

EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
JUNE 2, 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, Adam Rue, Lance Robertson, Mike McCann, Lena Kostopulos, Todd Simpson, Dave Churchman, Sue Fahey, Brad Taylor, Frank Lawson, Deborah Hart, Mark Freeman, Wally McCullough, Mel Damewood, Joe Harwood, Erin Erben, Laura Farthing, Mark Maguire, Laurie Muggy, Lance Hughes, Anne Kah, Brea Bach, 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

President Simpson asked to defer agenda item #11, EWEB Partial Requirements & Stranded Investment Policy, until the July Board meeting, as he doesn't want to feel pressure to make a decision on it this evening. President Mital and Commissioner Helgeson supported this, and the rest of the Board agreed to discuss this item this evening but take no action. President Simpson asked to reduce the time for this agenda item to 15 minutes. President Mital stated that he would like to retain 30 minutes for this item to allow time for ample discussion. President Simpson agreed.

CEREMONIAL RECOGNITION: NWPPA "Career Commitment to Safety" Award

General Manager Roger Gray stated that EWEB has been a member of the Northwest Public Power Association (NWPPA) for many years, and that he recently received a letter from the Executive Director of Technology, thanking Vice President Simpson for his participation in the recent legislative rally in Washington, D.C.

He also noted that EWEB as a whole, and Mark Maguire, Safety Supervisor, as an individual, have received their Career Commitment to Safety Award. He told Mr. Maguire that he greatly deserves this award, as he is a member of every organization, participates at the State and local level, has excellent relationships with every organization, is on the advisory committee on hazards, works with local agencies, and that his religion is safety. General Manager Gray attributes much of EWEB's progress in safety to Mr. Maguire.

Mr. Maguire thanked General Manager Gray, and stated that he and other EWEB staff would not be able to do what they do without the support and leadership of the Board and General Manager Gray, and all other employees, and that it is not just about one person, but everyone from the groundswell up. He added that he has never worked anywhere where he doesn't have to sell the concept of safety, and that it is easy to be a resource and provide service

to an organization who believes in it but that it wouldn't happen without the support of the Board and General Manager Gray.

ITEMS FROM BOARD MEMBERS

Vice President Simpson noted that one of EWEB's industrial customers had contacted him about contacting one of EWEB's key account representatives, as they are interested in expanding their electric service by approximately 1 MWs, and that General Manager Gray has already been informed of their request.

Commissioner Brown asked for a status report on EWEB's revolving economic development fund—how much is currently in the fund and how much has been distributed so far.

He also noted that the McKenzie River is at the lowest level he has seen in 40 years, and that he is challenged to see whether Leaburg Dam is in compliance with FERC policy for 1,200 cubic feet/second (CFS), and that it is going to get worse, as it is half of the level it normally is in the month of October. He wondered if Leaburg and Walterville will be shut down with the record of number of salmon, as there is not enough water for them to get upriver.

General Manager Gray replied that the economic development fund update will be queued up for a starboard report. He asked Mr. McCann to address the McKenzie River question.

Mr. McCann replied that EWEB is in compliance today at 1,000 CFS or more, 1,060 CFS at Leaburg, and 1,090 CFS below Walterville, and noted that EWEB is required to leave at least 1,000 CFS at Leaburg and 1,000 CFS in each canal; and that when the river reaches 500 CFS in the canal and 1,000 CFS in the river, there will be diminishing return on generation. He added that staff will continue to watch the level.

Commissioner Brown stated that if EWEB can do something to help the salmon, he hopes they will.

Mr. McCann added that staff is sending out a maintenance crew to check the salmon return channel, and that as of last week, the salmon are not there. Commissioner Brown noted that there have been 1,300 over the dam already and some elsewhere, so in fact they are there, and reiterated that if EWEB is low on power and having to make a decision between low power and the salmon, he hopes they will go for the salmon.

General Manager Gray noted that Generation staff have authorization to shut down the plant without notifying him.

