

EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
OCTOBER 6, 2015
5:30 P.M.

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

Others Present: Roger Gray, Erin Erben, Cathy Gray, Lena Kostopulos, Edward Yan, Adam Rue, Harvey Hall, Deborah Hart, Frank Lawson, Joe Harwood, Mark Freeman, Sue Fahey, Mike McCann, Steve Newcomb, Lance Robertson, Mel Damewood, Brad Taylor, Dave Churchman, Mark Zinniker, Roger Kline, Karl Morgenstern, Jeannine Parisi, Todd Simmons, Wally McCullough, Alan Fraser, Wendi Schultz-Kerns, Teresa Dingman, Janice Lee, Gene Austin, Jon Thomas, Marianne McElroy, Sarah Gorsegner, Nancy Toth and Anne Kah 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 comments.

ITEMS FROM BOARD MEMBERS

Commissioner Manning noted that he presented an award for the Public Power Week poster contest today to Danna Cruz at Malabon Elementary School. He added that making school presentations brings him a lot of joy and he hopes that contests like this will be continued.

He then gave kudos to staff who organized the recent major customer luncheon.

Commissioner Helgeson stated that he too will present an award at Adams Elementary School this week. He stated that the quality of the presentations at this year's major customer event was unmatched in all he has been to, and that the customers who were present seemed to align with what EWEB is doing and asked good questions.

Vice President Simpson stated that as the Board's liaison to Lane Council of Governments (LCOG), he has been involved in their budget update and strategic planning process, and that his EWEB Board experience has been advantageous in that regard. He noted that he has been unanimously elected to serve as chair of the LCOG Board for the next two years and hopes that his fellow Commissioners will again vote for him as the Board's liaison to LCOG.

He stated that the recent EWEB Safety Expo was very well-run, and was a great way for staff to mix it up and converse with General Manager Gray, and that it was good to see former Assistant General Manager Debra Smith there as EWEB's guest.

He then related that the Board has discussed changing the way the Board minutes are recorded for quite some time, and that he has been working with staff on abbreviating and streamlining the process. In this regard, they have researched the method that the City of Eugene uses, which is referred to as "action minutes," a condensed form that seems to capture what the Board would need, and would also provide audio from the meeting which would be available to download from EWEB's website. While implementation of the audio feature would take 6-9 months to implement, a CD of the audio from a meeting will still be available on request. He asked for three head nods to put this item on the agenda for official consideration. Three head nods were received, and he asked Anne Kah, Executive Assistant to the Board and General Manager, to put together a proposal for the Consent Calendar.

Commissioner Brown noted that he will be going to Bertha Holt Elementary on Thursday to present an award. He also gave kudos to staff for the Safety Expo and major customer luncheon. Regarding the Board backgrounder about installing power lines over buildings for the Lane Transit District EmX project in order to accommodate cost measures, he hoped that this doesn't create a precedent for relocating power lines over existing buildings instead of installing underground service.

He then noted that Rosboro Lumber Company land in the Finn Rock area of Blue River is being auctioned and he hoped that EWEB will submit a bid, as it is an incredible opportunity for a legacy piece that should be preserved to contribute to watershed protection.

President Mital congratulated Vice President Simpson on being elected chair of the LCOG Board. He also recognized the transition from Taryn Johnson to Ms. Kah for the position of Executive Assistant to the Board/General Manager. He noted that Ms. Johnson was a fantastic assistant and contributed much to the Board's preparation for meetings, and added that the Board is lucky to have Ms. Kah transfer into that position. Ms. Kah asked for grace during the transition.

He noted that there are other groups who are also interested in the Rosboro Lumber Company land.

He will also be attending two schools this week to present awards.

He then stated that he attended the Drought Conference on the University of Oregon campus, which in part covered the Willamette 2100 conference and the issue of water scarcity, which will be largely offset by capacity in the existing water system. He also attended another conference hosted by Congressman Peter DeFazio regarding earthquake preparedness, which was attended by representatives from 10-15 state and federal agencies. He noted that he believes that EWEB's Willamette water treatment facility fits on that list. He asked for support from his fellow Commissioners to ask Mr. Gray to come up with a plan about how to seek internal or external support for this project.

