

EUGENE WATER & ELECTRIC BOARD
EXECUTIVE SESSION
EWEB BOARD ROOM
500 EAST 4TH AVENUE
DECEMBER 1, 2015
4:15 P.M.

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

EXECUTIVE SESSION 1:

Pursuant to ORS 192.660(2)(d)

The EWEB Board of Commissioners met in Executive Session to deliberate with persons designated by the governing body to carry on labor negotiations.

Others Present: General Manager Roger Gray, Mark Freeman, Lena Kostopulos, Mike McCann, Laurie Muggy, Todd Simmons, Brad Taylor and Brea Bach of EWEB staff and Sharon Rudnick of Harrang, Long, Rudnick Attorneys at Law.

President Mital adjourned the Executive Session 1 meeting at 4:45 p.m.

EXECUTIVE SESSION 2:

Pursuant to ORS 192.660(2)(e)

The EWEB Board of Commissioners met in Executive Session to deliberate with persons governed by the governing body to negotiate real property transactions.

Others Present: General Manager Roger Gray, Susan Fahey, Steve Newcomb, Lance Robertson and Brea Bach of EWEB Staff.

President Mital adjourned the Executive Session 2 meeting at 5:15 p.m.

Assistant Secretary

President

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



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Mital, Simpson, Helgeson, Manning and Brown
FROM: Sue Fahey, Finance Manager; Sarah Gorsegner, Purchasing Manager
DATE: December 28, 2015
SUBJECT: 2016 Board Appointed Consultants and Retained Professionals Ratification
OBJECTIVE: Board Action–Ratification of Board Appointed Consultants & Retained Professionals

Issue

At the first Board meeting of the year, the Board appoints and ratifies certain professional consultants which are retained by the Board.

Background

EWEB contracts with a group of consultants who are defined as being appointed or retained by the Board. The selection of these consultants is based on their technical knowledge, areas of expertise, and their historical knowledge and perspective of EWEB and its work. The key attribute of each of these consultants is their independent advisory responsibility to the Board; a responsibility to provide professional direction and assessments to the Board, as determined by the consultant, without regard to staff's position or interpretation. These are long-term relationships that remain in effect through a Board adopted exemption from the requirements of Oregon Public Contracting law [EWEB Rule 6-0130: Board Appointed Consultants and Retained Professionals].

Although these contracts are exempt from public contracting law and do not require a competitive process, the General Manager directed staff to competitively solicit these contracts to be sure that EWEB is receiving the most competitive and best value in these areas. In late 2012 through 2015, staff issued solicitations and awarded new contracts for:

- General Counsel – Luvaas Cobb
- Financial Advisor – Piper Jaffray
- Independent Actuary – Kenney Consulting
- Trustee Services – US Bank Global Corporate Trust Services
- Real Estate Consultant – ECO Northwest
- Real Estate Broker Services – Evans, Elder & Brown; Windemere Real Estate
- HR Counsel – Harrang, Long, Gary and Rudnick
- Special Counsel and Power Risk Counsel-Cable Huston Benedict Haagensen & Lloyd
- Special Counsel and Power Risk Counsel Trading & Power Operations - Law Offices of Jeremy Weinstein

Contracts are within the initial 5 year term of service.

The following contracts are scheduled to be competitively solicited in 2016.

- Independent Auditor/Certified Public Accountant– Due to issues currently being worked with the Auditors and the ongoing work being performed by Moss Adams, the Finance Department recommends retaining Moss Adams for the next few years. The current contract will expire in 2016, and is expected to be re-solicited then.
- Bond Counsel- Due to bond issuances currently in process with Mersereau & Shannon, Finance recommends retaining Mersereau & Shannon for bond counsel services until after the current issuances are complete in mid-summer 2016. The current contract will expire in 2016, and will be re-solicited then.

Management recommends continuing retained professional services by Murphy & Buchal for special legal counsel for the BPA Rate Case.

Each of these consultants' work continually supports and helps direct EWEB's business and policy decisions. All retained attorneys have an obligation to protect EWEB (and its Governing Body) and to independently advise the Board, if required, on legal matters. EWEB Bond Resolutions require certain actions by some of these independent consultants when issuing new bonds. EWEB's bond counsel, financial advisor, and independent auditor are appointed to act on behalf of the Governing Body to independently assess the utility's performance in these areas.

