

EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
DECEMBER 1, 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, Lena Kostopulos, Mark Freeman, Todd Simmons, Brad Taylor, Wally McCullough, Steve Newcomb, Mike McCann, Roger Kline, John Femal, Deborah Hart, Susan Eicher, Erin Erben, Lance Robertson, Joe Harwood, Frank Lawson, Lisa Atkin, Edward Yan, Mel Damewood, Karl Morgenstern, Sue Fahey, Harvey Hall, Adam Rue, Jeannine Parisi, Dave Churchman, Jason Heuser, and Brea Bach 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 thanked the audience for attending. He noted his Letter to the Editor in the Register-Guard that appeared in today's edition, and stated that it is obvious that more communication around rates needs to be done, and that he has promised low- and fixed-income customers that he will look out for their best well-being, and he will continue to do so. He added that he is open to meaningful dialogue in order to find a solution for rising costs and rates.

Commissioner Helgeson stated that he enjoyed the opportunity to attend the Southeast Neighborhood meeting on November 10 after the Register-Guard rate proposal article had appeared, and that it was an interesting format where the attendees sat at tables to share viewpoints and observations. He added that, in his opinion, the general public seems relatively uninformed about some of the basic things regarding EWEB and its operations, but the meeting reinforced that if EWEB wants to move forward with certain issues, it's hard for people to understand even the basics, let alone rate design.

Vice President Simpson stated that it is difficult to inform customers about the intricacies of electricity when it is an invisible product. He believes it is appropriate for all customers to pay their fair share for the system to support the utility, its structure and the products delivered and, unless there are explicit directives to have unbalanced rate designs from the community to the Board, the Board will carry out those directives. He also stated that many other services and opportunities exist in the community to assist customers who are on low or fixed income, and

that it is not EWEB's responsibility to do that, but those resources are limited, and one ought not to use more than what is appropriate in terms of efficiency and waste. He noted that when considering rate design, he remains neutral and wishes to maintain the integrity of EWEB to keep the lights on and the water flowing so the city can thrive at the most reasonable cost possible.

President Mital noted that Roger Kline, Enterprise Risk & Internal Controls Manager, will be leaving EWEB, as he has been hired as the general manager of a peer Northwest utility. He also recalled that his on-line comments regarding the Register-Guard article regarding the rate proposal had received a lot of attention, and that he has stated that he will move forward with a motion to establish a rate restructure committee composed of staff and community members, and will address that later in tonight's meeting. He thanked staff for a tumultuous month, especially senior staff, who have been balancing a wide range of customer concerns, and that it is clear that staff has listened to customers and has everyone's best interest in mind.

Commissioner Brown also thanked staff for their work. He noted that the CEO of the Register-Guard had contacted him about some power issues and that Electric Operations staff/crews responded promptly and solved them. Regarding President Mital's motion mentioned above, he stated that he will also be presenting a motion for a rate restructure committee, and that he believes that the Board needs to have a say about who is on it and how it is structured.

He then appreciated the recent time of use (TOU) study with electric meters that allow behavior modification which involved approximately 450 customers, including the Board, and that some results of that study were published today. He reiterated that customers can lower their bill quite a bit by running certain appliances only at night and turning off certain features during peak hours.

PUBLIC INPUT

John Fischer (Ward 4) noted that he had done a survey and that EWEB has the highest basic charge that he could find, and that it has gone up 100% in the last three years, and then went back down 25%. He said he believes the rate structure with the large basic charge disincentivizes conservation, and he would like to see EWEB return to a rate-based revenue stream that would encourage conservation.

Webb Sussman (Ward 1) stated that the rate proposals are not exactly straightforward on what they are trying to encourage, and that his observation is that if EWEB is trying to recover fixed costs and costs related to plant, the basic charge should be the focus, and the rate charge for power delivered should be left as variable. He reminded the Board that the Public Employees Retirement System (PERS) restructuring at the State level will also impact rates, and that many ratepayers will have less money to spend on many things.

Tim Whiteley (West Eugene) is the school district's grant manager for EWEB's energy education grant. He thanked the Board for the opportunities that EWEB's energy education grant provided to approximately 160 students and 20 staff this year, and gave the Board a thank you poster that the 7th grade class at Kennedy Middle School had made. He particularly noted the field trip to the McKenzie River for water quality testing and a visit to Walterville Salmon Hatchery.

Commissioner Helgeson appreciated the testimony regarding rate structure and thanked Mr. Whiteley, Eugene 4J School District, and other school partners for what they do with the grant funding, which in his opinion is one of the highest value investments EWEB makes.

