

EUGENE WATER & ELECTRIC BOARD
SPECIAL BOARD MEETING
EWEB BOARD ROOM
500 EAST 4TH AVENUE
FEBRUARY 16, 2016
5:30 P.M.

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

Others Present: Roger Gray/General Manager, Lena Kostopulos, Rick Guerra, Frank Lawson, Mel Damewood, Mark Freeman, Todd Simmons, Kira Hutchens, Laurie Muggy, Sue Fahey, Erin Erben, Dave Churchman, Matt Barton, Rene Gonzalez, Wendi Schultz-Kerns and Anne Kah of the EWEB staff; Lanie Prouse of Mycoff, Frye and Prouse; Teresa Lloyd, Recorder.

President Simpson convened the Special Session of the Eugene Water & Electric Board (EWEB) at 5:30 p.m.

AGENDA CHECK

There were no items.

PUBLIC INPUT

There were no comments.

CRITERIA FOR GENERAL MANAGER

Human Resource Manager, Lena Kostopulos, gave a brief overview of the meeting to the Board and referring setting criteria and process details.

She addressed two handouts, a) Topics of Conversation for the Board, and b) General Manager (GM) Position Description for reference, describing the session as a workshop format. She reminded the Board it was not required to set the minimum requirements during this session. She then introduced Lanie Prouse of Mycoff, Frye and Prouse, a Utility Industry recruitment organization.

Ms. Prouse gave a description of her background of 20 years of experience with her organization which started in 1974. She asked the Board what characteristics and experience they were seeking in candidates for the GM position. She began by asking board members if they had questions.

Commissioner Mital asked were there obligations to prior clients that would prevent her from going to them to ask to take a look at this position. Ms. Prouse said it would be a marketed

position. Therefore, she cannot stop them from applying for the position, and they can take that route opposed to her specifically recruiting them for the job.

President Simpson asked if the position was open at this time. Ms. Prouse said after she receives the search criteria from the Board then the position will be open for recruitment. It will be posted on the Mycoff, Frye and Prouse website as well as other media, and encouraged interested parties to contact them. Her goal was to come up with candidates that will provide options in satisfying desired attributes.

Ms. Prouse asked the Board to clarify characteristics starting with the desired experience level:

- Does the candidate have to already be operating at a GM level?

All agreed it would not need to be a requirement, with President Simpson stating he would lead toward a Director level with management and public experience.

Commissioner Manning added there should be an emphasis on relationship with people because EWEB was a public utility.

- Does the candidate need to have public power experience?

Vice President Brown responded that it would be good to have but not required.

Commissioner Mital preferred but experience would not need to be a minimum qualification.

Commissioner Helgeson agreed and added the candidate should be in alignment with public power values and customer service.

Commissioner Mital and Commissioner Manning agreed, and Commissioner Mital added the candidate would need to be able to be open to public orientation and engage a diverse population.

President Simpson added the candidate would need to be able to work with the Board and be able to distill diverse opinions; have a strong governance ability; and be able to connect with diverse stakeholder groups to form strong alliances with both local and regional agencies while upholding EWEB's good name and legacy.

- Does someone need to have proven abilities reporting to a Board?

Commissioner Manning said yes, because they will need to be able to "switch hats" often and be decisive while maintaining an open mind. He asked EWEB's current general manager, Roger Gray, his opinion and Mr. Gray explained the candidate would need to have a proven capacity whether participating on other boards, community services, et. al.

Commissioner Helgeson would like to see skill sets in the candidate presented one way or another as a facilitator as in the same fashion as EWEB's.

President Simpson agreed with him and added he or she needs to have experience with groups, and be able to guide groups and recognizing "where the buck stops" is most valuable.

- What is the style the GM needs to work with the Board? Does the Board like options and recommendations from the GM?

Commissioner Mital said EWEB has well-developed procedures and policies, so prior experience was not necessary but the candidate needs to understand how to interact with board members outside of Board meetings. He would like to see a greater diversity in options offered by the candidate.

Vice President Brown agreed and added there should be a reflection on community values.

President Simpson said being a lay board the members rely on staff to provide options, directions and recommendations, and turn around and implement those things with accuracy and accountability.

Commissioner Helgeson said he is concerned with broader initiatives and alternatives on policy levels.

Commissioner Manning wants to know the bottom line up front and what are possible solutions, with the worst case and best case presented with staff recommendations.

President Simpson added someone who was not afraid to hold the line; not afraid to stir things up or reorganize as necessary; be in touch with community values and manage that diplomatically and politically; and communicating trustingly and accurately to the Board bringing the right mix of decisions for strategic and policy direction.

- What does the right amount of communication from the GM look like to you?

Commissioner Mital said beyond the current monthly Board and monthly one-on-one meetings, he liked the open-door policy and direct interaction with board members.

Commissioner Helgeson added current administration alerts board members informational and utility communication by email and said it worked well.

Vice President Brown said the current GM works well with the current Board, and added the candidate would have to get to know the board members, with regard to their nuances and passions.

Commissioner Manning stated that interaction was very important citing that the one-on-one or two-on-one meetings address specific issues, and was necessary to be people-oriented.

President Simpson agreed and added in addition to strong people skills the GM needs strong skills in negotiating, management and respect. Strong ethic skills were also needed due to being bound by Oregon's Public Meeting Law (ORS 192.650).

Commissioner Mital added that being in an outlier community the new GM needs to know the Board values the amount of interactive communication with staff.

President Simpson concurred and said reasonable access to staff is needed, as well as monitor an open door with staff and not allow inappropriate influence.

Commissioner Helgeson added that being a diverse utility operation sometimes was a challenge but the EWEB staff was well-qualified with strong expertise, so the GM's engineering and technical background would not have to be in depth.

- Does the candidate require local and Northwest regional experience and understanding?

President Simpson put about a 60% weight on this criterion.

Mr. Gray was asked for feedback and stated the new GM would need to understand Bonneville Power Administration (BPA) re-licensing, but he or she may not have the expertise with water utility issues so it would be a trade-off. Same as if the candidate had water utility experience but may not have expertise in BPA licensing. He added EWEB is covered very well with staff expertise.

Commissioner Mital added the candidate should have some amount of understanding in this area as a minimum qualification, and Commissioner Manning agreed.

Commissioner Helgeson added if it was a minimum requirement then the GM could get up to speed. Also, someone who is not from the Northwest area would need to do their homework according to the attributes of the Northwest.

Vice President Brown stated that education and experience were important, but he would look at all strengths and weaknesses then weigh it because no one will have all the experience.

Referring to the above conversation, President Simpson asked for a guide as a reminder of the discussion when Ms. Prouse presents a list of candidates.

- What is the power supply/renewable Resources acumen requirement? Can someone come from a non-generating utility, not serving on any power supply boards and be credible?

Commissioner Helgeson responded that the candidate must know how to put all attributes, skills and abilities together and move forward. Ms. Prouse said she didn't want

minimum qualifications as much as nuances the Board would like to see as critical. Commissioner Helgeson stated the GM's background would be critical as the Board was faced with critical decisions relating to the portfolio, citing re-licensing issues with Carmen-Smith as an example.

Commissioner Mital said EWEB was locked into a series of long term contracts up to 5-10 years, and suggested that in 3-5 years they would need to look what to do before the contracts expire.

Commissioner Helgeson agreed but said there were no other major decisions outside of Carmen-Smith stating that strategies could be worked out.

President Simpson said an Integrated Electric Resource Plan (IERP) cycle was still needed to help inform the Board's decisions. Also, rate restructuring was on the horizon, Advance Metering Infrastructure (AMI) rollout needed to be managed, and he expected the candidate would need political acumen on power supply.

Commissioner Manning said he or she would need to be a visionary and be able to take Utility into the future as well as concentrating on the present. Also, requires leadership style to manage tasks and staff. Would like the candidate to be able to come to the Board with planning and forward thinking.

In support of that, President Simpson added storytelling, marketing and sales skills would energize public relations and allow us to synergize with other agencies.

Vice President Brown reflected on the prioritization of the criteria.

President Simpson said the discussion of desired attributes would help Ms. Prouse bring a selection of candidates for consideration.

Commissioner Helgeson recognized each candidate won't have all of the attributes, and the criteria will help get a good fit.

- Can a candidate come from a non-union environment?

All agreed.

- Referring to an annual budget, how much financial responsibility does the candidate need to have had?