Vice President Simpson and Commissioner Helgeson voiced their support. Commissioner Manning warned against broad support and stated that he wouldn't support asking an external agency for support.

Commissioner Manning then apologized for not including Rachael Chilton in his kudos for assistance with the Public Power Week presentations.

Commissioner Brown stated he supports President Mital's suggestion as long as the money doesn't come from the ratepayers. He noted that EWEB provides water to several federal institutions and that there is nothing wrong with asking other agencies for money.

President Mital noted 4-1 support for Mr. Gray to report back to the Board on the above.

President Mital then requested Board support for an update of EWEB's website over time and also noted that he is not receiving EWEB daily news items like he used to. He also asked for confirmation that a website update will allow the posting of audio files and e-mail archiving in order to be available to the public. He received three head nods for support of the above.

Mr. Gray noted that he sent an e-mail late this afternoon about e-mail archiving and that he will address the website request in Correspondence.

PUBLIC INPUT

President Mital asked if there was anyone present who wished to testify regarding agenda item #6 (crane refurbishment project). There was not.

Webb Sussman (Ward 1) encouraged the Board to investigate cooperating with existing solar vendors to promote residential solar installation in order to possibly pre-empt organizations like Solar City from siphoning off the cream of the business, and possibly provide maintenance for those installations and perhaps receive some revenue for it. He also noted the recent sabotage of Bay Area utility infrastructure and stated that he would be comforted if EWEB had a plan to deal with a similar issue.

Peter Reppe (Ward 3) spoke to rate restructuring and instituting a balanced and fair approach as well as cross-subsidies. He noted that he saw no mention of reimbursement to net metered customers for excess. He also asked the Board to consider adding some kind of environmental externality charge (possibly ½ cent per kWhr) to the KW charge, as that would be consistent with EWEB's sustainability policy and would also enable EWEB to be a role model for other utilities in that regard.

Regarding revising the format of the Board minutes, Will Rutherford (Vida/McKenzie River resident and member of the McKenzie ClearWater Coalition) asked the Board to think about how a customer would retrieve that information. He noted that audio minutes of the Eugene Planning Commission that he has tried to research have been impossible to retrieve. He said that in his opinion, the current minutes appear to be more of a transcript, and that he would appreciate the audio file being accompanied with some type of written summary with salient high points.

He then stated that he was unable to attend the September upriver Board meeting, but had heard that there were only three Commissioners present and a very small audience. He wondered if a different type of community dialogue should happen and he asked for the Board's opinion on that. He also noted that he received the agenda for that meeting on very short notice and wondered if holding the meeting a week before the Labor Day holiday resulted in many residents being on vacation before school started.

He also related the details of a lengthy upriver power outage this morning which he reported, and that he had to call back twice to get an estimate of when power would be restored.

Commissioner Manning thanked Mr. Rutherford for his comments. He said that he was also disappointed in the turnout and that perhaps the upriver meeting could be held in a different month, as he doesn't like staff to take the time to travel upriver unless it's worthwhile to do so.

Regarding Mr. Reppe's comments about relationships with solar organizations, Commissioner Helgeson stated that he has sat in on sporadic meetings of a local solar advocate group, not in his capacity as an EWEB Commissioner, but because he has interest in that area and in aligning the two interests. He noted that EWEB already effectively has an externalities charge, and that as hydroelectric projects are relicensed and invested in, most work on that investment goes toward improving environmental conditions. He added that there's probably already ½ cent that relates to mitigation and that if EWEB added a surcharge, it would have to be deployed in some way other than to simply make a profit.

Commissioner Helgeson agreed that it is good for the Board to make an appearance upriver once a year but not necessarily in the context of the regular meeting format. He supported improving the format but wants to continue the relationship with upriver residents.

