

EUGENE WATER & ELECTRIC BOARD  
REGULAR SESSION  
EWEB BOARD ROOM  
NOVEMBER 3, 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, Mike McCann, Patty Boyle, Roger Kline, Mark Freeman, Frank Lawson, Harvey Hall, Lance Robertson, Sue Fahey, Lisa Atkin, Sarah Gorsegner, Steve Newcomb, Alan Fraser, Adam Rue, Brad Taylor, Karl Morgenstern, Jeannine Parisi, Erin Erben, Lena Kostopulos, Cathy Gray, Wally McCullough, Dave Churchman, Todd Simmons, Deborah Hart, Susan Eicher, Edward Yan, Matt Barton, Monica Shovlin, Gene Austin, Anna Wade, Teresa Dingman, Janice Lee, Spencer True, Linsey Bjorklund, 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 stated that he had visited Arcimoto with Vice President Simpson and that it was exciting to see all the different jobs there. He also noted that he is volunteering for the Run to Stay Warm event in November.

Vice President Simpson stated that he works for Arcimoto and noted the upcoming “plug-in party.” He too is volunteering for the Run to Stay Warm event.

President Mital noted that the Board received 70-some comments on line and an additional amount that were sent to them individually or via social media, regarding the Register-Guard article about the proposed basic charge/rate increase. He added that the Board feels customers’ tension and will address this later in tonight’s meeting.

Commissioner Brown noted that he had sent General Manager Gray and Jeannine Parisi, Government and Community Affairs Coordinator, an article about a quiet zone crossing in Vancouver, Washington which cost \$10,000 instead of the projected \$4 million for a quiet zone in Eugene. He stated that this issue is very important for sale of the EWEB property, and asked that Mr. Gray forward the article to the City Manager.

Mr. Gray officially presented awards that were given to EWEB and Karl Morgenstern, Environmental Management Supervisor (who received two awards), by Carpe Diem West for source protection/water supply. Mr. Gray read the inscription on the award and congratulated Mr. Morgenstern. President Mital noted that all the great work that Mr. Morgenstern's group does is accomplished by only two staff—Nancy Toth and David Donahue—other than Mr. Morgenstern.

Vice President Simpson noted another award that was given to EWEB for outstanding RP3 programs, for high proficiency, reliability, safety and work force development, and system improvement. He added that this award is given to very few utilities and that he is proud of staff's efforts to meet this criteria.

## **PUBLIC INPUT**

**David Tobin** (Ward 1) stated that while most people know about St. Vincent dePaul's efforts with thrift stores and housing, a third service is assistance for people in the community who request it. He noted that in the last few years the people he and others have visited have literally nothing and need just about everything—appliances, furniture, etc. He stated that he is opposed to the proposed basic charge/electric rate increase as it will hurt a lot of people. He noted that most federal workers and those who receive Social Security will not receive a cost of living raise this year. He also noted that he and others take LED bulbs to the people they visit, especially renters, and that they really help. He urged the Board to remember the customers who can't afford a rate increase.

**Barbara Donovan** (Crest Drive residence/Mill Street business) believes that the planet needs to go electric. She owns one electric car and will be purchasing another one soon, and she also purchases 100% green energy. She noted that the tank water heater at her business was inefficient and benefited Northwest Natural Gas, not EWEB, so they went with an electric on-demand water heater that could be monitored inside, with a delay for electricity on EWEB's part, and then \$1,500 later were charged for increasing the transformer load in that neighborhood. She believes that EWEB is discouraging customers from replacing gas with electricity and that EWEB's policies have no room for individuals trying to make good decisions for the planet. She noted that campaigning for a green city is a farce if EWEB doesn't reevaluate their public energy policies and encourage electric use. She urged the Board to be prepared by thinking and acting aggressively, and to not delay a revisit of the policies that discourage replacing fossil fuels with electricity.

**Carolyn Stein**, the executive director of BRING, thanked EWEB for their support of BRING's programs in the community. She noted that the Rethink Business program has provided many improvements to over 200 businesses and schools since 2010 with low-flow shower heads, upgrading inefficient lighting, etc., and that over 900 members of the community have toured 10 home and garden sites and have attended disaster preparedness programs staffed by EWEB employees.