Commissioner Manning congratulated Mr. McCann and Vice President Simpson for their awards, and noted that the Board will continue to make sure that ratepayers' concerns are addressed and will continue to maintain the quality of expectation for delivery systems.

He then thanked Commissioner Brown and Lance Robertson, Public Information Manager, for their participation in the recent Solar Challenge, in which over 200 students

participated. He also thanked Tim Whitely for inviting Board and staff to participate in it, as one of the greatest things EWEB can do is provide outreach to students and welcome them to the age of technology, where EWEB can discover the next generation of EWEB associates. He also welcomed Commissioner Helgeson back from vacation.

PUBLIC INPUT

Dara Brennan, Springfield Public Schools Science and STEM Specialist and Grant Coordinator, thanked the Board for their participation in the Solar Challenge and also for their financial support for the Springfield School District. She noted that EWEB's grant reaches an average of approximately 6,000 students each school year with 11 different programs. She gave the Board some thank you notes and drawings from Springfield students.

Peter Reppe, Ward 2 and 3, spoke to the proposed stranded investment policy that he believes appears to be a proposed surcharge for distributed generation customers or a fixed rate charge. He stated that this policy could eliminate the legal and financial benefits of owning a photovoltaic system as it now pays less than half of customer-generated power, and that it is difficult for him to follow the logic behind the main argument behind the capacity reservation charge. He asked how the extra cost is justified, and suggested that the Board request from staff or outside consultants information on the benefits of utility generation, revenue losses, customer support, disaster recovery, better generation diversity, etc. He noted that it may be fair to charge other customers more for less revenue and higher line maintenance costs, and that in his opinion this policy penalizes small-scale energy. He urged the Board to request a full accounting of the costs and benefits of distributed generation before making this policy decision.

Brittany Quick-Warner, Ward 8, is the Director of Business Advocacy for the Eugene Chamber of Commerce. She stated that the Chamber has enthusiastically supported the riverfront development process and that they support the Multiple-Unit Property Tax Exemption (MUPTE) program to build what the Chamber desires, establish a train quiet zone, and to be an advocate for public investment. She noted that the Chamber was disappointed that the University of Oregon Foundation backed out as a prospective developer but, despite that, the Chamber still maintains enthusiasm and momentum to do something wonderful to create a lasting legacy and bring great value to the community, and that they are committed to transform the riverfront property. She thanked Board and staff for their hard work.

Shelley Villalobos, Ward 1, works in the University Of Oregon Office Of Sustainability. She provided a brief summary regarding the SCORE (Student Community Outreach for Renter Efficiency) program, in which student peers educate each other. She thanked the Board for assisting with the start of the SCORE program in the form of their funding through the Partners in Education grant in 2012. She noted that the program has grown in the past three years, with the audit of 162 homes by over 520 trained student educators, including installation of low-flow shower heads, timers, weather stripping, insulation, CFL bulbs, etc. Though the program now lives on through funding from the City of Eugene, she thanked the Board for approving the funding to start it three years ago.

Commissioner Helgeson thanked Ms. Brennan and said it is great to hear about the valuable contribution that EWEB provides to school districts. He apologized to Mr. Reppe for not getting back to him yet, as he has been on vacation, and reiterated that the stranded investment policy will be discussed tonight but action will not be taken until the July Board meeting. He appreciated the Chamber of Commerce support for the riverfront development process, and also thanked Ms. Villalobos. He noted that the rental sector has been one of EWEB's energy conservation challenges, and that her presentation reminded him that a part of energy education is behavioral and that education is another way to instill renter efficiency.

Vice President Simpson also appreciated EWEB's partnership with the Chamber, and thanked Mr. Reppe for his concern relative to distributive generation and line compensation. He reiterated that he is not quite ready to take action. He thanked Ms. Brennan for bringing the kudos from students and added that it is impressive to hear that Board support for energy education reaches the Springfield School District even though the EWEB had to reduce those funds.