A survey is distributed annually to staff who utilizes these contracts to assess the performance of the consultants. Management has no objection to ratification of any of these consultants.

A very brief overview of each consultant is provided herein:

RETAINED PROFESSIONALS – ATTORNEYS

Contract Information

1. Luvaas, Cobb, Law – Eric DeFreest: General Counsel

Tenure: Contract solicited and awarded in 2013

Contract Information: In 2012, a solicitation was issued and a new contract was established with Luvaas, Cobb, Law for General Counsel Services in Jan, 2013.

Annual Expenditures (to date):

2015	2014	2013	2012	2011
\$149,601	\$163,500	\$251,114	\$106,147	\$177,665

Luvaas Cobb, through Eric DeFreest maintains an historical perspective and a broad range of expertise in municipal utility legal matters which continue to be very valuable to the utility. Eric DeFreest and other attorneys from the firm are quick to respond to staff inquiries. They continue to maintain an excellent relationship with staff and consistently provide sound legal advice.

Recommendation: Ratify as General Counsel for 2016

2. Cable Huston Benedict Haagensen & Lloyd: Special Counsel

Tenure: Retained in the early 1980s

Contract Information: This contract was competitively solicited in 2014.

Annual Expenditures (to date):

2015	2014	2013	2012	2011
\$548,511	\$302,922	\$356,964	\$401,860	\$445,146

Cable Huston Benedict Haagensen & Lloyd is recognized as a preeminent law firm in the state dealing with energy issues. In 2015, \$190,000 has been spent with this firm for Leaburg Dam roll gate failure legal counsel. Their work on many utility projects is considered to be invaluable as they have considerable technical expertise. Staff greatly values their work on environmental, generation and power contract issues.

Recommendation: Ratify as Special Counsel for 2016

3. Law Offices of Jeremy Weinstein - Special Counsel, Power Operations

Tenure: Retained in 2014

Contract information: It was competitively solicited in 2014. Services have been limited over the past year.

Annual Expenditures (to date):

2015	2014			
\$5,775	\$ 0			

Recommendation: Ratify as Special Counsel for 2016

4. Murphy & Buchal LLP: Special Counsel (BPA Rate Review)

Tenure: Retained in 2010

Contract Information: Contractor provides special counsel for the BPA Rate Review.

Annual Expenditures (to date):

2015	2014	2013	2012	2011
\$55,888	\$57,727	\$31,018	\$54,880	\$160,230

Murphy & Buchal have represented major participants in every general power and every contested transmission rate case of BPA since 1984. Murphy & Buchal will assist in analyzing legal positions and preparing testimony in the BPA rate case.

Recommendation: Ratify as Special Counsel for 2016

5. Harrang, Long, Gary and Rudnick: Human Resources Counsel

Tenure: Retained in 1992

Contract Information: This contract was competitively solicited in 2014.

Annual Expenditures (to date):

2015	2014	2013	2012	2011
\$96,177	\$96,817	\$167,246	\$104,625	\$ 89,584

Harrang, Long, Gary and Rudnick has a long history of providing legal services related on HR issues to EWEB. This firm is very knowledgeable about EWEB's HR policies and related issues.

Recommendation: Ratify as Human Resources Counsel for 2016

6. Mersereau & Shannon: Bond Counsel

Tenure: Retained in 2009

Contract Information: Management recommends retainage for one additional year during the Water Utility bond issuance, after the completion of the bond issuance a solicitation will be issued for ongoing bond counsel services.

Annual Expenditures (to date):

2015	2014	2013	2012	2011
\$0	\$ 0	\$0	\$85,000	\$230,000

In late 2009 staff solicited these services and selected Mersereau and Shannon to be EWEB's Bond Counsel. Mersereau and Shannon has had a long history with EWEB, is extremely knowledgeable, experienced, and responsive to EWEB requests in a timely manner.

Recommendation: Ratify as Bond Counsel for 2016, with the intent that a solicitation for bond counsel services will be complete mid-year 2016 after the issuance of the water department bond.

BOARD APPOINTED CONSULTANTS:

7. Black & Veatch: Independent and Consulting Engineers

Tenure: Retained in 1991.

Contract Information: The contract was solicited in 2012.