Commissioner Manning stated that he is a product of a poor and under-served environment, and that any decision he faces considers that sector of the community above all else. He added that his heart is with those in the community who aren't doing well, and stated that is one of the reasons why he wanted to be an EWEB Commissioner.

Commissioner Helgeson appreciated Mr. Tobin's work and the handing out of LED bulbs, and noted that EWEB continues to fund its conservation program at a very high level though somewhat less than in the past, and that they also buy down LEDs at big box stores fairly frequently. He told Ms. Donovan that he would follow up with her regarding her testimony, and thanked Ms. Stein for her appreciation.

Vice President Simpson thanked Mr. Tobin for his trust in EWEB. He noted that EWEB has discovered that the low-income population's pattern of electricity use mirrors those who are not so hard-pressed to pay their bill and, as such, loading more cost recovery into the base charge and at the same time lowering the rate charge will have the effect of impacting about half of the low-income population. He added that the Board is seriously considering (and he is in support) rate relief to individuals and households who would otherwise be affected by this, and that it deals with two separate things--rate restructuring, which increases the basic charge and the electricity charge and is revenue neutral—and a 2.5% electric rate increase because of bonds. He also thanked Mr. Tobin for distributing the LED lights as the Board is very interested in helping customers conserve energy and also having fixed costs billed as fixed charges. He also assured Ms. Donovan that he will follow up with staff regarding her issue.

President Mital thanked Mr. Tobin and noted that the Board was invited by Catholic Community Services to learn about what they do in the community, and he asked to join Mr. Tobin on one of his rounds. He also noted that he runs a small program at the University of Oregon that distributes LEDs to off-campus students, and that EWEB has applied for a \$5,000 grant through Home Depot to buy LEDs and install them. He reiterated that staff will follow up with Ms. Donovan about her issue.

Commissioner Brown appreciated Mr. Tobin's efforts, and reiterated that EWEB had received a total of 100 comments in four hours today, all of which were read, and that he will do his best to make the right decision. He reminded the audience that the Board is here to reflect what customers want, and assured the audience that the low-income and poor are in their minds, as EWEB gives more to their Community Care program than any other utility does.

## **CONSENT CALENDAR**

### **MINUTES**

1. a. October 6, 2015 Executive Session
- b. October 6, 2015 Regular Session

### **CONTRACTS**

2. ARCOS LLC - for a hosted automated roster call-out system and implementation services. \$240,000 (over five years). Electric Operations, Contact Person is Todd Simmons.

### **RESOLUTIONS**

3. Resolution No. 1507 – Authorizing General Manager in Sale of Assets, Power Operations, Contact Person is Dave Churchman.
4. Resolution No. 1508 – Authorizing Power Purchase Transaction, Power Operations, Contact Person is Dave Churchman.
5. Resolution No. 1531 – 2015 Revised and 2016 Trojan Budgets, Financial Services, Contact Person is Susan Fahey.
6. Resolution No. 1532 – Revision to Real Property Policies SD14 and Property Management Procedures, Environmental Management, Contact Person is Steve Newcomb.

### **OTHER**

7. Board Meeting Minutes – Action oriented minutes, supplemented by audio recording, Contact Person is Anne Kah, Executive Assistant.

Commissioner Brown pulled item #6. Commissioner Helgeson pulled item #7.

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

### **ITEMS REMOVED FROM CONSENT CALENDAR**

Regarding item #6 (Resolution #1532), Commissioner Brown noted that the language in this resolution is specific to a specific property, contains specific individuals' names, etc., and read an example. He requested more wordsmithing before he can adopt it.

Mr. Gray stated that he will talk to Mr. Morgenstern to make sure this will not cause an operational delay, but he believes it will not. He added that staff will make it clear what policies staff is asking the Board to approve.

Mr. Morgenstern stated that he didn't intend for the attachments to be included with the Resolution.

It was moved by Vice President Simpson, seconded by Commissioner Brown, to defer approval of Resolution #1532 to the December meeting. The motion passed unanimously (5-0).