Vice President Simpson asked Sue Fahey, Finance Manager, for a brief explanation of how the upcoming PERS restructure will affect EWEB's budget. Ms. Fahey noted that a side account was set up several years ago in order to reduce EWEB's future obligation, and that the impact has already been calculated into EWEB's long-term financial plan, so EWEB is prepared.

President Mital noted that the Board has also received many e-mails regarding the rate proposal. He thanked Mr. Fischer for his research, as he was not aware of the amount of the basic charge assessed by EWEB's peer utilities.

Commissioner Brown noted that Option 1 of the rate proposal reduces the consumption charge and that the net result over one month is less than \$1. He added that he is well aware of EWEB's basic charge and rate structure, as the bill for one of his rentals is \$65 per month with no one living there and nothing turned on. He acknowledged the huge financial liability for PERS and thanked Mr. Whiteley for his testimony, and noted that his grandchildren had visited the salmon hatchery on that field trip, and that there is a chance that he may have to quit eating salmon now because of it.

CONSENT CALENDAR

MINUTES

1. a. November 3, 2015 Executive Session
- b. November 3, 2015 Regular Session
- c. November 9, 2015 Executive Session
- d. November 9, 2015 Special Board Meeting

CONTRACTS

2. WEG Electric Corporation - for the purchase of two transformers for Holden Creek Substation. \$945,000. Engineering. Contact Person is Mel Damewood.

RESOLUTIONS

3. Resolution No. 1532 – Revision to Real Property Policies SD14 and Property Management Activity Fee Schedule. Environmental Management. Contact Person is Steve Newcomb.
4. Resolution No. 1537 – Update to Board Policy GP4, Agenda Planning, Contact Person is Roger Gray.

BUDGET AMENDMENTS

5. Budget Amendment - Electric Operations & Maintenance, \$14,100,000. Contact Person is Susan Fahey.

ITEMS REMOVED FROM CONSENT CALENDAR

Commissioner Brown removed item #3 (Resolution #1532).

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

Commissioner Brown asked some clarifying questions about the wording in certain portions of the Resolution and asked if some of the more general references could be better defined, i.e., who the members of a team are, etc. Roger Gray, General Manager, clarified the meaning.

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

RENEWAL OF EWEB EDUCATION GRANT PROGRAM, INTERGOVERNMENTAL AGREEMENTS

Lance Robertson, Public Affairs Manager, and John Femal, Communications Specialist, presented a brief summary regarding grant renewal.

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

PROPOSED 2016 BUDGETS, REVENUE REQUIREMENTS AND PRICES

With the aid of overheads, Ms. Fahey summarized the above. Staff recommended Board approval for one of the following four options:

- Option 1: 2.5% price increase on all price elements for residential and general service (GS) customers. Preserves current price structure.

- Option 2: \$5 increase to residential Basic Charge (\$25.00) and implementation of price design changes for residential and General Service (GS) customers. For residential customers, price design changes include combining all volumetric charges into one energy tier. GS changes include a gradual shift of fixed costs from energy charges to the Basic Charge and an adjustment to the Basic Charge and Demand Charge for the first 300KW for Medium and Large GS customers. The change to the Medium and Large GS Demand price creates a smoother bill impact as customers move between classes.

- Option 3: \$5 increase to residential Basic Charge (\$25.00) with offset to residential Delivery Charge and no change to Energy Charge tiers. Implementation of price design changes for GS customers as noted in Option 2.

- Option 4: Total 2.5% residential revenue requirements change added to residential Basic Charge (\$22.70) with no change to residential Delivery and Energy Charge tiers. Implementation of price design changes for GS customers as noted in Option 2.

With the aid of overheads, Mr. Gray discussed intent vs. effect (myth vs. reality) of electricity consumption, conservation economics (past and present), and what happens when rate design does not reflect cost and market realities.

In summary, management recommends that the Board approve Option 4 (2.5% revenue requirement increase added to basic charge) which enhances both EWEB's financial stability and most customers' bill stability, slightly over Option 1 (2.5% increase to all price components). Management also recommends the 3.6% overall average Water price increase and the related Resolutions No. 1534, 1535 and 1536. As an alternative, the Board may choose to approve rate design Option 1, 2, or 3.

Ms. Fahey and various other staff answered clarifying questions and comments from the Board.

Commissioner Helgeson appreciated the exclusive pass-through of a portion of the BPA increase that happened in October, with no increase in the internal operating budget and no increase last year at all for purchased power or internal operations costs. He voiced full support for the budget and the process used to arrive at the budget.

Commissioner Manning reiterated the cost reductions that led to the 2.5% rate increase proposal and reminded the audience that it will result in a very small increase in customers' bills.