Annual Expenditures (to date):

2015	2014	2013	2012	2011
\$0	\$0	\$0	\$8,000	\$15,000

Black & Veatch is considered to have demonstrated excellent technical knowledge and expertise in performance of its engineering work. Staff has very high confidence in this consultant's expertise and greatly appreciates their timely response even when given very short notice. Black and Veatch was awarded a \$6,000,000 contract for consulting services on the Carmen Smith Power House refurbishment project at the November 3, 2015 Board meeting. Over the next five years they will be providing Independent and Consulting Engineering services in addition to the project specific contract work recently awarded.

Recommendation: Ratify as Independent and Consulting Engineers for 2016

8. Kenney Consulting: Independent Actuaries

Tenure: Retained over 20 years ago

Contract Information: This contract was competitively solicited in 2013.

Annual Expenditures (to date):

2015	2014	2013	2012	2011
\$28,000	\$7,000	\$0	\$33,500	\$20,000

The Independent Actuaries’ scope of work includes medical benefits, supplemental retirement plan evaluations, and PERS issues – all important and very visible issues for the utility. Staff continues to have confidence in Kenney Consulting’s ability to meet EWEB needs. Kenny Consulting is recognized as having a broad range of available expertise and knowledge of pension reporting requirements.

Recommendation: Ratify as Independent Actuaries for 2016

9. Moss Adams: Independent Auditor and Certified Public Accountant

Tenure: Since 2005

Contract Information: In 2011 a new contract was negotiated for a potential five year term. This contract will be re-solicited in 2016.

Annual Expenditures (to date):

2015	2014	2013	2012	2011
\$147,020	\$105,987	\$105,250	\$114,521	\$128,727

We are generally satisfied with Moss Adams’ performance as Independent Auditor and with their vast knowledge of utility auditing issues. This is Moss Adams’ ninth audit cycle as EWEB’s Independent Auditor and Certified Public Accountant.

Recommendation: Ratify as Independent Auditor and Certified Public Accountant for 2016

10. Piper Jaffray: Financial Advisor

Tenure: Retained in 2013

Contract Information: This contract was solicited in late 2012 and awarded in Jan 2013 for a potential 5 year term.

Annual Expenditures to Date:

2015	2014	2013		
\$6,866	\$0	\$5,532		

The quality of the performance of the financial adviser consultant is often based on their experience with electric and water utilities, rating agency presentations, access to trading floor and current pricing experience. Piper Jaffray has demonstrated that they possess these qualifications and experience.

Recommendation: Ratify as Financial Advisor for 2016

Discussion

EWEB’s Board has adopted Contracting Rule 6-0130 that exempts Board Appointed Consultants and Retained Professionals from the requirements of Oregon Public Contracting law, and has appointed independent consultants and retained professionals as advisors to the utility’s Governing Body. These consultants’ historical perspective and in-depth knowledge of the utility and its operations makes their expertise and advice extremely valuable and beneficial to EWEB.

Each year Management asks the Board to ratify the consultants to continue their work in the coming year. Management has confidence in the high quality of work, demonstrated technical knowledge and expertise, and high satisfaction with the services received.

Recommendation

Management recommends ratification of the Board Appointed Consultants and Retained Professionals for 2016.

Requested Board Action

Management requests ratification of the Board Appointed Consultants and Retained Professionals for 2016 as recommended above.

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a contract with **H.D. Fowler Company** for **Ductile Iron Pipe**.

Board Meeting Date: January 5, 2016
Project Name/Contract#: ITB 053-2015: Ductile Iron Pipe
Primary Contact: Brad Taylor Ext.7385
Purchasing Contact: Collin Logan Ext.7426

Action Requested:

Contract Award
 Contract Renewal
 Contract Increase
 Other

Contract Amount:

Original Contract Amount: \$ 452,000
Additional \$ Previously Approved: \$ n/a
Invoices over last approval: \$ n/a
Percentage over last approval: n/a
Amount this Request: \$ 452,000
Resulting Cumulative Total: \$ 2,352,000 over five years

Funding Source:

Budget
 Reserves
 New Revenue
 Bonding
 Other

Contracting Method:

Method of Solicitation: Invitation to Bid
If applicable, basis for exemption: n/a
Term of Agreement: **5 Years**
Option to Renew? Yes
Approval for purchases "*as needed*" for the life of the contract Yes

Form of Contract:

Single Purchase
 Services
 Personal Services
 Construction
 IGA
 Price Agreement
 Other

Narrative:

The Board is being asked to approve a new contract with **H.D. Fowler Company** of Eugene, OR for the purchase of **ductile iron pipe** on an as needed basis.