Vice President Simpson reassured Mr. Sussman that EWEB works closely with many other agencies and councils to install and maintain and train for systems for early detection and prevention of damage risk, and that they partner with industry peers and meet regularly to promote legislation which enhances EWEB's ability to communicate with the FBI and others. He invited Mr. Sussman to set up an appointment with him to meet with staff if he has any further concerns.

Regarding Mr. Reppe's testimony, he asked Erin Erben, Power & Strategic Planning Manager, to touch on that issue during her presentation later in the agenda.

He then stated that he is more than happy to meet with Mr. Rutherford regarding the upriver Board meeting format, and asked for Ms. Kah's assistance with that.

President Mital also noted that staff is working on the issue of cyber sabotage and is concerned about it.

He echoed Commissioner Helgeson's comments regarding Mr. Reppe's testimony, and also noted that the Board had asked the three residents who were present at the upriver Board meeting to ask questions of staff, and that the Board would be happy to do that again at future upriver meetings.

Regarding the upriver Board meeting, Commissioner Brown echoed the comments of his fellow Commissioners, and added that he believes that the Board owes it to upriver residents to hold a meeting there once a year, but maybe at a different time of year, and to give them several months to prepare questions in advance. He noted that the relicensing of Carmen-Smith and some other projects is drawing near, and he voiced support for an extra meeting only for that purpose, if required.

CONSENT CALENDAR

MINUTES

1. a. July 21, 2015 Regular Session
- b. September 1, 2015 Regular Session

CONTRACTS

2. American Concrete Company - for asphalt and concrete cutting and core drilling services. \$125,000 (over five years). Water Operations, Contact Person is Brad Taylor.
3. Pacific Excavation - for construction of the Shasta 1150 Pump Station Replacement Project. \$662,000. Engineering, Contact Person is Mel Damewood.

RESOLUTIONS

4. Resolution No. 1526 - Resolution Approving Revisions to Board Policy GP6, Contact Person is Roger Gray.
5. Resolution No. 1528 - Resolution Approving Amendment to Resolution No. 0908 - Service Provisions for the Shasta 1150 Service Area. Contact Person is Mel Damewood.
6. Resolution No. 1529 - Resolution Appointing Board Assistant Secretary, Contact Person is Roger Gray.

ITEMS REMOVED FROM CONSENT CALENDAR

Vice President Simpson pulled item #6 (Resolution #1529) for approval before items #4 and #5 so that Ms. Kah can sign the following two resolutions. It was moved by Vice President Simpson, seconded by Commissioner Manning, to approve Resolution #1529. The motion passed unanimously (5-0).

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

SPECIAL PROCUREMENT PROCESS: CRANE REFURBISHMENT PROJECT

Mel Damewood, Engineering Manager; Sarah Gorseger, Purchasing Manager, and Mark Zinniker, Generation Engineering Supervisor, gave a brief review of the project and answered clarifying questions and comments from the Board.

Commissioner Brown supported the project but voiced concern that two years passed before this issue was resolved.

Commissioner Helgeson asked if the special procurement process will be similar to a request for proposal. Ms. Gorsegrner, Purchasing Manager explained the process. Commissioner Helgeson also voiced support for the project but struggles with an outside vendor being used.

Vice President Simpson also supported the project. President Mital asked for an explanation of the reimbursement process (which is \$60,000 in crane services).

Regarding a previous concern from Commissioner Brown about the proximity of transformers to water supply, Mr. Damewood stated that the transformers will remain on the same deck but environmentally friendly oil will be used, and this process will save money.

Mr. Damewood then read staff's recommendation to the Board (two separate approvals). It was moved by Vice President Simpson and seconded by Commissioner Manning to proceed with the design/build process approach. The motion passed unanimously (5-0).

It was then moved by Vice President Simpson, seconded by Commissioner Manning, to approve the Resolution authorizing the General Manager to expedite the contract. The motion passed unanimously (5-0).

2015 STRATEGIC PLAN UPDATE AND BOARD POLICY SD1 REVISION, RESOLUTION #1527

With the aid of overheads, Erin Erben, Power & Strategic Planning Manager, presented the strategic plan update and asked for Board feedback on the content and their priorities.