President Simpson looked to other qualities first, but recommended between \$40 million and \$600 million yearly.

Mr. Gray was asked for feedback which he discussed with all. Ms. Prouse reminded the Board she would not use it as the only criteria.

Commissioner Mital wanted to see diversity.

Commissioner Helgeson mentioned the complex budget structure and expected the GM to hold people accountable for budgets, delegating appropriate responsibility, but also maintaining a level of financial discipline.

Mr. Gray hesitated to create an absolute threshold on budget but a financial acumen would be necessary.

Commissioner Mital said budget, resource planning and leadership were the top three important skill sets needed.

Commissioner Manning would like a background in numbers but he noted that Finance Manager Sue Fahey and her staff can be relied upon to get the job done.

- Is electric experience only and no water experience, or vice versa, acceptable?

Vice President Brown said both were preferred, but electric was most important.

Mr. Gray asked the Board to consider someone with water experience applied to supply risk and crisis management.

Commissioner Helgeson echoed Vice President Brown's comment and added that the water industry was highly regulated compared to the electric industry, and described an example citing General Manager of Seattle City Light who managed it well before retiring, and he had come from American Water in San Antonio, TX.

Commissioner Mital said there was more stability on the EWEB's water side noting recent work at the treatment facility, major rate restructuring, et al.

Vice President Brown asked what 'rises to the top' of the list of candidates would Ms. Prouse bring, which she acknowledged.

- Does the Board require undergraduate education with a preferred Master's level?

President Simpson said non-degreed was OK.

Commissioner Helgeson thought a bachelor's degree was a fundamental requirement with no particular major. An advanced degree may substitute for practical experience. A management degree trade-off may substitute for more depth of experience.

Commissioner Mital suggested a bachelor's degree minimum, but did not want to set a tone that a master's degree was preferred.

Commissioner Helgeson added that work experience was more valuable.

President Simpson restated that a bachelor's degree was preferred but a master's degree was not needed.

- What are the most important characteristics for his or her success?

Commissioner Manning – Visionary.

President Simpson – A people person, diplomatic, charismatic. Not micromanaging, but inspires staff and makes them feel valued and supported.

Commissioner Mital – self-confident; proud of the Eugene community and comfortable to learn community first.

Commissioner Helgeson – Centered, motivates people.

Vice President Brown – Don't immediately change things; engage community.

- What are the challenges both internal and external facing EWEB?

Commissioner Mital said EWEB had made a pivot as a community in the last few years, especially in the last 6 months, focusing on resiliency in light of a potential Cascade earthquake, and need someone who was willing to carry that work forward.

President Simpson added able to manage political mayhem, and continue to move contentious projects along and not let them stall out.

Vice President Brown referred to political pressures involved with being a regional water provider.

President Simpson noted that the electrical landscape is changing, and will need somebody who can keep apprised of the technological changes, who would be capable of steering in the right direction.

Commissioner Helgeson said that it was a time for external changes and a time of change in the industry, i.e., deregulation, support for renewable energy, and as industry stewards need to adapt while staying true to values.

President Simpson called for a 10-minute recess.

Before the questioning process resumed, Ms. Prouse circled back to EWEB had historically been operationally ran, referring to Mr. Gray's expertise over the past 6 years. She was concerned not to overlook candidates with other skill sets yet meet the organization's depth of operational expertise.

Commissioner Mital referred to one of the internal challenges he was met with in his 3 years with the Board. He said EWEB may be overbuilt, and sensed it would be good for the GM to have operational expertise to manage the operation.

Commissioner Helgeson said yes, it's critical and the candidate must have credibility with the staff by understanding issues. The premium was on experience with utility operations.

President Simpson discussed his experience with the Board 10 years ago, mentioning many staff members participated in the board meetings while the GM would participate when their perspective was needed on something. That echelon of management quickly disappeared when Mr. Gray took on the position 6 years ago. He continued, the candidate needed to have familiarity with how puzzle pieces fit together, and have a grasp of the details to be able to reiterate to the Board.

President Simpson wants someone who could take the bull-by-the-horns.

Commissioner Helgeson said EWEB will continue to be financially challenged since it no longer has the power supply excess. Must continue to be watchful and disciplined.

Commissioner Mital said he would like someone who's comfortable saying "No".

- How do you want GM to communicate with the Board, and how visible does the GM need to be regionally and nationally?

Commissioner Mital said it was good to operate regionally, but someone would have to make a good argument for the GM to operate nationally.

President Simpson said it was important for the GM to have a strong grasp on legislative and other regional issues that affect EWEB, and would support if issues needed to be lobbied nationally he would support it.

- Does the candidate need to show community involvement on their resume?

Not necessarily in past performance but President Simpson noted he or she would be expected to be connected to the community, support volunteerism, and be supportive of diversity in our community.

Commissioner Helgeson discussed that it should be about influence enough to engage constituencies' policies and decisions that are made. Show commitment to management.

Commissioner Manning added that the GM should be able to work with the Eugene City Council and Mayor, and cannot have expectations of others if they were not maintained by him or herself. The GM must demonstrate they are part of community and demonstrate what's right to the community, not just to appease the City.

- How long do you want this person to be able to commit?

Much discussion ensued with Vice President Brown stating he wanted a 5 to 10-year commitment, but since there may not be many choices he didn't want to exclude others.

Commissioner Mital said 5 years was good as a minimum.

President Simpson said a 5-year minimum, but hoping for a 15 to 20-year career range.

Commissioner Helgeson said a 5-year minimum stating if we hire good people and give them what they need to succeed in job it doesn't matter how long.

Commissioner Manning agreed with Vice President Brown and Commissioner Helgeson.

- What is an appropriate compensation package for the GM?

Ms. Kostopulos referred to the salary process noting an email was sent to board members today. She continued that the current GM salary is due for review, and we are lagging the market by about 5%. The present annual salary for the GM is \$249,690. The simple market mean came in at \$261,000. The survey did not provide other types of compensation such as automobile allowances, employer contributions, deferred compensation plans, et. al. She discussed a comparator group from a 2014 survey of 8 companies, noting theirs were higher, mentioning since it was a 2014 survey those figures have escalated. She thought it would be reasonable for the Board to start the annual salary between \$260-\$270,000 as a base rate and negotiate relocation expenses. The GM is paid by contract, therefore there is no pay band governance surrounding his or her compensation package, so the Board is free to negotiate other entitlements.

Vice President Brown asked about deferred compensation. Ms. Kostopulos said it depended on limits, and had to be negotiated and then evaluate that based on tax limits, etc., but can be developed as per what the Board wants.

Commissioner Mital asked Ms. Prouse if someone from the outside would respond to that amount. She thought it was low and mentioned a search she had just completed for Snohomish in Washington State that hired from within at lower than if they had hired from outside the organization. The salary started at \$330,000 base salary with a \$500 per month car allowance and other incentives, but started less than the previous GM's salary. She also cited another search for Tacoma, WA PUD, which was similar to the size of EWEB at \$400 million in revenue, 169,000 customers, and a multi-service utility where the GM made \$340,000 base with an additional \$50,000 per year deferred compensation.

A discussion ensued as Commissioner Mital was concerned how our community would react to those kinds of salaries. Ms. Kostopulos said that in last year's survey Snohomish was in

the 75th percentile and Chelan (Washington) was the second highest. She said the figures put EWEB in the 50th percentile.

President Simpson asked if a decision had to be made now. Ms. Prouse responded she will be starting to look for candidates now and tell them that the salary was up in the air.

Vice President Brown said he would be OK with \$270,000 as a base.

Commissioner Helgeson agreed, and didn't want to stray from Ms. Kostopulos' figures but would like to be able to adjust the salary. She clarified the comparator group and methodology to set the GM salary was already established before she arrived in her role as human resource manager. In her experience the comparator group was the problem, and that it's too narrowly focused.

President Simpson said he could go with \$270-\$320,000 as a base salary, but wanted to stay with the will of the Board and would support the \$270,000 base.

Commissioner Mital asked if the net was cast wider, would the average go up? Ms. Prouse said yes, stating examples of differential comparisons if municipal utilities were compared to City manager or director governance.

Vice President Brown reflected when Mr. Gray was hired as the GM, during the Recession 6 years ago the salary stayed the same and didn't change in four years. Ms. Kostopulos said it was not an effective approach and the past commissioners' decision backfired due to the economic situation.