President Mital stated that Mr. Whitely attends Board meetings 2-3 times a year to apprise the Board of the importance of EWEB's grant money for School District 4J. He appreciated Ms. Brennan's testimony and noted that this contribution is important for longevity of relationships. He thanked her and Ms. Villalobos for their testimony. He reiterated to Mr. Reppe that the Board won't take action on this policy tonight but will only discuss it, and he noted that he has concerns about the signals the policy sends. He thanked Ms. Quick-Warner for the Chamber's support, as EWEB needs all the support it can get to move the riverfront development process off EWEB's books and on to someone else's.

Commissioner Brown noted that he spent five hours at the Solar Challenge and that the students' inventions were incredible—including one student to which he offered a patent for his invention. He recalled that six years ago EWEB's energy education grants were on the chopping block and that he is very glad they were saved. He thanked Mr. Reppe for his testimony and Ms. Villalobos for her admirable program and the outreach to students, as he has seen almost every student housing building on campus, and they are definitely "energy sieves."

Commissioner Manning thanked everyone for their testimony. He noted that how EWEB deals with self-regulated electricity and how to sell it back is a conversation that the Board has had for some time, and that some aspects are controversial but some are not. He thanked Ms. Quick-Warner for her testimony and stated that the Chamber should give her a raise for being so visible everywhere.

For the record, President Mital stated that, prior to being sworn in as an EWEB Commissioner, the SCORE students submitted their grant application independent of him, and then EWEB contacted him and told him that they couldn't issue an award directly to students, so the Office of Sustainability made sense. He noted that this had nothing to do with his work on the Board, but that he is glad the Board was able to extend the grant and roll it over for subsequent years.

APPROVAL OF CONSENT CALENDAR

MINUTES

1. a. April 7, 2015 Regular Session
- b. May 5, 2015 Executive Session
- c. May 5, 2015 Regular Session

CONTRACTS

2. Certified Contractors – for residential backflow testing services. \$475,000 (over five years). Water Operations, Contact Person is Brad Taylor.
3. Ernst & Young LLP - for Work and Asset Management System (WAM) support services. \$300,000. Information Technology, Contact Person is Erin Erben.
4. JCI Jones Chemicals, Inc. - for water treatment chemicals (liquid chlorine) to be used at the Hayden Bridge Filtration Plant. \$180,000 (over three years). Water Operations, Contact Person is Brad Taylor.
5. Lakeside Industries, Inc. – for cold mix to repair asphalt repair or replacement. \$226,000 over five years). Water Operations, Contact Person is Brad Taylor.
6. Util-Assist, Inc. - for integration of implementation services for the Advanced Metering Infrastructure/Meter Data Management (AMI/MDM) Project. \$700,000 (estimated). Information Services, Contact Person is Erin Erben,
7. Valleyscapes, Inc. – for Landscaping Services. \$421,000 (over five years). Facilities Maintenance, Contact Person is Todd Simmons.

RESOLUTIONS

8. Resolution No. 1511 - Wire Transfers Service Agreement, Contact Person is Susan Fahey.
9. Resolution No. 1512 - Local Government Investment Pool, Contact Person is Susan Fahey.
10. Resolution No. 1513 - U.S. Bank, Contact Person is Susan Fahey.
11. Resolution No. 1514 - Bank of America, Contact Person is Susan Fahey.

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

RIVERFRONT PROPERTY – PATH FORWARD

Using overheads, Steve Newcomb, Environmental and Property Manager, and Jeannine Parisi, Government and Community Affairs Coordinator, provided an update on the riverfront property development process. Mr. Newcomb thanked Ms. Parisi and Will Bondioli, Operations Supervisor for their assistance.

Management summarized progress made on preparation for eventual property sale, key business transaction terms, potential barriers to be addressed, and the partnership with the City of Eugene. Ms. Parisi noted that staff hopes to return to the Board in August with a timeline and/or possible other options, and again in six months with an update on progress, and that a meeting between General Manager Gray and potential developer Williams & Dame of Portland is imminent.

Dike Dame of Williams & Dame introduced himself and thanked Board and staff for tonight's discussion, and noted that he and General Manager Gray will be meeting tomorrow.