EWEB requires ductile iron pipe for use in EWEB's water distribution system. In November 2015, EWEB issued an Invitation to Bid to establish a price agreement for the purchase of ductile iron pipe. The solicitation was reviewed by six companies. Three responses were received; Consolidated Supply of Eugene, OR, McWane Ductile of Provo, UT, and H. D. Fowler Company. H.D. Fowler Company was determined to be the lowest responsive and responsible bidder.

Historical procurement data suggests that the total contract amount will be approximately \$2,352,000 over the total five-year period. The actual total dollar amount, however, is unknown and may be more or less than that estimated volume. Purchases will be based on need and available budget; not on any specific annual quantity.

If approved, staff will purchase required ductile iron pipe at the established prices over the life of the contract. The contract is for one-year with the option to renew for four additional one-year periods.

ACTION REQUESTED:

Management requests the Board approve a contract with **H.D. Fowler Company** for **ductile iron pipe**. Funds for this purchase were budgeted for 2016 and will be budgeted annually.

SIGNATURES:

Project Coordinator: _____

LT Manager: _____

Purchasing Manager: _____

General Manager: _____

Board Approval Date: _____

Secretary/Assistant Secretary verification: _____



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Mital, Simpson, Helgeson, Manning and Brown
FROM: Mel Damewood, Engineering Manager, Frank Lawson, Systems Engineering Supervisor, and Philip Peterson, Staff Electrical Engineer
DATE: December 23, 2015
SUBJECT: Holden Creek Control House and Medium Voltage Switchgear
OBJECTIVE: Approve Contract

Issue

Staff is requesting approval of a contract to purchase an integrated control house and switchgear for the new Holden Creek Substation.

Background

EWEB is designing the new Holden Creek Substation with plans to begin construction in 2016. The Triple Bottom Line (TBL) benefits of this project were discussed in a November Board Memorandum entitled "Significant Type 2 Project Update/Cost Increase: Holden Creek Substation".

Discussion

For the Holden Creek project, EWEB requires transmission and substation protection, associated control equipment, along with medium voltage (12kV) switching equipment that protects and controls the distribution lines serving customers in the region. This substation will also provide a connection point for Leaburg generation to the larger electric system. Economics, resource availability, asset standardization, and potential ease of future service and upgrades are driving EWEB to contract the integration of this equipment to include a pre-fabricated control house, rather than designing and constructing a control house on-site.

EWEB issued RFP 048-2015 in October of 2015, inviting station equipment manufacturers to submit a solution to EWEB for the purchase of a "Substation Control House with Integrated Switchgear" for the future Holden Creek Substation. The RFP was scored based on considerations of total cost, adherence to EWEB technical specifications and EWEB terms and conditions, and phone interviews with vendor-supplied references. The RFP was reviewed by 18 companies. Four (4) responses were received and evaluated by staff with Wesco Distribution Inc. as the highest ranked proposer. EWEB has worked with Wesco Distribution Inc. in the past on multiple projects.

Recommendation

Staff recommends the approval of a contract with Wesco Distribution Inc. for the purchase of a Substation Control House with Integrated Switchgear for the future Holden Creek Substation.

Requested Action

Approval of a contract with Wesco Distribution Inc. for the purchase of a Substation Control House with Integrated Switchgear for the future Holden Creek Substation.

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a contract with **WESCO** for the purchase of a pre-fabricated control house with integrated medium voltage switchgear for Holden Creek Substation.

Board Meeting Date: January 5, 2016
Project Name/Contract#: Holden Creek Substation Control House RFP 048-2015
Primary Contact: Mel Damewood Ext. 7145
Purchasing Contact: Sandra Hahn Ext. 7163

Action Requested:	
<input checked="" type="checkbox"/>	Contract Award
<input type="checkbox"/>	Contract Renewal
<input type="checkbox"/>	Contract Increase
<input type="checkbox"/>	Other

Contract Amount:
Original Contract Amount: \$ 840,000
Additional \$ Previously Approved: \$ N/A
Invoices over last approval: \$ N/A
Percentage over last approval: N/A %
Amount this Request: \$ 840,000
Resulting Cumulative Total: \$ 840,000