After discussion with staff, the Board had a round-robin discussion over a bracketed salary range favoring \$250-\$300,000 base salary, with the exception of Commissioner Mital favoring starting at \$270,000.

President Simpson read the motion to direct Ms. Prouse as she interviews candidates to utilize the range of \$250-\$300,000 as the base salary while explaining all the trade-offs. It was moved by Commissioner Helgeson and seconded by Commissioner Manning.

Ms. Kostopulos asked Ms. Prouse how she would negotiate other compensation. Ms. Prouse responded it would be in the same conversation, going on to say it would be more palatable for the Board to have a lower salary and negotiate other things.

President Simpson called for those in favor of the motion. The motion passed (4-1) with Commissioner Mital opposed.

President Simpson asked to defer the relocation and retention discussion to another meeting. Ms. Kostopulos suggested it to be negotiated after identifying one or two top candidates, and Ms. Prouse agreed.

GENERAL MANAGER REPLACEMENT PROCESS

Ms. Kostopulos asked to discuss what the final round of interviews would look like, starting with timing. She noted that the third Tuesday of every month had been set up for special meetings with the normal meetings still set for the first Tuesdays.

President Simpson said informational topics of hiring can still be discussed in the general meetings as time permits.

Ms. Kostopulos suggested she provide a final list of candidates and their resumes for Board review at the regular meeting on April 5th.

In reference to confidentiality, Vice President Brown suggested it should be done at the executive session before the regular meeting.

Commissioner Helgeson said it should be another meeting, and Commissioner Manning responded to him saying the Board had the ability to adjust the evening meeting.

Commissioner Mital elaborated Commissioner Manning's statement suggesting the Board tailor the meetings and be able to have regular topics discussed on the third Tuesdays and special meeting topics be presented at first Tuesday meetings.

After further discussion it was decided to have an early executive session on April 5th.

Ms. Kostopulos suggested after interviewing the candidates, the Board should pick and bring back finalists on May 3rd. This was followed by a large discussion. She noted that 16 external and 2 internal candidates were interviewed during the last GM selection process, but did not expect that number this time. The finalists were to be interviewed by the Board, with tentative dates set for May 16th and 17th, running from 8 a.m. to 5 p.m. each day.

Ms. Prouse inquired about outside panel involvement including Board, stakeholder groups, interactive groups, community and staff.

Vice President Brown said there was pressure to have staff on the hiring panel.

President Simpson agreed and but suggested having other stakeholder and community groups. Vice President Brown added a suggestion to invite other industry GM's to the panel.

Commissioner Helgeson questioned the value of stakeholder involvement.

Commissioner Mital said a gesture to the community needed to be made and cited University of Oregon involvement of stakeholders. He would also value staff input.

Ms. Kostopulos asked how serious would the Board consider all feedback whether from staff, stakeholders or the community, as it creates difficulty but had little value to the hiring authority in the end. She reminded the Board of the confidentiality issue.

Commissioner Helgeson wondered what was the importance of staff input. Ms. Kostopulos explained that she and Ms. Prouse would be meeting with Mr. Gray and Ms. Fahey on February 17th, to identify those needs.

Vice President Brown asked how would it be handled referring to the leadership team dealing with interested internal candidates. Ms. Kostopulos said the interested staff members would need to identify themselves if interested.

President Simpson wanted adequate input to make an informed decision.

Commissioner Mital asked what was the value for the internal candidate. Ms. Kostopulos said she liked Ms. Prouse's idea of a two finalist meet and greet – a chance to meet staff.

Commissioner Manning mentioned it was potentially an uncomfortable position for an internal candidate. He was in favor of keeping the panel to just the Board because the Board owns the process.

Ms. Kostopulos suggested a meet and greet after finalists were selected, have the 2-day interviews, being 90-minute interviews with breaks, and return with candidates.

Discussion continued with the meeting wrapping up with discussion about schedules. Ms. Kostopulos noted she will not be participating with the deliberations around candidates until the Board has made a decision.

President Simpson adjourned the Special Board Meeting at 8:50 p.m.

Assistant Secretary

President

EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
500 EAST FOURTH AVENUE
March 1, 2016
5:30 P.M.

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

Others Present: Frank Lawson, Lena Kostopulos, Sarah Gorseger, Beth Machamer, Taryn Johnson, Mark Freeman, Jeannine Parisi, Matt Barton, Lance Robertson, Cecilia Braaten, Anne Kah, Lisa Atkin, Dave Churchman, Susan Eicher, Mel Damewood, Suzanne Adkins, Erin Erben, Deborah Hart, Mike McCann, Bert Dunn, Todd Simmons, Steve Newcomb, Brad Taylor, Adam Rue, Marianne McElroy, Sue Fahey, Will Price, Greg Kelleher, Megan Capper and Catherine Gray of the EWEB staff; Teresa Lloyd, Recorder.

President Simpson convened the Regular Session of the Eugene Water & Electric Board (EWEB) at 5:34 p.m.

AGENDA CHECK

No changes.

ITEMS FROM BOARD MEMBERS

Viewing pictures on the overhead, Vice President Brown discussed the McKenzie River cleanup on February 27th which was a success, and with the support of 25 volunteers yielded 22 cubic yards of debris. He also mentioned he had been subpoenaed on the Seneca deposition scheduled for March 17, 2016.

Commissioner Mital referred to the City of Eugene elections and thanked Commissioner Helgeson's for running for a second term, and getting his name on the May 17th ballot. He also asked the Board to consider input from senior staff regarding hiring a new General Manager (GM). He suggested staff could give Human Resources an anonymous survey on qualities to look for in the next GM.

Discussion among board members ensued about clarification on what type of survey and what would be the end goal. Discussion also included possibly broadening feedback from more than a leadership team.

Commissioner Manning suggested taking a vote later in meeting.

Commissioner Helgeson agreed, and suggested to defer the decision to item #14 Board Wrap Up.

Commissioner Mital discussed the impact of natural gas and that time should be devoted to that along with other resources such as solar power, etc.

President Simpson said he attended the McKenzie Clearwater Coalition in Vida, OR, a week prior to this meeting. He stated that individuals from the community want to expand broadband and internet services. There are areas with no services or areas that are greatly underserved. He recommended the September 20, 2016 EWEB meeting be a Meet & Greet focused on being a broadband and internet summit. He hoped to include people who might be involved in possible funding and expansion efforts. He also mentioned a thank you letter from the American Red Cross for a recent gift of \$28,565 from the emergency water container proceeds in alignment with the Board's interest in emergency preparedness within the community.

Commissioner Helgeson responded to Commissioner Mital's comment about the role of natural gas and thought it belonged in a strategic planning conversation relating to the resource plan. He said he would be traveling in a week to the Northwest Public Power Association (NWPPA) board meeting in Coeur d'Alene, ID, and will be bringing back reports of draft revisions of resolution about policy positions.

Commissioner Manning attended the Lane Council of Government (LCOG) appreciation dinner on February 26, 2016, and noted that President Simpson represented EWEB very well. He said he was pleased that the Clean Energy Senate Bill (SB 1547) providing renewable energy sources to people of low-income.

PUBLIC INPUT

Marilyn Cross, Chairperson of the McKenzie Clearwater Coalition, Vida, OR, thanked EWEB and President Simpson for contributing information about the exploration of the broadband opportunities in her area, which was well received by everyone and was an important part of their agenda. She said President Simpson and Joe Harwood, Communications Specialist, attended a meeting with her a couple of months ago regarding the change of format to the annual EWEB September meetings which should encourage residents of the area to be more involved with the meetings. She also mentioned she was a member of the McKenzie Action Team and noted 700 residents with no broadband services. She recognized that EWEB had loaned an engineer who helped with the Oregon Rural Development Council broadband conference in Bend, OR. His input was helpful and residents were responsive to his ideas and solutions.

President Simpson said U.S. Department of Agriculture (USDA) funds were available to add service to areas not served, and can do so incrementally for instance bringing broadband to schools and local medical facilities. He said EWEB could charter to provide services and assistance with engineers and existing carriers, and hoped that the September summit meeting would encourage other assistance for their community.

Commissioner Helgeson echoed President Simpson's comments and said the principle purpose was to maintain and enhance the relationship with their community. He was also in support of leveraging assets that EWEB had as a utility to provide broadband services.

Commissioner Mital had nothing to add.

Commissioner Manning said he is open to suggestions to liven the September meetings to encourage people to participate.