President Mital reminded the Board to consider EWEB's low-income customers and noted that staff doesn't have the tools at present to do the rate design the Board would prefer. He wondered if the Board should hold off on their decision until staff confirms what those options would be. He also wondered why staff isn't moving forward on the restructure for commercial customers and leaving the residential side alone.

Mr. Gray noted that the commercial side doesn't have the weather instability that residential does, and that staff's proposal remains to nudge all in the same direction with revenue fairly evenly split.

PUBLIC HEARING: PROPOSED 2016 BUDGETS, REVENUE REQUIREMENTS AND PRICES

Stephen Leppold (Ward 2) believes it makes more sense to pass through the Bonneville Power Administration (BPA) rate increase only through electric rates rather than raising the basic charge, as this would give EWEB the revenue it needs while helping (not hurting) conservation and the environment. He urged the Board to raise only the energy charge to get the necessary revenue.

Former EWEB Commissioner **Bob Cassidy** stated it was a good idea to pass through the BPA expense while offsetting it with other things, but believes that a flat rate is not fair, as everyone would pay the same amount when not everyone has the same amount of income. He noted that he volunteered for the citizens rate committee and is hoping that EWEB will go ahead with that committee.

Sang Huynh stated that it is refreshing that President Mital has admitted that EWEB made a mistake in doing business with Seneca, as that showed honesty, focus and transparency. He asked EWEB to not make that mistake again as it felt like a crooked deal, and more money will be spent on legal fees. He wondered what the rate per megawatt is on today's open market.

Charmaine Rehg (Ward 5) stated that she had read about the various rate proposal options in the Register-Guard but that only the very first choice (2.5% increase across the board) would cause customers who use the least amount of electricity to have the smallest increase, and it is the only one that makes sense. She added that the other options cause a much bigger increase for customers who use the least amount of electricity, and that is not fair. She reiterated her desire for the Board to approve the 2.5% across the board rate increase.

Lynn Ash (Ward 8) thanked Commissioner Manning for his letter to the editor in the Register-Guard and noted that she has been an avid energy conservationist for her entire adult life, and is also a senior on low/fixed income. She echoed Ms. Rehg's testimony that the only proposal that makes sense is the 2.5% across the board rate increase.

Commissioner Helgeson noted that social equity and environmental responsibility for rate design are important issues, and that it's clear that there's a disconnect between what equity means to the Board and what it means to customers regarding rates.

Vice President Simpson stated that he won't impose higher rates on lower consumers, and noted that the basic charge is a charge, not a rate. He also noted that he is generally in favor of Option 4 but that tonight's testimony has influenced him to consider other options, and that he is willing to be flexible.

President Mital stated that there are different ways for customers to lower their bills (i.e., putting on a sweater, installing efficiency improvements, or switching to a different fuel source), and that customers who have higher income don't seem to be concerned about rate structure, but customers who have to make sacrifices to afford their bill will be harmed by some of the rate proposals.

Commissioner Brown stated that it's his job to represent his constituents, and his vote will reflect that. He noted that over 45% of the local housing market is rentals, with no incentive to do weatherization, and that is a huge hurdle to overcome. He voiced support for a customer advisory committee for rates, and has prepared a motion for that support.

2016 BUDGETS, REVENUE REQUIREMENTS AND PRICES

After clarifying questions and comments, it was moved by President Mital, seconded by Commissioner Brown, to approve Resolution 1534 for 2016 Budget Adoption. The motion passed unanimously (4-0; Commissioner Manning was temporarily out of the room).

It was then moved by Commissioner Helgeson, seconded by Vice President Simpson, to approve Resolution 1536, for a 3.6% water rate increase and an increase in the water basic charge, effective in February 2016. The motion passed unanimously (4-0; Commissioner Manning was temporarily out of the room).

President Mital read the following motion:

“Recognizing that significant changes are underway that:

1. Threaten the continued financial stability of electric utilities and
2. Require utilities to respond with new rate structures

I move that the General Manager establish a special rate restructuring committee to develop a long-term rate restructuring plan that balances EWEB's financial stability with other longstanding community values.

The General Manager should appoint both EWEB staff and community members to the committee. Community members should be selected to represent, at a minimum, conservation, low income, fixed income, and business concerns.

The General Manager should also hire an experienced consultant to facilitate the committee meetings and present rate restructuring recommendations to the Board no later than June 2017.”

Commissioner Helgeson seconded this motion.

Commissioner Brown then read his motion:

“I move to direct staff to research and report back to the Board with options for how a civilian rate committee to inform the Board of Commissioners on matters of electric and water rate design could be set up in a fair and equitable manner. The report should include policy recommendations on the size of the committee, how members will be selected, how it will be staffed, how often it will meet, limits on terms of service, what it will cost, how much time it will take to get the committee members educated so they can make informed recommendations, staff recommendations on how the committee will interact with the Board, suggested rules of engagement, and legal comments on scope of authority.”