Regarding item #7 (Board minutes production), Commissioner Helgeson stated that he hasn't had issues with the minutes and that he doesn't believe cost is a major consideration, but that he appreciates the other perspectives on changes, and supports those changes. Regarding providing an audio version of the minutes, he urged staff to do this both in a timely way and a way that is easily accessible for customers due to the length of most meetings (four hours) so that it is easy for them to find the issue that they are looking for.

Vice President Simpson noted that he has toured LCOG's metro television facility, and that their videos are posted on line with a nifty indexing system that helps people find the portion they are looking for. He asked Ms. Kah to reach out to LCOG or do so through him for their assistance.

It was moved by President Mital to adopt the resolution as is (hold the audio version on EWEB's website for a minimum of four years and then archive it). Commissioner Manning seconded the motion but asked if the cost of file retention will affect rates.

Commissioner Helgeson reiterated that what is most important to him is that any customer who has interest in accessing the information has the opportunity to do that one way or the other, and that if staff learns that one year of hold on the website constrains that, staff needs to be flexible, as EWEB's objective is to serve customers well beyond what is required by law.

Vice President Simpson asked Lance Robertson, Public Affairs Manager, if four years is reasonable. Mr. Robertson replied that reformatting will be done to a cloud-based website and that he believes there will be capacity for 2-4 years of audio files, but he isn't sure yet. He assured the Board that staff will work with whatever the Board desires.

Mr. Gray noted that staff will return with an informed answer and final data about storage cost, and that staff is currently looking at what parts of the website customers click on the most and what they are trying to find.

The motion was re-introduced for a shift to action-oriented Board minutes plus a website retention period of four years for audio versions, in lieu of the time period that staff proposed. The motion passed 4-1 (Manning opposed).

## **CONCRETE REMOVAL AND REPLACEMENT SERVICES CONTRACT**

Brad Taylor, Water Operations Manager, gave a description of the contract and addressed questions and comments from the Board.

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

## **CARMEN POWERHOUSE – WILDISH CM/GC CONTRACT, CONSTRUCTION SERVICES AMENDMENT**

Mike McCann, Generation Manager, gave a description of the contract and addressed questions and comments from the Board.

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

## **CARMEN POWERHOUSE – WILDISH CM/GC CONTRACT, TURBINE SHUTOFF VALVE PROCUREMENT**

Mike McCann, Generation Manager, gave a description of the contract and addressed questions and comments from the Board.

Mr. Gray noted that more contracts of this nature are forthcoming but that these are for the most urgent items, and that these only relate to the powerhouse as opposed to general relicensing issues.

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

## **CARMEN POWERHOUSE - ENGINEERING CONSULTANT CONTRACT**

Mike McCann, Generation Manager, gave a description of the contract and addressed questions and comments from the Board.

It was moved by Commissioner Helgeson, seconded by Vice President Simpson, to approve the contract. The motion passed unanimously (5-0).

President Mital called for a 10-minute recess.

Agenda item #13 was moved up so as to allow the Public Hearing to occur at the advertised time.

## **2015 ORGANIZATIONAL PERFORMANCE, Q3 KEY PERFORMANCE INDICATORS**

Mr. Gray noted that there have been no format changes in this document but only procedural changes, as Roger Kline, Enterprise Risk & Internal Controls Manager, has assumed control of the document and Mr. Gray now influences it. Mr. Gray added that he supports the content and that process and accountability now rests with Mr. Kline.

Mr. Kline noted that the notable excess in the document is around financial health and environmental stewardship, with some opportunities for improvement, and that staff will present a report from the governing board at December's Board meeting, primarily regarding the Work Asset Management (WAM) project.

Commissioner Brown stated that he is "gun-shy" about the money being spent on information technology projects, and that he will be watching the expenses closely and needs to understand them better.

Mr. Gray noted that the procedure for WAM is only struggling from a business standpoint and not from a financial standpoint. Mr. Kline added that improvements are already being seen as a result of the WAM project and that new data is being gathered from it.

Mr. Kline also noted that a new Information Services Manager will be hired in the near future, and he briefly reviewed the procedure for the hiring process.

Vice President Simpson what has caused the Customer Service category to change. Mark Freeman, Customer Service & Energy Management Services Manager, explained that there are several employees on emergency medical leave so new employees are being trained, and some part-time employees are being increased to full-time.