It was moved by Commissioner Brown, seconded by Vice President Simpson, to direct management to continue the work in progress to prepare the property for sale and to formally re-engage Williams & Dame to determine their interest in pursuing the riverfront project; to understand the timing and scope of a potential transaction with them, recognizing there may be a preference for a phased sale; and to explore their preferences for EWEB's role in ensuing negotiations, with a staff report back to the Board at the August meeting.

Commissioner Brown stated that he believes Williams & Dame have the ability to take on this project but that the City of Eugene holds the majority of the cards moving forward, and he would like EWEB to take a secondary position. He added that time kills deals and EWEB needs to move forward, but the City controls almost every aspect of the process, and that a Memorandum of Agreement (MOU) is needed that offers the City expectations and a timeline. He reiterated that EWEB can continue the process even if the City doesn't want to take a further role, but that EWEB is not a real estate developer and they've done what they need to do, and that it may be time for EWEB to take a secondary position and let someone else take the lead in the process.

Commissioner Manning stated that he is very disappointed with how things turned out with the University of Oregon Foundation, but that the discrepancies that came out of that process will be corrected as expeditiously as possible. He thanked staff for their work and reminded the audience that there is a developer still interested in the property, and he encouraged General Manager Gray to meet with them, knowing that the now-identified issues with the property will be eliminated.

Commissioner Manning agreed wholeheartedly with Commissioner Brown that the City should take on a larger role, and that EWEB has done what it needs to do, and the rest is pretty much up to the City. He expressed hope that the City will engage rapidly so that EWEB can get back to being a provider of electricity and water.

President Mital supported Commissioner Brown's motion as read, which will further empower General Manager Gray to negotiate with Williams & Dame. He agreed that EWEB should move toward the City taking the lead and clarify what the City can and cannot commit to, and also set some sideboards in terms of time. Should it turn out that the City can't move forward with the process, that conclusion needs to be made in a timely manner so as to provide General Manager Gray as much flexibility as he needs.

Vice President Simpson thanked Mr. Dame for coming to tonight's meeting and told him that the Board is very open to having his company participate as a potential developer, as he is

interested in moving this project along quickly. He reiterated that he and his colleagues are interested in putting the City in the driver's seat and having EWEB take a back seat. He noted that he is personally very disappointed that the University of Oregon Foundation did not work out and also in the method in which the Board learned of their withdrawal. He also reiterated that it is the Board's job to work with the City and encourage them to make the right decisions in a timely manner.

Commissioner Helgeson supported Commissioner Brown's motion and agreed with his fellow Commissioners' comments. He appreciated that Board and staff have done a lot of good work over the past six months, and believes that EWEB is better positioned to move forward more quickly. He agreed that there are many issues yet to be resolved that lie in the City's purview, and he appreciated Williams & Dame's continued interest in working with EWEB, beginning tomorrow and subsequently. Support the motion.

The motion passed unanimously (5-0).

RESERVE FUND STATUS AND TRANSFERS: RESOLUTION #1515

Using overheads, Sue Fahey, Finance Manager, summarized the reserve fund status and transfers. She noted a shortfall due to an unusually warm winter and the recent PERS unfunded actuarial liability decision, among other issues.

It was moved by Vice President Simpson, seconded by Commissioner Manning, to approve Resolution #1515. The motion passed unanimously (5-0).

Commissioner Brown asked for an update on EWEB's economic development program loans. Ms. Fahey stated that two loans are now completed and that there are four in process.

It was moved by Vice President Simpson, seconded by Commissioner Manning, to amend the above motion to also include the addition of a rate stabilization fund for the water utility system and, for the electric system, to direct electric utility staff to rename the unallocated power fund to the rate stabilization fund, and to direct water utility staff to add a new fund named "water rate stabilization fund."

Commissioner Brown supported the motion but noted that he would like to have a discussion about the septic tank repair program and how to get more funding for it.

The motion passed unanimously (5-0).