President Mital’s motion was then struck, and Commissioner Brown’s amended motion was seconded by Vice President Simpson.

After a lengthy discussion about citizen committee structure and further suggestions on reporting requirements from the committee and EWEB staff, the Board supported Commissioner Brown’s amended motion.

Mr. Gray suggested that staff revisit the budget committee process suggestions from a few years ago and come back to the Board with proposed options for time frames, etc., and also suggested that he be the one to recommend decisions to the Board instead of staff, possibly at the January Board meeting.

The vote to substitute President Mital’s motion with Commissioner Brown’s amended motion was unanimous (5-0).

Ms. Fahey briefly recalled the four electric rate proposal options. After a brief discussion, the Board eliminated Options 2-4 from consideration.

It was then moved by Commissioner Helgeson, seconded by Vice President Simpson, to support Option 1, a 2.5% across the board electric rate increase. The motion passed unanimously (5-0).

President Mital stated that rate redesign still needs to be done at some point in the future, but more education about the options is necessary. Commissioner Brown echoed President Mital’s statement and stated that the community has spoken, and that Option 1 is a win/win. Vice President Simpson noted that public testimony really does make a difference, and that tonight is a good example of that.

It was then moved by Vice President Simpson, seconded by President Mital, to approve Resolution 1535 – 2016 Electric Rates (a 2.5% price increase on all price elements for residential and general service (GS) customers, and to preserve the current price structure). The motion passed unanimously (5-0).

RIVERFRONT PROPERTY

Mr. Gray stated that staff is still working toward an agreement with the City of Eugene/City Council, and that he will bring this item back to the Board at the January meeting.

2016 LEGISLATIVE AGENDA – RESOLUTION #1538

Lance Robertson, Public Affairs Manager, and Jason Heuser, Government and Community Affairs Coordinator, briefly outlined upcoming issues on the legislative agenda, with the main topics being a statewide ballot initiative to expand renewable portfolio standards and possible discussion of a carbon cap and trade proposal. Staff then addressed clarifying comments and questions from the Board.

It was moved by Commissioner Brown, seconded by President Mital, to adopt Resolution #1538. The motion passed unanimously (5-0).

2015 AUDIT PLANNING

Ms. Fahey introduced Julie Desimone from Moss Adams. With the aid of overheads, Ms. Desimone, Ms. Fahey and Roger Kline, Enterprise Risk and Internal Controls Manager, addressed questions and comments from the Board regarding the upcoming audit.

CORRESPONDENCE AND BOARD AGENDAS

For Correspondence, Mr. Gray highlighted an update on the Carmen-Smith project settlement, which includes a request from the Federal Energy Regulatory Commission (FERC) for an extension of time. This item will be brought to the Board for discussion at the January meeting.

EWEB will host a public hearing for the Northwest Power & Conservation Council Draft 7th Power Plan presentation on Wednesday, December 16 from 6:30 to 8:00 p.m. Mr. Gray strongly recommended that the Board attend this presentation.

BOARD WRAP-UP

Commissioner Helgeson asked for support to revisit protocol and ground rules around Op Ed pieces in the Register-Guard that are written by a Board member or Mr. Gray, as in some cases he received no notice that one was going to be written or found out about it the day before it was published. He noted that when they are published with those signatures, it is difficult to perceive whether the writer is speaking only for himself.

Commissioner Brown and President Mital supported Commissioner Helgeson's request.

Vice President Simpson stated that he believes it is important for the Board to have an annual retreat, and that this would be a great time to discuss Op Ed piece submittal and other items. He noted that the last Board retreat was high-level and seemed to focus more on strategic concepts, and that he believes the Board deserves an opportunity to focus on themselves, governance, and how they can be most effective as a team. He wished everyone Happy Holidays.

President Mital asked for clarification around the operations portion of the Board metrics document, and will send an e-mail to Mr. Gray to be more specific about his request. Mr. Gray will follow up with a starboard report from himself and Ms. Fahey.

Commissioner Brown asked for follow-up on the Rosboro Lumber (Finn Rock) property sale and whether or not someone else had submitted a bid. Mr. Gray will follow up.

Regarding the previous request from Commissioner Helgeson regarding Op Ed piece submittal, Commissioner Manning supported Mr. Gray in communicating with the public when he deems it necessary.

Commissioner Helgeson thanked Board and staff for the great discussion regarding rates. Commissioner Brown echoed that, and noted that other local utilities' basic charges are \$25 or \$30, so the Board did the right thing this evening, and will figure out how to better the rate design process next time.

President Mital adjourned the Regular Session at 9:01 p.m.

Assistant Secretary

President