## **PUBLIC HEARING – 2016 PROPOSED BUDGETS, REVENUE REQUIREMENTS AND PRICES**

Former EWEB Commissioner **Bob Cassidy** stated that he had read the Register-Guard article this morning and is concerned. He suggested splitting the electric bill into two parts, showing operations and electricity, but still within one bill. He said he doesn't mind paying a larger amount as he believes he gets his money's worth from EWEB, but he wants to have EWEB's rates remain low.

**Ed Morfit** agreed with Mr. Cassidy that the proposed rate increase is a disincentive for people interested in conserving resources and using less electricity, and that it doesn't fall in line with reducing carbon emissions. He is also concerned about the impact on low-income customers and those customers who have gone to the classes EWEB has provided about reducing electricity usage. He also noted that those are customers who can't afford to buy LED lights or get new water heaters.

Vice President Simpson noted that low-income customers are not necessarily low electricity consumers, and that half of the low-income population will see a lower bill, though the basic charge is broken out.

President Mital voiced disappointment that the first paragraph in the Register-Guard article was somewhat misleading and that there is not a reporter from the Register-Guard present tonight so that it can be corrected.

Commissioner Brown stated that EWEB has a public relations problem regarding the proposed rate increase, and that even though the rate increase is revenue-neutral, it wasn't portrayed that way in the Register-Guard article. He noted that the 100 e-mail comments that the Board received today after the article appeared in the newspaper is almost more comments than were received in opposition to EWEB's advanced metering infrastructure (AMI) project.

## **2016 PROPOSED BUDGETS, REVENUE REQUIREMENTS AND PRICES**

With the aid of overheads, Sue Fahey, Finance Manager, and Harvey Hall and Deborah Hart, Senior Financial Analysts, presented the above, and asked for feedback and clear direction from the Board regarding the following recommendation:

Management recommends that the Board direct staff to: 1) Prepare the 2016 budget using the assumptions set forth in the background; 2) Prepare an Electric Utility price proposal with a 2.5% overall average February 2016 increase; 3) Include a residential price design with a \$10 increase to the basic charge in the Electric price proposal and a \$169,000 increase for limited income assistance and the other price changes described; and 4) Prepare a Water Utility price proposal with a 3.6% overall average February 2016 price increase.

2016 Budget:

Commissioner Helgeson:

- Consistent with Board guidance over several months; appreciate incremental reduction
- Struggle to have time to delve into budget details only one week before the meeting

Commissioner Brown:

- Okay with electric budget
- Wants to continue septic tank program and increase number of emergency water containers (septic tank program will not run out of money and containers are budgeted)



Commissioner Manning:

- Need to figure out how to explain the proposed rate increase to customers, possibly with a bill insert? Continue to work on presenting issues to the public so that the Register-Guard will not publish assumptions

Vice President Simpson:

- Most smooth budget process ever but agree there was not enough time to delve into details
- Appreciate keeping the 2.5% rate change separate from restructuring – which should also be part of public message
- Assumptions well-aligned with strategic planning – supports the budget

President Mital:

- Okay with 2.5% electric increase and 3.6% water increase with a detailed analysis from Karl Morgenstern's group

Round #2:

Commissioner Helgeson:

- Would like off-line discussion about 3.6% water increase as part of the smoothing strategy and how that relates to the alternative water source (ALS) reserve beyond the 1% of one year ago
- Move forward with 2.5% electric and 3.6% water rate increases

Both Commissioner Helgeson and Vice President Simpson asked for a one-on-one meeting regarding delving further into the budget details.

Price Design Changes:

Commissioner Helgeson:

- Can't support increase in basic charge – customers don't perceive they get a lot for it; \$20 to \$30 in revenue is not that great; cost of service is looking at \$30 to recover more than historically was included in the basic charge.
- Taking a big risk with customers for not a lot of benefit.
- \$20-25 is good enough for now – “don't poke the bear.”

Commissioner Brown:

- Can't support this – need to know what difference is between \$20 and \$25
- Don't want to go for more than half of what was proposed
- We need to listen to the public and educate them on why we're doing this. Incremental increase.