WATER SYSTEM MASTER PLAN: RESOLUTION #1517

Using overheads, Mel Damewood, Engineering Manager; Wally McCullough, Water Engineering Supervisor; and Laura Farthing, Senior Engineer/Water, presented a summary of the Master Plan and addressed questions and comments from the Board. Mr. Damewood thanked Ms. Farthing for her dedication to this project.

Commissioner Manning suggested that the timer stop during staff's response to Board questions and comments so that staff's response doesn't use up the Commissioners' allotted time. This will be addressed at a later time.

The Board made the following comments/suggestions:

- Generally like the direction of the master plan with its focus on resiliency and optimization
- Favor the 100-year outlook with regard to facilities and trying to get new facilities to assist with being more sustainable
- AMI compatibility – change is inevitable and EWEB is responding
- Re: fire flow strategies in the South Hills, resiliency comes with a price – hardening the base of the system should not be to the detriment of customers, but with a major earthquake or other disaster, an altered level of service will result in a two-mile walk for some customers
- Build in operational flexibility – higher energy efficiency
- Build in plenty of connections within the distribution system for flexibility of operations
- Make sure EWEB has the right telemetry to respond
- Clarify level of services and keep moving forward
- Continue the focus on an emergency water supply

Management stated that the Board's comments will help set the direction and that they will return to the Board with annual capital improvement plans for this and other projects in the future, and will set an annual budget and apprise the Board of any adjustments that need to be made to the master plan.

It was moved by Vice President Simpson, seconded by Commissioner Manning, to approve Resolution #1517. The vote was unanimous (5-0).

President Mital called for a 10-minute recess.

EWEB PARTIAL REQUIREMENTS AND STRANDED INVESTMENT POLICY: RESOLUTION #1516

Using overheads, Erin Erben, Power and Strategic Planning Manager, and Adam Rue, Senior Energy Resource Analyst, clarified the above policies and presented their intentions for next steps, and addressed clarifying comments and questions from the Board.

Commissioner Helgeson stated that he believes this is an overarching strategy for dealing with distributive generation and how customers relate to the grid, and that if the focus is on the concern that customers will switch their power needs off of the grid, then EWEB has lost a strategic opportunity. He voiced the desire to keep rates competitive and to continue to provide value-added choices for customers. He noted that EWEB is not in business to simply sell a product, but to do what's best to serve customers in terms of power supply, and if distributive generation is ultimately cheaper and better in order for them to be served, he hopes that staff would also try to figure out how to align with that, and that community solar may be something that would allow that alignment.

Ms. Erben recalled that EWEB doesn't need to purchase power right now and that community solar can still use distribution system, but by definition solar is not in one's house, and that EWEB needs to do what's in the best interest of community in the future.

President Mital noted that the Board hasn't heard much about the cost of this, and that there is so much information out there about "off the grid" and the technology to support it, but nothing out there about what happens to everyone else, and that he believes it is incumbent upon the Board and Public Affairs staff to get information out there about the impacts of this. He added that he believes that some rate actions the Board has taken nipped the concern that EWEB is largely going to manage the partial service issue, and that he doesn't think customers will appreciate seeing an exit fee.

Commissioner Brown noted that there is a high proportion of low-income residents in Lane County, and he wondered if they would have to pick up the extra cost of non-implementation. He asked for follow-up information on what other utilities have done, as he wants to make sure that every customer pays their share.

Mr. Rue replied that there would be mandatory demand charges and the ability to implement a specific rate for those types of circumstances, and there would also be a higher-level policy for new industrial customers that would address each customer class equally—i.e., residential photovoltaic vs. large industrial vs. selling territory to a neighboring customer.

General Manager Gray noted that most utilities are looking at rate design as an issue for distributive generation and low-income impact, and that EWEB is viewed as a leader in that field and is being asked about rate design. He added that the best study regarding that impact was done in California for the Public Utilities Commissioner (PUC).

