days.

Commissioner Brown stated that he will not vote in support of this extension unless there is a 30-day check-in, as if progress is not being made, the process needs to be stopped. He wondered if the ENA needs to be amended to reflect this, as he wants the record to show that there will be a 30-day check-in.

General Manager Gray stated that he believes a 30-day check-in would be covered in the ENA, with possibly minor language modifications.

President Mital supported Commissioner Brown's comments, and added that it makes sense to delay any decision that provides additional time for the negotiations to proceed until such time that the City Council has a component. He added that it needs to be made clear to the University of Oregon Foundation that any delay hurts EWEB and also hurts the City in general, and that the Foundation needs to be clear about how sincere they are regarding this negotiation and the vision that the Board has voiced support for.

General Manager Gray agreed, stating that language will be added to the ENA, and that this issue will be readdressed at the June Board meeting, which gives staff latitude to develop specific language.

Commissioner Brown noted that he is okay with the language, but is concerned that EWEB is burning \$500 per day on interest. He agreed that the delay gives the Board latitude to ask General Manager Gray to adopt the revised language.

General Manager Gray noted that if the Board approves this general direction, he can only sign an agreement consistent with that general direction (i.e., a 30-day check-in), with continuation to Board affirmation at the June Board meeting, with the intent to go the full 60 days.

Commissioner Simpson amended his motion, to modify the ENA consistent with the Board's direction for a 60-day extension with a 30-day check in (i.e., at the June Board meeting).

It was moved by Commissioner Brown, seconded by Commissioner Manning, to approve the amended motion. The vote was unanimous (4-0).

2014 YEAR-END AUDITED FINANCIALS AND MANAGEMENT LETTER

With the aid of overheads, Julie Desimone of Moss Adams summarized their auditor's report, Board communications and internal control communications, and answered clarifying questions and comments from the Board. Ms. Desimone noted that the financial statements are designed differently this year, and briefly summarized the changes.

After a brief discussion regarding the new work asset management (WAM) system and some concerns raised by the audit, General Manager Gray noted that WAM has been partially successful but staff has yet to discover its full benefits.

President Mital asked for a six-month check-in regarding the concerns about the WAM system, and received three head nods from his fellow Commissioners to set aside agenda time for this.

Commissioner Brown asked how the Board will conduct a six-month check-in on that decision. General Manager Gray replied that there has been no negative impact on the budget because of the WAM issues, and that staff needs to clarify what is being supported internally vs. externally. He added that staff is not prepared to add support in-house.

President Mital asked Ms. Desimone if there are items in the audit that the Board could better address. Ms. Desimone replied that she will get back to the Board with an answer.

Ms. Desimone then thanked Ms. Bloom (who is retiring at the end of May) for her years of service to EWEB and to Moss Adams.

Commissioner Brown told Ms. Bloom that he has relied on her since the beginning of his tenure and that she instilled his trust early on. He added that she has done a great job for both EWEB and the community and that she will be missed.

Vice President Simpson told Ms. Bloom that their relationship goes way back and that she helped EWEB through financial crisis and hung in there during the tough times, and that her open door policy for the Board has always been evident, though never needed. He thanked her for her great attitude and her help with interpreting and answering questions, and wished her good luck.

Commissioner Manning thanked Moss Adams and also appreciated Ms. Bloom for her advice and counsel to him alone and the Board as a whole. He added that he has had nothing but confidence in her and that it is obvious she cares about her job and has integrity. He wished her the best.

President Mital recalled the recent bond rating upgrade to A++ for the water utility and the recent PERS announcement that was not bad news for EWEB because of Ms. Bloom's approach, as examples of how she has helped EWEB stay where they should be financially. He thanked her for everything she has done.

General Manager Gray told Ms. Bloom that her financial and technical skills are her major asset but that it is her character, judgment and integrity that he has valued the most, and that she will be missed.

Ms. Bloom stated that she has been very fortunate to work at EWEB for so long and that she has great people coming forward after she leaves, and she thanked the Board for everything.

WATER SYSTEM DEVELOPMENT CHARGES (SDC) UPDATE PROCESS

With the aid of overheads, Sue Fahey, Fiscal Services Supervisor, and Deborah Hart, Senior Financial Analyst, presented the statutory framework, a methodology overview, a summary of EWEB's SDCs, and the preliminary work plan and next steps. They then addressed clarifying questions and comments from the Board.