Commissioner Helgeson:

- Making progress on dials but never had a conversation about how to measure
- Objective of pilot work, outreach and focus group – tells me what customers want
- Will pass on the subject of risk tolerance
- Owning generation – a great long-term strategic question. Others have conspired against us over the last decade with regulatory changes, market dynamics and third party generation. Question if we can win that game but welcome a conversation to discuss more in depth.

Vice President Simpson:

- Clearly making progress on dials but aware of pressure that steers the vessel
- Partnership piece with customers – engaging differently?
- Time of use pilot promising, one of best bellwethers on whether program will be received well. It tells me people are willing to learn. Play a role in education.
- Struggle with the value of keeping things simple
- I retract my vote for comprehensive policy review

Commissioner Brown:

- Agree with Vice President Simpson
- Question about BPA allocation use, 8 MW below entitlement. With going to AMI, etc., load will go further down.
- Agree with Commissioner Helgeson's comment regarding generation

President Mital:

- Can comment on rate competitiveness but other issues much harder
- Utility cost as a percentage of disposable income is a good one. Providing metrics around it more important.
- Keep it affordable so we don't hear much from customers. Support a bigger strategic review of this issue in 2016.
- My statement about the retreat result may not be clear. The 5-6 Board priorities that I gave at the customer luncheon may be more accurate.
- Agree about generation issue (Commissioner Helgeson's comment) and the Carmen-Smith issue will probably dictate everywhere else
- Transparency should be on the list

Commissioner Manning:

- Agree with need to know how to measure dials and what is deliverable.
- Supports the Resolution.

A second round of feedback commenced.

Commissioner Helgeson:

- Comfortable with document and reporting of status.
- Spent a lot of time on budget and rates and have little time for conversation about the Strategic Plan
- Haven't really had an opportunity to sit down and ask higher-level questions. Look forward to agenda time or otherwise to have more conversation about some of those notions and discovery dialogue.
- Not hung up on language in the mission statement; support the changes.

Commissioner Manning:

- Short-term results missing as a measurement tool

Ms. Erben noted that what was discussed previously became the dashboard, and she will go back to make sure those linkages are clear. Mr. Gray noted that the dashboard is the linkage for how to measure.

President Mital:

- Desire to engage a bit deeper in strategic discussions
- Deeper dialogue regarding generation. Need to validate the direction we're in or validate change for a different destination. Want to make sure Board and staff are completely aligned on this.
- Sense deep alignment of customers with Board priorities

It was moved by Commissioner Manning, seconded by Commissioner Brown, to approve Resolution #1527. The motion passed unanimously (5-0).

2016 EWEB PRICING (RATE) DESIGN PROPOSAL

With the aid of overheads, Ms. Erben, Mark Freeman, Customer Service & Energy Management Manager, and Adam Rue, Senior Energy Resource Analyst, presented the above proposal and addressed clarifying questions and comments from the Board.

Electric Utility Recommendations:

1. Basic Charge increase (low-income would receive a bill credit)
Brown – supports \$5 charge (annually)
Simpson – supports \$10 charge (recognize gradualism)
Helgeson – supports one-time change, short-term mitigation – wrap continuation into budget discussion next year
Manning – supports \$10 charge but wants to meet with staff about nuts and bolts
Mital – supports \$5 charge – Option A (\$10 charge) impact on low-income too severe
2. Recommended commercial class price plan design changes – unanimous support.
3. Deferred (Simpson supports three-year implementation; Helgeson supports in general with suggestions for different presentation to customers; Mital supports more like a five-year implementation not three - seems dependent on new CIS).
4. Include OATT update and C-TOU pilot proposal in formal November proposal – unanimous support.

Water Utility:

1. Include proposed revenue requirement increase in fixed bill component for November proposal – unanimous support.
2. Return next year with end-state pricing objectives re: appropriate levels of fixed charge, conservation price signals and elevation charges – unanimous support.

President Mital called for a 10-minute recess.