Vice President Brown said he was in support of everything that had been said.

APPROVAL OF CONSENT CALENDAR

MINUTES

1. a. January 22, 2016 Regular Session
- b. February 2, 2016 Executive Session
- c. February 2, 2016 Regular Session

CONTRACTS

2. Ultimate Software Group, Inc. – for the purchase of an Integrated Software as a Service (SaaS) Human Capital Management Services (HCMS) solution. \$1,300,000. Human Resources, Contact Person is Lena Kostopulos, 541-685-7466.

RESOLUTIONS

3. Resolution No. 1606 – Supplemental Bond Resolution, Contact Person is Sue Fahey, 541-685-7688.
4. Resolution No. 1608 – Appointment of Interim General Manager, Contact Person is Roger Gray, 541-685-7130.
5. Resolution No. 1609 – Authorizing Deferral of Expenses Not to Be Recovered in Rates, Contact Person is Sue Fahey, 541-685-7688.

ITEMS REMOVED FROM CONSENT CALENDAR

Commissioner Mital asked to pull item #5 Resolution No. 1609 for clarification.

It was then moved by Vice President Brown, and seconded by Commissioner Helgeson, to approve the remainder of the consent calendar.

Susan Eicher, General Accounting & Treasury Supervisor, said the standard required recognizing all the pension expense on EWEB books at once, rather than a pay-as-you-go plan that the State of Oregon: Public Employees Retirement System (PERS) board allows now, which is close to \$65 million between the two utilities. She further stated a public utility standard does not have to be built into the rates and does not have to be recovered in revenue until later on. What was being asked for was approval to implement that regulatory accounting standard. She noted that one issue that had come to light which the resolution on the bond covenant did not foresee, required calculated debt services coverage using generally accepted accounting principles. If regulatory accounting is not implemented, it would bring the debt service coverage below the bond coverage. She said other public utility companies were going the route of regulatory accounting.

Commissioner Mital asked if this was a recent accounting principle.

Finance Manager, Susan Fahey, said staff had warning it was coming but did not have the numbers to work with yet. Also being in a different calendar year-end, it will have the net pension liability of the whole system on the books and balance sheet, but will not reflect in the income segment.

General Manager Roger Gray added that all public utilities were dealing with this especially after 9/11, and added that it would not hit cash flow.

Commissioner Helgeson said he fully endorsed the concept, and noted it would create difficulties on rates and bond coverage if not implemented.

Vice President Brown thought it would still affect the \$65 million and it needed to be accounted for in a different manner.

Ms. Fahey clarified that the \$65 million came from a 2014 evaluation called the net pension asset, and noted at that time the amount was about \$14.5 million. It was now at a \$45 million net pension liability. She stated it was the difference between those two figures that would have to flow through the income statement in a single year if regulatory accounting was not implemented.

Ms. Eicher said the last advisory evaluation was around \$92 million and expected to increase significantly.

President Simpson suggested adding a footnote to describe making a regulatory account.

Ms. Fahey concurred that it was already planned.

Commissioner Helgeson asked about information from PERS, and would a projection of outflow obligations and what they would look like for the future be provided to the Board.

Ms. Eicher said PERS resets the rates at every odd year in July. The long term financial plan did assume increases in the PERS rates. She went on to say staff planned to implement financial strategies.

It was then moved by Commissioner Mital, and seconded by Commissioner Manning, to approve Item #5 Resolution No. 1609. The motion was unanimous (5-0).

2016 STATE OF THE UTILITY ADDRESS

President Simpson gave the State of the Utility address: (copy available upon request)

In summary he thanked his fellow commissioners for selecting him to lead the Board over the next year. He also thanked the EWEB employees and cited the major accomplishments for the last year:

- EWEB again kept electric and water price increases to a minimum.
- EWEB and its contractors completed work to install and put into service a new lift mechanism and motor on a second roll gate at Leaburg Dam.
- EWEB's reliability and safety metrics remain among the highest in the nation, a testament to the hard-working and professional employees of this utility.
- The work of our Board, general manager, leadership team and staff continue to cut costs through risk-based capital planning and priority-based budgeting in the midst of a changing utility landscape.
- EWEB has also found some initial success in renegotiating the 2008 Settlement Agreement for the Carmen-Smith license.

He looked forward to the year ahead seeing challenges, but also great opportunity. One challenge would be to educate our customers about "the radical new electric landscape," including the challenge this year and for the next several years, to educate customers about:

- Peak demand.
- Little to no storage capability.
- By-the-minute need to balance generation with demand.
- The necessity of demand-side management.

He emphasized that as commissioners and EWEB employees the need to find ways to illustrate the changing electrical landscape for customers. He further noted that "rate restructuring and the need to move from a consumption-based model to one that better recovers the fixed costs of operating an electric and water utility will come up again. Maybe not this year, but certainly in the not-too-distant future."

In closing, President Simpson thanked General Manager Roger Gray for successfully navigating EWEB through difficult times.

The Board thanked Roger Gray and presented an award as a gift and token of appreciation for the last six years of EWEB service.

President Simpson explained first meeting with Mr. Gray.

Commissioner Manning noted Mr. Gray's work in the community, and along with his wife, Susan, the work they did with Habitat for Humanity and other non-profits organizations.

Commissioner Helgeson also acknowledged the Gray's contributions and added EWEB will continue to be benefited in the future role he was taking as CEO of Northwest Requirements Utilities in Portland.

Vice President Simpson recognized Mr. Gray was the EWEB general manager through tough times and difficult decisions.

Commissioner Mital said he appreciated his good work and it was a pleasure to know and learn from him, noting his kind and patient spirit.

Vice President Brown summed up other community service he provided, and said he and his wife would be missed as an addition to the community.

Susan Gray added thanks and said it was a privilege to be part of the EWEB community of terrific employees who work hard to keep the water clean and the lights on.

REVISION TO BOARD POLICY SD2, ENVIRONMENTAL POLICY

Steve Newcomb, Environmental Manager and Suzanne Adkins, Environmental Supervisor said management was requesting feedback from the Board on the draft revisions to Board Policy SD2 which would be revised, based on Board direction, and re-submitted for final approval at a subsequent Board meeting.

Commissioner Helgeson asked if it was any problem approving their recommendation now.

Mr. Gray noted it was a two-step process but could be approved now or formerly through the Consent Calendar.

Commissioner Helgeson appreciated the language reinserted and noted the two-step process was already done.

President Simpson motioned to approve management recommendation of the re-draft. The motion was approved (5-0).

REVISION TO BOARD POLICY EL3, PUBLIC REQUESTS FOR BOARD EXPENDITURES

Lance Robertson, Public Affairs Manager, referred to the first draft revision to Board Policy EL3 which relates to public requests for donations, sponsorships, grants and other direct requests for expenditures. He noted that the policy had been in effect for 30 years with only one or two revisions, and felt it required some substantial changes. Management requested feedback from the Board on the draft revisions which would be revised, based on Board direction, and re-submitted for final approval at a subsequent Board meeting. He reflected on the need for the policy noting public requests for sponsorship and donations were robust, and had developed guidelines at a staff level in order to approve them. He said it was working well. The staff asked for a higher limit or a way the Board would consider direct requests to allow staff to continue to process them at a staff level.

Commissioner Mital suggested to keep policy with revisions. He recommended an addition would be an annual report for transparency.

Mr. Robertson responded that would be easy to do and would provide the Board with a spreadsheet.

Mr. Robertson was open to any amount.

Commissioner Brown asked staff if the policy would be amended to reflect a report back to the Board once a year.

Mr. Robertson responded yes they could do that.

Commissioner Helgeson said he understood there was provision in the budget and is comfortable with the way staff administers the process with policy and procedures. He asked what happens when funds are committed or a request comes outside of the budget.

Mr. Robertson said if that happened below the allocated threshold then staff would come back to the Board for approval or request for additional funds.

Commissioner Helgeson agreed the threshold of \$2,000 was too low but not comfortable with \$50,000. He would like to have another discussion about numbers.

Mr. Gray elaborated the budget policy governs no matter what and agreed with Mr. Robertson's response.

President Simpson asked staff to bring back to the April board meeting, and requested the reporting component be added to the budget terminology. He asked staff to supply a matrix with dollar values, and pros and cons of dollar values.

President Simpson called for a 10-minute break.