Vice President Simpson noted that net metered customers can take advantage of transmission both to and away, and that Bonneville Power Administration (BPA) sends energy long distance across wires, and many other transmission authorities do the same thing. When customers pay for transmission at wholesale level, why shouldn't they pay at retail level? It makes no sense to give it away, and it goes right to the heart of rate design. He added that extra costs need to be carried in the base charge and that there is an impending shift toward that, which is something the Board has talked about for the past five years. He also stated that if EWEB wishes to insulate from the base charge, then four-quadrant meters need to be used for monitoring inbound and outbound, because a customer building up generation facilities and then moving to another city is what contracts are for.

Commissioner Manning stated that he will always oppose customers at the lowest socioeconomic level paying for any other customer, and that this is a possible opportunity for EWEB to consider adding solar to their portfolio, and could be a way to address it holistically instead of having individuals doing their own thing. He added that technology is moving pretty fast with battery-operated cars, self-driving cars, etc., and that should be considered when thinking about how EWEB will evolve over time.

President Mital supported a more granular policy that isolates big users from small users.

Commissioner Helgeson stated that for him this is part of a much broader conversation that has to do with strategic position and what the future may hold, and how EWEB aligns with that.

President Mital stated that it's hard to see how partial requirements customers would move from partial requirement to when they want to separate from the grid, and that that has been addressed in the changes that have been made to the base charge. He voiced the desire to focus on one or both first and leave partial requirements for later.

Vice President Simpson voiced the desire to see it qualified in the policy, with Board approval. Commissioner Helgeson voiced the desire to do more work on it first.

General Manager Gray stated that there are other issues that are more pressing currently, i.e., the absence of a customer exit policy.

Ms. Erben stated that staff will separate the first two items and bring those back to the Board fairly soon, and then bring the others back later. The Board agreed.

CORRESPONDENCE AND BOARD AGENDAS

General Manager Gray highlighted the following:

- Important compliance/governance issues
- Power trading amendment
- Filing of renewable portfolio standards (RPS) requirements with the State of Oregon
- Legislative session update – things are changing rapidly; HB 3470 close to being consistent with Board's adopted carbon policy but still not defined enough
- One modification on tonight's decision –propose to move the riverfront property update from the July meeting to August, and change the Executive Session start time later (i.e., 4:30 p.m.)

BOARD WRAP-UP

Commissioner Helgeson stated that there may be a way to construct community solar to take advantage of tax credits and allow prescriptions to that in a way to satisfy whatever customer need is, as an alternative to customers who will otherwise take advantage of subsidies. He wondered if there is interest in taking a look at that.

General Manager Gray replied that he can provide more information on that from the briefings he received at a recent meeting.

Vice President Simpson asked to include information regarding the E3 California Net Metering projects in a starboard report. He also appreciated the riverfront property discussion and thanked management for bringing the Board into a win/win position, in his opinion.

He then wondered why staff takes the extra time to send Board backgrounders via e-mail when they are already on the website. He noted that one backgrounder was so large that his internet provider rejected it, that he doesn't receive confidential documents accurately, and that receiving a PowerPoint document via e-mail is awkward. He also stated that receiving

documents in this way robs the public of an opportunity to see them and is more cumbersome for access, and that he prefers going to a known website location to read the backgrounders.

President Mital asked Taryn Johnson, Executive Assistant to the Board and General Manager, to poll the Board for their preference on how to receive backgrounders and other documents.

Regarding the Board retreat, President Mital stated that General Manager Gray and Ms. Johnson will prepare a matrix with questions for the Board and he will e-mail it to the Board and then get the information back to General Manager Gray and Ms. Johnson. He also noted that various boards have recently lost public trust because of how they use their e-mails in the private vs. public sector, and that the Board might want to become more disciplined about that.

Regarding improvement of the three-minute timer for Board meetings, Commissioner Brown stated that he doesn't want to change how it is currently used. He also noted that he uses his work e-mail address most of the time as he can't always get his EWEB e-mail address to work properly.

President Mital adjourned the Regular Session at 9:07 p.m.

Assistant Secretary

President