PUBLIC HEARING ON 2016 DRAFT ELECTRIC AND WATER BUDGETS AND LONG-TERM FINANCIAL PLANS

There was none.

2016 DRAFT BUDGET AND LONG-TERM FINANCIAL PLANS UPDATE

Sue Fahey, Finance Manager, and Harvey Hall and Deborah Hart, Senior Financial Analysts, presented the above update and addressed clarifying questions and comments from the Board.

The entire Board supported staff's recommendation and the budget process in general. Vice President Simpson stated that it would be helpful to see more about alternative water supply reserves, how they are building, etc. Ms. Fahey explained how money is distributed to that reserve.

Commissioner Helgeson stated that it looks like EWEB's industrial rates are much lower than those at other utilities, and asked for a response off line.

In response to a question from Commissioner Brown, a brief discussion ensued regarding the transition from a 90% to 85% water year budget assumption.

WATER UTILITY EMERGENCY PREPAREDNESS PLANNING ACTIVITIES

Brad Taylor, Water Operations Manager; Wally McCullough, Water Engineering Supervisor; and Mr. Damewood led a question and answer session and addressed clarifying comments from the Board.

President Mital stated that he believes the number of emergency water containers distributed to customers each year could be increased from the current 3,000. The Board supported increasing the number to 5,000.

Commissioner Manning stated that he appreciates EWEB's efforts but that EWEB can't solve this issue alone.

Commissioner Brown stated that he would like to see more outreach to neighborhood groups regarding the availability of water from school wells, etc.

WATERSHED PROTECTION PROGRAM OVERVIEW

Steve Newcomb, Environmental Manager, and Karl Morgenstern, Environmental Management Supervisor, presented the above overview and asked for feedback, questions and comments from the Board.

Vice President Simpson would like to see a map of the watershed area that would affect EWEB.

President Mital voiced concern about how funding would be set up and stated that while he supports the forest management project, he doesn't support the portion regarding a woodland project. He also stated that continued EWEB funding for the Berggren Farm is problematic for him and that he would like to get community funding for it.

A brief discussion ensued about funding/under-funding projects. Mr. Morgenstern noted that there could be much more work done if more funding was available, but that would also require more staff.

Commissioner Brown stated that he would prefer to never run out of money for the septic tank program and would also like to put more money into urban runoff management. He noted that there will be a lot more to do for the Willamette River than the McKenzie River, i.e., the passing trains transporting oil, nearby dairies, etc.

Commissioner Helgeson would like to focus on what presents the most direct threat to water quality.

President Mital asked for updates on the various projects at a future Board meeting.

EMERGING ISSUES, CORRESPONDENCE AND BOARD AGENDAS

Mr. Gray briefly reviewed the following:

1. Idaho generation project (tentative for November meeting)
2. EWEB interest in Rosboro Lumber property (Finn Rock)

BOARD WRAP-UP

Commissioner Manning thanked Board and staff for a great strategic planning discussion and asked to meet with staff about a few specifics.

Commissioner Helgeson asked for an off-line update on the status of the residential time of use pilot program. It was noted that all five Commissioners are participating in the time of use pilot, and they asked for follow-up regarding their competition to see who has the best time of use habits.

Vice President Simpson thanked Board and staff for a good meeting, and reminded the Board that the second Tuesday of the month is always possible for a second meeting, even for higher level/no action items.

President Mital stated that he is happy to hear about the Oregon Department of Energy grant application.

He asked why it is projected to take approximately three years to implement the new Customer Information System (CIS) and wondered if that can't be sped up since there is so much hinging on it. Vice President Simpson asked to know more about the scope of it—i.e., how large of a system and what its features are. Mr. Gray suggested that this be addressed in Correspondence or as a future agenda item. President Mital asked staff to let the Board know if there's something they can do to expedite that process.

Commissioner Brown asked about the status of the headquarters property development negotiations. Mr. Gray replied that the current goal is to bring this before the City Council and Board in order for the City to take the lead on this project, possibly in December.

President Mital adjourned the Regular Session at 9:14 p.m.

Assistant Secretary

President