President Mital:

- Commissioner Helgeson raises good points
- Register-Guard has now confused the public
- Benefit is not that great and don't see that rate design is that flawed
- Would feel better doing this in 3-4 years when we have the new customer information system in place.

Vice President Simpson:

- Agreed with President Mital
- We do need to restructure rates but we messed up in terms of communication and assumed it wouldn't be a problem. We're trying to correct an equity imbalance that's existed for a long time.
- It's our job to help the public want that and we didn't do that, so I want no rate change whatsoever.
- Retain existing two-tier structure and no change in base charge. We heard it loud and clear today.

Commissioner Manning:

- We're on the same page – buy-in is an education matter and we need more education for customers. I stand with my fellow Commissioners.

A major discussion ensued regarding the current rate design and the various concerns of Mr. Gray and the Board regarding that design.

Erin Erben, Power Planning Manager, also presented her view regarding the rate design recommendation. She noted that collapsing rate tiers is do-able but there may be an alternative to increasing the basic charge, and that there are other ways to get revenue stability. She noted that staff wants to allow customers more choices in the future and that the rate design issue will remain whether it's now or later.

The Board was asked to repeat their desired direction regarding rate design:

Commissioner Helgeson:

- Leave rate design alone at this time
- Tiered rate doesn't have that much of a differential
- Concerned about eliminating delivery charge

Commissioner Manning:

- Okay with \$5 and \$10 comparison but need to be comfortable with explaining the impact

Commissioner Brown agreed, and would like to see a comparison of anywhere from zero increase to \$5 with escalating everything by 2.5%.

President Mital:

- Return to \$5 option with no basic charge increase.

The Board then discussed moving forward with rate design changes on the commercial side and have meters in place to do so, and staff returning to the Board regarding the residential side when the Board feels better prepared to better explain the changes to customers.

Mr. Freeman noted that an explanation of the delivery charge is the most common thing customers ask for when they call in.

Mr. Gray then asked for confirmation of the following options to be presented to the Board at the December meeting:

Option 1: Retain the rate design as is and increase each element by 2.5%, which will meet the revenue requirement.

Option 2: Move forward with the \$5 rate design and move General Service customers in the same direction, as proposed this evening.

The budget remains identical, only difference is how it is funded.

The Board unanimously confirmed the above, and Commissioner Manning will meet with staff to confirm some details.

Ms. Fahey confirmed that the Customer Care program will be increased to reflect the \$5 rate design.

## **CORRESPONDENCE AND BOARD AGENDAS**

Mr. Gray stated that Correspondence remains as presented.

He noted that agendas for 2016 are teed up well, and that the Board will be spending more time on strategic planning and agenda planning, so there will be second Board meetings on March 15 and April 19, solely for strategic planning discussion. Ms. Kah will follow up for scheduling of these second meetings.

The annual upriver meeting date is tentatively scheduled for September 6.

Mr. Gray noted that \$1 million contracts are separate line items (by board policy and by his practice) and that the Consent Calendar is an effective process, but not usually for broken-out line items, and he asked the Board if they would be comfortable treating larger contracts the same way (a procedure change with no change in details). He added that if this was done, staff would not be required to attend the meeting as agenda time would not be needed, but the Board would have to formally revise the policy.

After a brief discussion, the Board agreed, and staff will queue this up.

## **BOARD WRAP-UP**

Commissioner Helgeson asked if Board run materials could be sent earlier if the material is available to do so, possibly bi-weekly.

Regarding the Register-Guard article and portions of that discussion this evening, Vice President Simpson commented that he believes creative tension is okay and that when the Board reads messages from the public, they react. He stated that he believes EWEB should be indifferent in the way it delivers products, and if customers conserve, great, but if not, that's their choice. He added that he believes both the Register-Guard and EWEB are to blame for the misinformation in the Register-Guard article.

President Mital stated that public perception is a huge issue and that Board and staff need to be more clear about what the community learns.

Commissioner Brown noted that he is having lunch with the new chief executive officer of the Register-Guard soon, and that he hopes that EWEB staff will respond to the customers who offered comments regarding the rate increase before the December meeting.

President Mital adjourned the Regular Session at 8:42 p.m.

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Assistant Secretary

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President