Funding Source:	
<input checked="" type="checkbox"/>	Budget
<input type="checkbox"/>	Reserves
<input type="checkbox"/>	New Revenue
<input type="checkbox"/>	Bonding
<input type="checkbox"/>	Other

Contracting Method:
Method of Solicitation: Formal Request for Proposals
If applicable, basis for exemption: N/A
Term of Agreement: December 31, 2016
Option to Renew? No

Form of Contract:	
<input checked="" type="checkbox"/>	Single Purchase
<input type="checkbox"/>	Services
<input type="checkbox"/>	Personal Services
<input type="checkbox"/>	Construction
<input type="checkbox"/>	IGA
<input type="checkbox"/>	Price Agreement
<input type="checkbox"/>	Other

Approval for purchases "as needed" for the life of the contract No

Narrative:

The Board is being asked to approve a new contract with **WESCO** of Portland, OR on behalf of EATON of Omaha, NE for the purchase of a pre-fabricated control house with integrated medium voltage switchgear for the new Holden Creek Substation. Holden Creek is a new substation being designed and built by EWEB as part of the upriver reconfiguration plan developed by engineering in March 2014. Holden Creek has been approved by management and is a Type 2 capital project. At the November 3, 2015 Board meeting, information on this project was provided in the EL-1 report, as well as a separate correspondence item.

EWEB requires a control house for substation protection, control, and communications circuits, as well as medium voltage equipment, to properly operate Holden Creek Substation. Staff evaluated options and determined that integrating these two items (control house and medium voltage switchgear) would be the most cost effective for EWEB.

RFP 048-2015 was issued on October 7, 2015 and closed on November 5, 2015 for the purchase of a control house with integrated medium voltage switchgear. The RFP was scored based on considerations of cost, adherence to EWEB technical specification, adherence to EWEB terms and conditions, and phone interviews with vendor-supplied references. Responses were received from WESCO of Portland, OR, Schneider Electric of Tualatin, OR, Myers Power Products of Ontario, CA, and Crown Technical Systems of Fontana, CA; WESCO was determined to be the highest ranked proposer.

ACTION REQUESTED:

Management requests the Board approve a new contract with **WESCO** of Portland, OR for the purchase of a **pre-fabricated control house with integrated medium voltage switchgear for Holden Creek Substation**. Funds for this purchase were budgeted for 2016.

SIGNATURES:

Project Coordinator: _____

LT Manager: _____

Purchasing Manager: _____

General Manager: _____

Board Approval Date: _____

Secretary/Assistant Secretary verification: _____



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Mital, Simpson, Helgeson, Manning and Brown
FROM: Steve Newcomb, Environmental Manager and Suzanne Adkins, Environmental Supervisor
DATE: December 16, 2015
SUBJECT: Revised Environmental Policy (SD2), Resolution No. 1530
OBJECTIVE: Board Action

Issue

As part of the regular cycle of policy revisions, we reviewed the Environmental Policy to make any necessary updates. The Environmental Policy (SD2) has not been reviewed/updated since 2005. The attached resolution for Board action recommends adoption of a revised SD2.

Background and Discussion

The environmental policy was originally adopted in 1997 and updated in 2005. In making the revisions to EWEB's policy, we conducted outreach and research from a wide range of organizations ranging from our regional neighbors such as PGE and Seattle City Light, to progressive businesses with big ideas about environmental stewardship like Disney and Rockwell Automation.

The result is a simple, comprehensive, and hopefully powerful statement about EWEB's environmental policy, and incorporates statements that tie together EWEB's efforts related to greenhouse gas and waste reduction goals, and Sustainability.

Recommendation

Adopt Board Resolution No. 1530 which includes the following:

Attachments include the original and the revised Environmental Policy (SD 2)

Requested Board Action

Review and agree to pass Board Resolution No. 1530.

Policy Number: SD2
Policy Type: Strategic Direction
Policy Title: Environmental Policy
Effective Date: January 6, 2016

EWEB strives to establish a positive environmental legacy for the community we serve and for future generations. In doing so, we are committed to minimizing overall impact on the environment while encouraging environmentally responsible behavior within our own operations.

We will identify, measure and understand the direct and indirect impact of our operations and develop innovative and realistic solutions for mitigating those impacts. We will comply with, and in some cases exceed environmental laws and regulations. Finally, EWEB is committed to communicating regularly its progress in implementing the policies and achieving the targets that it has established as well as continually improving our environmental programs.