WHOLESALE MARKET UPDATE AND MAJOR DRIVERS

Referring to his slide presentation, Dave Churchman, Power Operations Manager, talked about market impacts and industry factors, and how they affect EWEB:

Industry Forces –

- Growth of Renewables
- Drop in Gas Price
- Increased Regional Coordination

Impact on Market –

- Falling Wholesale Prices
- Hourly Shape of Wholesale Prices is Changing

Impact on EWEB – Changed our Risk Profile

- Load loss is now a much greater exposure to EWEB than it was in 2008.
- Hydro is a much lower exposure than in 2008.
- Wholesale price on a % basis is half the impact it was in 2008

He discussed how EWEB could manage and do more to protect from these risks, and emphasized what could be done to protect prices.

Vice President Brown asked what happens with Carmen-Smith in regards to re-licensing.

Mr. Churchman explained it depended on competing forces, i.e., will new renewables outpace coal retirements. He also stated baseload resources would be replaced and flexible resources are going to be valuable in the future.

Commissioner Mital asked if the new Renewable Portfolio Standard (RPS) will increase value of surplus power.

Mr. Gray responded and said the RPS was bad for EWEB and Oregon. He explained that it destroyed the value of hydro power.

Mr. Churchman added that if the RPS passes it was better for wind.

Commissioner Helgeson referenced follow up for 2008 revenue. He understood the relevance of the market forecast, but was not clear for purposes of resources. He said he was curious about what staff thought of the forward price curve as a marker and what it means in the long term.

President Simpson asked staff to supply answers with a follow-up report.

Mr. Churchman responded – 750,000 megawatt hours long each year and \$30 drop.

2016 ANNUAL IERP UPDATE

Erin Erben, Power & Strategic Planning Manager, gave a review and presentation with slides. She and staff reviewed the Integrated Electric Resource Plan (IERP) and options for the next step plan to begin the 2017 IERP update process:

- Management would provide additional information on how the process may align with the Pricing Reform Advisory committee asked during the March 15 Strategic Planning Workshop.
- Management asked for feedback on the timing and scope of the next IERP public process.

Ms. Erben said loads were still down and capacity was still an issue, and market prices were still low. She referred to five recommendations that were summarized and that the Board approved in 2012. An annual update was presented to make sure the IERP was still on course.

Adam Rue, Senior Energy Resource Analyst, gave a detailed review of energy and peak load forecasts and price forecasts.

Ms. Erben suggested to spend time having discussion with customers on strategic planning and pricing issues.

There was discussion between staff and the Board pertaining to peak loads, reserves and conservation, and scenario planning.

MARCH STRATEGIC PLANNING BOARD WORKSHOP AGENDA

Ms. Erben referred to an agenda handout for the Strategic Planning Board Workshop discussion on March 15, 2016, and asked for any last fine-tuning elements before the workshop. She discussed the areas of focus would be half the time on water and half on electric. Time would be spent on the Pricing Advisory Committee and Public Engagement. She said the Board would pick topics to refine for the meeting in April with staff to bring ideas.

CORRESPONDENCE & BOARD AGENDAS

Mr. Gray referenced correspondence follow up to previous Board questions regarding the EL1 Capital Report and the Pentachlorophenol Plume.

Vice President Brown referenced testing for the plume. He said the Board needed to be kept informed to keep on track.

Mr. Gray referred to the data and said he would further follow up.

Commissioner Helgeson said based on given information the plume was a low level concern. His suggestion was to demonstrate to the public it would be monitored.

Mr. Gray recommended the Board should continue to focus on planning sessions and the GM new hire sessions.

President Simpson reminded everyone that the March 15, 2016 meeting will be at 8 a.m. and the April 5, 2016 meeting will start a half hour early at 5 p.m.

BOARD WRAP UP

Vice President Brown asked Mr. Gray for an update on the City of Eugene – Riverfront agreement and when it will wrap up.

Mr. Gray said he will follow up with an off-cycle report.

Vice President Brown addressed helping the salmon vs. water in the lower river. He also would like to have a discussion about EWEB and banking relationships, i.e., why not keep money in local banks.

Commissioner Mital echoed Vice President Brown's concern about the salmon and the lower river, and said it would be a good discussion in one of the Board's strategic planning sessions--possibly in April. He also addressed resiliency planning for both utilities and keeping the momentum going forward.

President Simpson referenced Commissioner Mital's idea earlier in the meeting regarding natural gas as fuel. He said he would rather focus on customer retention and make electricity a more attractive product, and to discourage fuel switching.

Commissioner Helgeson appreciated trend of improvements reflected in the Safety Performance and Workers Compensation Savings memo dated February 16, 2016 from staff.

Commissioner Manning received feedback and expressed concern saying the turn-around for low-income residents to receive EWEB assistance was very lengthy, and said it was something EWEB needs to check into.

There was discussion about low-income customer feedback, and Mr. Gray said that would be looked into and addressed.

The Board came back to the issue of having an initial staff survey in regards to hiring the new GM:

Commissioner Helgeson said staff input was a good idea but would like to see a structured emphasis on management team.

Commissioner Mital said he felt that the people's voice should be heard via supervisors or through a simple survey, i.e., Survey Monkey, etc.

Vice President Brown said he would like to take input from the leadership team and agreed with Commissioner Helgeson's suggestion.

President Simpson also agreed with Commissioner Helgeson's suggestion.

Commissioner Manning liked Commissioner Mital's concept but he did not think time allowed for a survey.

It was moved by Vice President Brown and seconded by President Simpson for a management to gather employee feedback through leadership teams regarding the hiring of the new General Manager.

Discussion ensued among the Board and staff about the turn-around time being approximately three weeks, and team leaders delivering responses in a written format. The List of Criteria developed by Lanie Prouse of Mycoff, Frye and Prouse would be used as a guideline for the survey.

Commissioner Manning questioned the value of the survey and what it would measure stating he could not support it.

The motion passed (4-1). Commissioner Manning abstained.

President Simpson adjourned the Regular Session at 8:24 p.m.

Assistant Secretary

President

EUGENE WATER & ELECTRIC BOARD
STRATEGIC PLANNING SESSION
EWEB BOARD ROOM
500 EAST FOURTH AVENUE
March 15, 2016
8:00 A.M.

**Audio file available to the public upon request.*

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

Commissioner James Manning arrived at approximately 8:10 a.m.

Erin Erben, Power Planning Manager, commenced the meeting at 8:00 a.m.

Overview of the Day

Erin Erben, Power Planning Manager, gave an outline of the topics to be discussed and objectives of the day.

EWEB's Strategic Plan, Business Strategies & Management's 2016 Strategic Priorities

With the aid of a PowerPoint presentation Ms. Erben reviewed the background of EWEB's 2014 Strategic Plan, discussed Management's 2016 priorities and referred to business strategies which need to be updated.

Board Discussion on Necessary Updates and Possible Gaps

Board Discussion:

- Keep focusing on controlling costs and efficiency
- Affordability is important, want to consider median income in our community when evaluating rates
- Be proactive in customer engagement and communication about costs; give examples of EWEB's programs and initiatives
- Go out into the community and have dialog with customers
- Electric utility industry is changing
- Interested in growth for both water and electric utilities
- Need to be proactive in Willamette River source protection
- Educate community about second source water supply
- Want to discuss regional partnerships for water supply
- Refine Strategic Plan, do not need to make wholesale changes

Board Discussion on Deep-dive / Areas of Focus for April Workshop

Roger Gray, General Manager and Erin Erben, Power Planning Manager, facilitated a Board discussion to determine the topics for the April Strategic Planning Workshop, with the intent to focus on each of the following areas; Water, Electric and Shared priorities.

Board Discussion:

- Topics which inspired the most interest include water regional supplier, regional partnerships, resiliency, generation and smart load growth.
- General Manager Gray noted that program changes will need to be determined in time for the 2017 budget process.

Pricing Advisory Committee and Public Engagement

Lance Robertson, Public Affairs Manager, shared a video recorded news report demonstrating public feedback to a Utility's rate design after their community engagement efforts. With the aid of a PowerPoint presentation, Mr. Robertson presented public engagement approaches for the Board's consideration. Board discussion ensued; Mr. Robertson summarized Commissioner's comments by concluding that while not unanimous, the majority of Board members are leaning toward Option 2, which incorporates pricing reform and rate restructuring into a broader community engagement effort. Management will make refinements based on Commissioner's feedback and bring back a formal proposal for the Board's consideration in May or June 2016.