Commissioner Brown voiced concern about how the new charges would be rationed out for new customers coming on to the system. Ms. Hart replied that staff will discuss the proposal with stakeholders, and Ms. Fahey added that their reaction to the proposal will be relayed to the Board as part of staff's future presentations.

PRINT MESSAGES ON EWEB BILLS, BILL REDESIGN COMPONENTS AND CUSTOMER INFORMATION SYSTEM (CIS) REPLACEMENT

With the aid of overheads, Mark Freeman, Energy Management and Customer Service Manager; Lance Robertson, Public Affairs Manager, and Todd Wallace, Senior Project Manager, presented the above information.

Mr. Robertson thanked Rachel Chilton, Communications Specialist II, for her assistance with the project.

Staff reviewed the goals of the bill redesign, work done to date, the project timeline, the goal and phases of the CIS replacement project, and next steps for the project.

Mr. Freeman noted that the current billing contractor, KUBRA, will re-design the bill at no charge, which is normally an approximate \$10,000 cost.

Vice President Simpson stated that he is pleased with the peak/off peak graphic that is included in bills.

President Mital wondered about the ability to show solar usage and possibly time of use (TOU) information on future bills. Mr. Freeman replied that net metering information is currently shown on bills and that TOU will be more easily shown after the new CIS is up and running.

Commissioner Brown asked what the budget impact will be for this project. Mr. Freeman replied that it will be handled internally and reiterated that KUBRA is re-designing the bill at no charge.

Regarding the new CIS, Mr. Wallace addressed technical questions about what features are out of the box and which have to be customized, the appearance of the data base, ease of interface with customers, etc.

President Mital voiced concern about the bill redesign occurring ahead of the CIS replacement. Mr. Robertson replied that most of the redesign can be done ahead of the CIS replacement, i.e., the printed bill vs. on-line bill pull-downs, etc.

Commissioner Brown asked staff to be sure that the redesign makes it very obvious that City charges are separate from EWEB charges in whatever way possible, i.e., have the City charges appear as a different color, etc.

Vice President Simpson asked about conversion from a batch system (nightly download) vs. a real time system. Mr. Wallace clarified that the outage notification feature will require a real time system.

Commissioner Manning echoed Commissioner Brown's request to make it obvious that City charges are separate from EWEB charges. He also asked if an EWEB app will be available at some point.

Regarding the possibility of an app, Mr. Freeman replied that staff considered a mobile web page vs. an app previously, and that a mobile web page was preferred as they are more permanent, whereas apps can come and go, but that staff will take another look at an app. He added that staff hopes to integrate bill presentation and connect/disconnect services into the same mobile page instead of on separate pages like they are currently.

General Manager Gray added that the new CIS and the future advanced metering infrastructure (AMI) will provide many options to address Commissioner Manning's question about an app, but that planning takes approximately one year along with 18-24 months for implementation.

2015 ORGANIZATIONAL PERFORMANCE, Q1 RESULTS: KEY PERFORMANCE INDICATORS (KPI)

General Manager Gray highlighted the areas of concern that are currently being addressed. He noted that electric sales to date are way below forecast because of the warm weather, which is a negative contribution to the results. He added that there is obviously no way to reverse that and that until the rate design is completely adjusted, there is no way to insulate against that, but that results were better than expected for the year 2014.

He then briefly clarified how trends change, how indicators are changed from yellow to green, and how those changes appear on the worksheet.

CORRESPONDENCE AND BOARD AGENDAS

General Manager Gray highlighted the following:

- May 30 Solar Challenge (General Manager Gray will be out of town on business)
- July 2 Board meeting canceled
(It was moved by Vice President Simpson, seconded by Commissioner Manning, to reschedule this meeting for July 21)
- Upriver September 1 Board meeting avoids Labor Day holiday the following week

BOARD WRAP-UP

Vice President Simpson commented that the bill redesign/CIS presentation is very encouraging and that he wishes to remain focused on strategic issues and customer experience, as he had identified this as a high priority at the recent Board retreat.

Commissioner Manning appreciated the honesty and deliver of tonight's staff presentations and public comment.

President Mital noted that he will send out a summary of the recent Board retreat soon. He then adjourned the Regular Session at 7:47 p.m.

Assistant Secretary

President