Environmental Focus Areas

Compliance

We comply with all applicable environmental laws, regulations, and company procedures. We perform internal audits to confirm compliance with environmental laws governing our operations.

Environmental Planning

We employ a triple bottom line decision-making approach that considers environmental, social and economic impacts.

Greenhouse Gas Emissions Reduction

We will reduce harmful GHG emissions by identifying the sources and implementing solutions, including source elimination, efficiency improvement, minimizing transportation and other fuels, and increasing the use of clean and renewable fuels.

Waste Minimization

We will minimize waste in our operations and business activities and will incorporate waste reduction into all activities; reducing waste through innovative supply chain management, and end-of-life recycling.

Water and Energy Conservation

We will improve water and energy efficiencies in existing operations and invest in new technologies and systems that enhance water and energy conservation. We will include water and energy management as an integral part of planning for future projects to reduce the consumption of water and energy.

Watershed Protection

We protect EWEBs drinking water supply with programs to measure the balance between watershed health and human use over time, and to implement actions, which maintain a healthy balance for production of exceptional water quality.

Natural & Cultural Resource Protection

We protect the lands, waters and ecosystems entrusted to our care which provide habitat for native fish and wildlife, clean water, healthy soils and recreational opportunities.

Transportation

We will adopt reasonable, environmentally friendly transportation solutions to limit emissions from utility-owned and personal vehicles.

Employee Education

We continue to shape environmental awareness and behaviors by helping our employees understand their role in meeting our environmental objectives.

Inspire Action

We engage and inspire employees, customers, and partnering agencies to make positive impacts on the environment.

Source: Board Approved 11/04/1997, Ratified 04/19/2005, Revised 01/05/16
Resolution No. 1530.

Policy Number: SD2
Policy Type: Strategic Direction
Policy Title: Environmental Policy
Effective Date: April 19, 2005

EWEB takes responsibility for the environmental consequences of our actions. The Board believes that environmental protection and enhancement are sound business practices that are beneficial to the economy, our community, that support a sustainable future for our world and that enhance EWEB's success as a publicly owned utility. EWEB conducts business in an environmentally sensitive and responsible manner while providing our customers with safe, reliable and responsive utility service. We are committed to innovative, cost effective approaches to environmental challenges, to integration of environmental considerations in all aspects of our activities, and to continual improvement of our efforts to protect and enhance the environment.

The objectives for EWEB's environmental commitment are to:

- Prevent, minimize, or mitigate the environmental impacts of EWEB's products and services.
- Meet or exceed compliance with the letter and spirit of applicable environmental statutes, regulations and standards.
- Actively support our customers with technical and financial assistance to improve their efficient use of energy and water.
- Strive to provide resources that are renewable, sustainable, and have minimal environmental impact to meet our customer's needs.
- Safeguard human health in the conduct of our business.
- Focus on pollution prevention throughout EWEB's facilities and operations.
- Recycle and reuse materials to reduce waste generated by EWEB's activities.
- Foster stewardship of the McKenzie River watershed resources to ensure sustainable watershed health.

Source: Board Approved 11/04/1997, Ratified 04/19/2005

**RESOLUTION NO. 1530
JANUARY 2016**

**EUGENE WATER & ELECTRIC BOARD
RESOLUTION APPROVING BOARD POLICY SD2 MODIFICATIONS**

WHEREAS, the Eugene Water & Electric Board (EWEB) maintains a Board Policy Manual that contains governing policies for the Board of Commissioners; and

WHEREAS, the Board of Commissioners periodically reviews said policies and identifies required modifications or amendments to those policies; and

WHEREAS, the Board of Commissioners periodically determines that new policy is required to adequately document the work or intention of the Board with regard to governance, Board-staff linkage, strategic direction or executive limitations; and

WHEREAS, the Board of Commissioners has reviewed a modification to Board Policy SD 2, Environmental Policy and has determined that the modification is appropriate and necessary.

NOW, THEREFORE, BE IT RESOLVED by the Eugene Water & Electric Board that:

1. The Board of Commissioners hereby grants approval to the modification of SD2 which will be reflected in updated Board Policies.

DATED this 5th day of January 2016.

THE CITY OF EUGENE, OREGON
Acting by and through the
Eugene Water & Electric Board

Acting President

I, ANNE M. KAH the duly appointed, qualified, and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its January 5, 2016 Regular Board Meeting.

Assistant Secretary