Wrap-up and Next Steps

Ms. Erben facilitated a discussion to determine which topics will be discussed in April. In summary, the April Strategic Planning Workshop will include the following areas of focus: Water - regional supplier, Electric – regional partnerships and smart growth criteria, Business Strategies and Initiatives update.

President Simpson adjourned the Strategic Planning Session at 1:00 p.m.

Assistant Secretary

President

EUGENE WATER & ELECTRIC BOARD
EXECUTIVE SESSION
EWEB BOARD ROOM
500 EAST FOURTH AVENUE
March 15, 2016
1:10 P.M.

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

President Simpson called the executive session to order at 1:10 p.m.

EXECUTIVE SESSION:

Pursuant to ORS 192.660(2)(h)

The EWEB Board of Commissioners met in Executive Session to consult with counsel concerning the legal rights and duties of a public body with regard to current litigation or litigation likely to be filed.

Others Present: Roger Gray, Dave Churchman, Brad Taylor, Sarah Creighton, Mel Damewood, Sue Fahey and Anne Kah of EWEB staff and Eric DeFreest of Luvaas Cobb.

President Simpson adjourned the Executive Session at 2:06 p.m.

Assistant Secretary

President



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
FROM: Mel Damewood, Engineering Manager; Tom Ossowski, Electric Distribution Engineer
DATE: March 11, 2016
SUBJECT: Three Phase Padmounted Transformer 5 Year Contract Approval
OBJECTIVE: Board Approval

Issue

EWEB is presenting in the consent calendar the recommendation to approve a Three Phase Padmounted Transformer 5-Year Contract that is over \$1.0 million.

Background

Because the previous 5-year contract expired in March 2016, staff issued a formal invitation to bid for the periodic purchase of Three Phase Padmounted Transformers when the utility requires transformers for new installation or replacement of damaged units. Five bids were received and ERMCO Distribution Transformers, Dyersburg, TN, was determined to be the lowest responsive-responsible bidder. Staff conducted a review of EWEB's sustainability policy while evaluating the bids and determined that ERMCO Distribution Transformers bid is compatible with this policy. The factories of all of the manufacturers that were bid are either located in the southeast area of the United States or Mexico, so the transportation issues are similar between the bidders.

The price agreement establishes unit prices (with escalation/de-escalation clauses) that are used to replenish EWEB stock. Prices will be reviewed annually and adjusted, if appropriate and justified, to compensate for economic escalation (i.e. cost of living, changes to metal indices) or de-escalation.

Discussion

Historical procurement data suggests that the total contract amount will be approximately \$1,500,000 over the total five-year period. The actual total dollar amount, however, is unknown and may be more or less than that estimated. Purchases will be based on need and not on any specific annual quantity. The annual cost will be within the Board approved amount budgeted for that specific year. The contract will be renewed annually but may be terminated at any time with 30 days written notice to ERMCO if Staff determines it is in EWEB's interest to do so.

Recommendation

Management recommends the approval of the 5 year contract with ERMCO Distribution Transformers c/o their manufacturer's representative, Hees Enterprises, for the periodic purchase of three phase padmounted transformers.

Requested Board Action

Approval of contract. If the Board has any more questions, please contact Mel Damewood @ 541-685-7145 or email at mel.damewood@eweb.org

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a new price agreement with **ERMCO Distribution Transformers** for the periodic purchase of Three Phase Padmounted Transformers (as needed to replenish stock).

Board Meeting Date: 4/5/16
Project Name/Contract#: ITB 006-2016
Primary Contact: Mel Damewood Ext. 7145
Purchasing Contact: Ramie Alkire Ext. 7413

Contract Amount:

Original Contract Amount: \$ 1,500,000 (over 5 years)
Additional \$ Previously Approved: \$ n/a
Invoices over last approval: \$ n/a
Percentage over last approval: n/a %
Amount this Request: \$ 1,500,000
Resulting Cumulative Total: \$ 1,500,000 (over 5 years)

Contracting Method:

Method of Solicitation: Formal Bid
If applicable, basis for exemption: n/a
Term of Agreement: April 5, 2016 – April 4, 2021
Option to Renew? No

Approval for purchases “as needed” for the life of the contract Yes

Narrative:

The Board is being asked to approve a new price agreement with **ERMCO Distribution Transformers** of Dyersburg, TN for the purchase of Three Phase Padmounted Transformers on an as needed basis.

In February 2016, EWEB issued a formal invitation to bid to establish a price agreement for the purchase of Three Phase Padmounted Transformers. The solicitation was reviewed by 21 companies. Five (5) responses were received; ERMCO Distribution Transformers was determined to be the lowest responsive and responsible bidder. ERMCO will be represented by Hees Enterprises of Astoria, Oregon, a local manufacturer representative.

Responses were received by General Pacific of Portland, Oregon, a distributor who bid Howard Industries transformers, manufactured in Mississippi; HD Supply of Portland, Oregon, a distributor who submitted two bids for: General Electric transformers manufactured in Mexico, and Cooper transformers manufactured in South Carolina; WESCO Distribution, of Portland, Oregon; a distributor who bid ABB transformers manufactured in Missouri; and ERMCO Distribution Transformers, of Dyersburg, Tennessee. ERMCO manufactures their transformers in Tennessee. Orders and Contract management for ERMCO will be through Hees Enterprises of Astoria, Oregon the local manufacturer representative.

Historical procurement data suggests that the total contract amount will be approximately \$1,500,000 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 not on any specific annual quantity. The annual cost will be within the amount budgeted for that specific year.

If approved, staff will purchase required Three Phase Padmounted Transformers at the established prices over the life of the contract. The contract is for five years.

Action Requested:

☒ Contract Award
☐ Contract Renewal
☐ Contract Increase
☐ Other

Funding Source:

☒ Budget
☐ Reserves
☐ New Revenue
☐ Bonding
☐ Other

Form of Contract:

☐ Single Purchase
☐ Services
☐ Personal Services
☐ Construction
☐ IGA
☒ Price Agreement
☐ Other

ACTION REQUESTED:

Management requests the Board approve a new price agreement with **ERMCO Distribution Transformers c/o Hees Enterprises** for **the purchase of Three Phase Padmounted Transformers**. Funds for these purchases 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: _____

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a new price agreement with **ERMCO Distribution Transformers** for the periodic purchase of Single Phase Padmounted Transformers (as needed to replenish stock).

Board Meeting Date: 4/5/16
Project Name/Contract#: ITB 010-2016
Primary Contact: Mel Damewood Ext. 7145
Purchasing Contact: Ramie Alkire Ext. 7413

Contract Amount:

Original Contract Amount: \$ 500,000 (over 5 years)
Additional \$ Previously Approved: \$ n/a
Invoices over last approval: \$ n/a
Percentage over last approval: n/a %
Amount this Request: \$ 500,000
Resulting Cumulative Total: \$ 500,000 (over 5 years)

Contracting Method:

Method of Solicitation: Formal Bid
If applicable, basis for exemption: n/a
Term of Agreement: April 5, 2016 – April 4, 2021
Option to Renew? No

Approval for purchases “as needed” for the life of the contract Yes

Narrative:

The Board is being asked to approve a new price agreement with **ERMCO Distribution Transformers** of Dyersburg, TN for the purchase of Single Phase Padmounted Transformers on an as needed basis.

In February 2016, EWEB issued a formal invitation to bid to establish a price agreement for the purchase of Single Phase Padmounted Transformers. The solicitation was reviewed by 15 companies. Six (6) responses were received; ERMCO Distribution Transformers was determined to be the lowest responsive and responsible bidder. ERMCO will be represented by Hees Enterprises of Astoria, Oregon, a local manufacturer representative.

Responses were received by General Pacific of Portland, Oregon, a distributor who bid Howard Industries transformers, manufactured in Mississippi; HD Supply of Portland, Oregon, a distributor who submitted two bids for: General Electric transformers manufactured in Mexico, and Cooper transformers manufactured in Wisconsin and Texas; WESCO Distribution, of Portland, Oregon, a distributor who bid ABB transformers manufactured in Missouri; and ERMCO Distribution Transformers, of Dyersburg, Tennessee. ERMCO manufactures their transformers in Tennessee. Orders and Contract management for ERMCO will be through Hees Enterprises of Astoria, Oregon the local manufacturer representative.

Historical procurement data suggests that the total contract amount will be approximately \$500,000 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 not on any specific annual quantity. The annual cost will be within the amount budgeted for that specific year.

If approved, staff will purchase required Single Phase Padmounted Transformers at the established prices over the life of the contract. The contract is for five years.

Action Requested:

☒ Contract Award
☐ Contract Renewal
☐ Contract Increase
☐ Other

Funding Source:

☒ Budget
☐ Reserves
☐ New Revenue
☐ Bonding
☐ Other

Form of Contract:

☐ Single Purchase
☐ Services
☐ Personal Services
☐ Construction
☐ IGA
☒ Price Agreement
☐ Other

ACTION REQUESTED:

Management requests the Board approve a new price agreement with **ERMCO Distribution Transformers c/o Hees Enterprises** for **the purchase of Single Phase Padmounted Transformers**. Funds for these purchases 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: _____

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a new contract with **Manzo, Inc.** for the purchase of **Implementation Services** for an Integrated Software as a Service (SaaS) Human Capital Management Services (HCMS) solution.

Board Meeting Date: April 5, 2016
Project Name/Contract#: SaaS HCMS Implementation Services/RFP 012-2016
Primary Contact: Lena Kostopulos Ext. 7466
Purchasing Contact: Ramie Alkire Ext. 7413

Contract Amount:

Original Contract Amount: \$ 460,000
Additional \$ Previously Approved: \$ N/A
Invoices over last approval: \$ N/A
Percentage over last approval: N/A %
Amount this Request: \$ 460,000
Resulting Cumulative Total: \$ 460,000

Contracting Method:

Method of Solicitation: Formal Request for Proposals
If applicable, basis for exemption: N/A
Term of Agreement: May 1, 2016 – June 1, 2017
Option to Renew? No
Approval for purchases “as needed” for the life of the contract Yes

Action Requested:

☒ Contract Award
☐ Contract Renewal
☐ Contract Increase
☐ Other

Funding Source:

☒ Budget
☐ Reserves
☐ New Revenue
☐ Bonding
☐ Other

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 **Manzo, Inc.** for the purchase of **Implementation Services** for an Integrated Software as a Service (SaaS) Human Capital Management Services (HCMS) solution.

EWEB has contracted with Ultimate Software for a Software as a Service (SaaS) HCMS Solution, Ultipro. EWEB requires support during implementation of the software. Implementation services will include but are not limited to: planning; analysis; requirement elicitation; future state business process design; implementation; testing; and training related to the phased deployment.

Contract activities include identification of business requirements and documentation of gaps; documenting business processes; development and execution of test scripts; development of supervisor and employee training and communication; and post production support. Services will be provided in the first three phases of the Ultipro implementation which will include Core Human Resources support functions such as payroll, benefits, recruiting, onboarding and talent management.

In February 2016, Staff issued a Request for Proposals for the implementation services for EWEB's Integrated Software as a Service (SaaS) HCMS solution. In addition to EWEB's website, the RFP was advertised on the State's Oregon Procurement Information Network (ORPIN) for a wider outreach. The RFP was reviewed by 18 companies; EWEB received one proposal from Manzo, Inc. of Atlanta, Georgia. Evaluation criteria included: HCM and SaaS experience; firm and key individual's experience and history; project approach and capabilities; references; and pricing. Manzo, Inc. was deemed qualified based on the evaluation criteria. Manzo, Inc. has a strong background in HCMS implementations, including recent experience with several Ultipro implementation projects.

Staff has issued a notice of Intent to Award a contract to Manzo Inc. and has negotiated a contract, pending Board Approval.

ACTION REQUESTED:

Management requests the Board approve a new contract with **Manzo Inc.** for the purchase of **Implementation Services** for an Integrated Software as a Service (SaaS) Human Capital Management Services (HCMS) solution. Funds for this purchase were budgeted for 2016 and will be budgeted for 2017.

SIGNATURES:

Project Coordinator: _____

LT Manager: _____

Purchasing Manager: _____

General Manager: _____

Board Approval Date: _____

Secretary/Assistant Secretary verification: _____

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a Memorandum of Agreement with **McKenzie River Trust** for the **acquisition and management of Finn Rock properties**.

Backgrounder Attached (required if over \$1 million) No

Board Meeting Date: April 5, 2016

Project Name/Contract#: Management of Finn Rock Properties

Primary Contact: Steve Newcomb Ext. 7391

Purchasing Contact: Quentin Furrow Ext. 7380

Action Requested:

☒ Contract Award
☐ Contract Renewal
☐ Contract Increase
☐ Other

Contract Amount:

Original Contract Amount: \$750,000 (\$250k and up to an additional \$500k)

Additional \$ Previously Approved: \$ N/A

Invoices over last approval: \$ N/A

Percentage over last approval: N/A %

Amount this Request: \$750,000

Resulting Cumulative Total: \$750,000

Funding Source:

☐ Budget
☒ Reserves
☐ New Revenue
☐ Bonding
☐ Other

Contracting Method:

Method of Solicitation: Grant to Facilitate Property Acquisition

If applicable, basis for exemption: EWEB Rule 6-0110 (d)

Term of Agreement: April 2016 – December 2017

Option to Renew? No

Form of Contract:

☐ Single Purchase
☐ Services
☐ Personal Services
☐ Construction
☐ IGA
☐ Price Agreement
☒ Other (Grant)

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

Narrative:

On November 9, 2015 in a special session, the Board approved use of up to \$750,000 to support stewardship and restoration of the 269-acre Finn Rock property (also known as the McKenzie Camp). The Board is being asked to approve a new agreement with the **McKenzie River Trust** of Eugene, Oregon that provides funding support for stewardship and restoration of the Finn Rock property located near Blue River.

The **McKenzie River Trust (MRT)** was successful in its bid for the 269 acre property through a closed bid auction by Rosboro Lumber Company in November 2015. This property contains floodplain forest with extensive wetlands, braided side channels, and the mainstem McKenzie River flowing through it. This section of the McKenzie River provides spawning habitat for Chinook salmon, foraging habitat for Bull trout, and is a stronghold for native *Redside* rainbow trout. Interior forests are diverse and include impressive stands of cottonwood, Big-leaf maple, and cedar. By acquiring the property, the Trust is preventing the development of up to 6 residences. Protection of this site helps ensure both significant fish and wildlife habitat conservation and protection of Eugene's drinking water source.

Staff has negotiated an agreement with the **McKenzie River Trust** of Eugene, Oregon. As part of this agreement, EWEB will provide a grant of \$250,000 by end of April 2016 and will match up to \$500,000 raised by **MRT** as part of a funding campaign for this property in November 2017. Staff are prepared to enter into this agreement with **MRT** pending Board approval.

ACTION REQUESTED:

Management requests the Board approve a Memorandum of Agreement with **McKenzie River Trust** for the **acquisition and management of Finn Rock properties**. Funds for this agreement will be split evenly between water and electric reserves in 2016 and 2017.

SIGNATURES:

Project Coordinator: _____

LT Manager: _____

Purchasing Manager: _____

General Manager: _____

Board Approval Date: _____

Secretary/Assistant Secretary verification: _____

RESOLUTION NO. 1530 -AMENDED
April 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 SD2, 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 April 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 amended Resolution adopted by the Board at its April 5, 2016 Regular Board Meeting.

Assistant Secretary



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
FROM: Lance Robertson, Public Affairs Manager
DATE: March 11, 2016
SUBJECT: Review and revisions to EL3 – Public Requests for Board Expenditures
OBJECTIVE: Board review and approval of modifications to governance policy EL3

Issue

As part of the Board's regular review of its governance policies, Management reviewed Executive Limitations 3, which relates to public requests for donations, sponsorships, grants and other requests for expenditures of public funds for community support.

Background

A governance policy was first adopted in 1987 to guide the Board in approving requests for donations, sponsorships, in-kind services and other community requests for utility funds. The policy was last revised in 2005. Additional background materials on the draft modifications to EL3 were provided in a memo that was part of your March 1 regular meeting agenda.

Discussion

An initial draft policy revision was presented to commissioners at your March 1, 2016, meeting. Commissioners provided Management with feedback and guidance for changes to that policy. The final draft language of the policy incorporates that Board guidance. It sets a \$10,000 limit on board considerations, establishes clearer guidelines for board consideration of donation and sponsorship requests, and requires Management to provide the Board annually with a summary of all community grants, donations and sponsorships requested, approved and denied by staff and the Board.

Requested Board Action

Approval of Board Resolution No. 1605 and the revised Board Executive Limitations Policy No. 3 (Public Requests for Board Expenditures).

Policy Number: EL3
Policy Type: Executive Limitations
Policy Title: Public Requests for Board Expenditures
Effective Date: ~~April 19, 2005~~ April 5, 2016

The Board ~~authorizes~~ may authorize the expenditure of funds or in-kind services for purposes of research, community support, sponsorships, education programs and other activities as part of the annual budget-setting process. The General Manager, or appropriate division manager, is authorized to expend these funds as needed. Utility Management also has established a Community Investment Team to accept, review and authorize requests for sponsorships, donations and in-kind services that align with EWEB's mission, vision and values, in accordance with authorized annual budgets.

However, the Board may wish to review individual community sponsorship requests that are made outside of utility programs (such as Education Grants, Watershed Protection and Greenpower) that are funded through the annual budgeting process. In doing so, the Board shall consider such requests for funding under the following guidelines ~~In considering such requests, the Board's decisions will be guided by:~~

- The request is in excess of \$10,000. Requests of \$10,000 or lower will be considered by staff as part of the utility's normal operational procedures.
- For requests above that amount, the Board must determine that the request for financial support meets EWEB's established Community Investment priorities, which focus on the social, environmental or economic benefit to the community.
- The General Manager will make a recommendation to the Board for approval or denial. The recommendation shall include a clear and detailed written description of the proposal, a description and quantification of benefits to EWEB or its utility consumers, and a description of how research findings or services will be distributed and used.
- ~~A determination that the proposed expenditure supports the purposes of EWEB pursuant to the Eugene City Charter, and~~
- ~~A determination that EWEB or its utility consumers can reasonably be expected to receive sufficient and readily accessible benefits from the proposal to justify the expenditure.~~
- ~~The Board must determine A determination that funds are available within the appropriated budget. If not, the Board may authorize additional expenditures through a Budget Amendment or other appropriate procedures. Requests will be considered as submitted.~~
- The Board is not obligated to consider requests in excess of the established limit. Any request may be referred to staff for consideration and approval.

~~The General Manager, who will recommend approval or disapproval, shall screen solicitations of funds or services by outside agencies or individuals. The General Manager is authorized to act on the Board's behalf for expenditures or in-kind value of up to \$2,000.~~

~~The General Manager shall require specific information from the proposers requesting EWEB funds or services. Such information should include a clear and detailed written description of the proposal, a description and quantification of benefits to EWEB or its utility consumers, the qualifications of the principals, plans for shared funding, and description of how research findings and services will be distributed and used, and by whom, etc.~~

At its discretion, the Board may impose additional requirements, including contractual agreements, upon any proposer as a condition of funding or continued funding.

The General Manager shall provide the Board with an annual report of all sponsorships, donations, grants and in-kind services provided to the community. The report shall include requests that were approved and denied by staff and the Board.

Source: Board Approved 04/13/1987;³ Ratified 04/19/2005; Revised and Ratified 04/05/2016

Policy Number: EL3
Policy Type: Executive Limitations
Policy Title: Public Requests for Board Expenditures
Effective Date: April 5, 2016

The Board authorizes the expenditure of funds or in-kind services for purposes of research, community support, sponsorships, education programs and other activities as part of the annual budget-setting process. The General Manager, or appropriate division manager, is authorized to expend these funds as needed. Utility Management also has established a Community Investment Team to accept, review and authorize requests for sponsorships, donations and in-kind services that align with EWEB's mission, vision and values, in accordance with authorized annual budgets.

However, the Board may wish to review individual community sponsorship requests that are made outside of utility programs (such as Education Grants, Watershed Protection and Greenpower) that are funded through the annual budgeting process. In doing so, the Board shall consider such requests for funding under the following guidelines:

- The request is in excess of \$10,000. Requests of \$10,000 or lower will be considered by staff as part of the utility's normal operational procedures.
- For requests above that amount, the Board must determine that the request for financial support meets EWEB's established Community Investment priorities, which focus on the social, environmental or economic benefit to the community.
- The General Manager will make a recommendation to the Board for approval or denial. The recommendation shall include a clear and detailed written description of the proposal, a description and quantification of benefits to EWEB or its utility consumers, and a description of how research findings or services will be distributed and used.
- The Board must determine that funds are available within the appropriated budget. If not, the Board may authorize additional expenditures through a Budget Amendment or other appropriate procedures.
- The Board is not obligated to consider requests in excess of the established limit. Any request may be referred to staff for consideration and approval.

At its discretion, the Board may impose additional requirements, including contractual agreements, upon any proposer as a condition of funding or continued funding.

The General Manager shall provide the Board with an annual report of all sponsorships, donations, grants and in-kind services provided to the community. The report shall include requests that were approved and denied by staff and the Board.

Source: Board Approved 04/13/1987; Ratified 04/19/2005; Revised and Ratified 04/05/2016

**RESOLUTION NO. 1605
APRIL 2016**

**EUGENE WATER & ELECTRIC BOARD
RESOLUTION APPROVING BOARD POLICY EL3 REVISIONS**

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 EL3, Public Requests for Board Expenditures Policy and has determined that the modification is appropriate and necessary.

NOW, THEREFORE, BE IT RESOLVED by the Eugene Water & Electric Board that the Board of Commissioners hereby grants approval to the modification of EL3 which will be reflected in updated Board Policies.

DATED this 5th day of April 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 April 5, 2016 Regular Board Meeting.

Assistant Secretary



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
FROM: Sue Fahey, Finance Manager; Susan Eicher, Accounting & Treasury Supervisor
DATE: March 25, 2016
SUBJECT: Defeasance of Electric Bonds
OBJECTIVE: Approval of Resolution No. 1611

Issue

The Board has approved the sale of the Smith Creek Hydro Project. Upon closing of the sale, EWEB will receive a cash payment and is required to defease the bonds outstanding for Smith Creek. This requirement provides a unique opportunity to reduce outstanding debt and realize additional ongoing debt service savings by defeasing other bonds during the same transaction. Staff worked with EWEB's bond counsel and financial advisor to develop this recommendation.

Discussion

The sale of Smith Creek is on schedule to close in April, at which time EWEB will receive proceeds (which is not the actual sales price) of approximately \$22.5 million. Upon receipt of the sale proceeds, EWEB will have 90 days to defease outstanding bonds for Smith Creek from the 2012 Electric Utility Bonds. To defease the bonds, EWEB will deposit funds sufficient to make the remaining principal and interest payments into an escrow account, and remove the principal and interest payable from EWEB's books. Cash flow savings resulting from defeasance of these outstanding bonds is estimated to be \$13 million (approximately \$1.8 million annually) over the next eight years. The exact amount required to be deposited in escrow will depend on the interest rate and other market factors at the time the transaction is finalized. The defeasance of Smith Creek bonds was anticipated in the development of the 2016 budget and in the Electric Long-term Financial Plan (LTFP).

After evaluating other outstanding bonds, management has found that significant additional savings can be achieved by defeasing portions of the 2005 and 2006 Electric Utility Bonds which have coupon rates of 4% and higher. The 2005 bonds are past the first optional redemption date and can be retired from the market within 30 days. The first optional redemption date on the 2006 bonds is August 1, 2016. The short period of time that money would be in an escrow account prior to the bonds being refunded provides significant economic savings. This would require using sales proceeds and working cash of approximately \$5 million and would result in a total reduction of up to \$31.4 million debt service costs. Attachment 1 provides information on the 12/31/15 Electric Utility cash balances which indicates that there is sufficient working cash to defease debt.

Bonds Defeased, in Millions	Cash Required	Debt Service Cost Reduction
2012 Electric Utility	\$ 12.4	\$ 13.0
2005 Electric Utility	6.5	7.9
2006 Electric Utility	8.6	10.5
	\$ 27.5	\$ 31.4

The Electric Utility continues to be challenged in meeting the debt service coverage (DSC) financial metric and in recent years, budgeted revenues exceeded budgeted operations & maintenance costs in order to maintain the Board's 1.75 DSC target. Under current LTFP assumptions, defeasing additional bonds provides projected debt service coverage ratios of 1.90 or higher for all years except 2021, when the ratio is slightly below the DSC target. DSC improves by 10 to 18 basis points over the life of the LTFP by defeasing the additional debt.

Management believes it is in EWEB's best interest to use the sales proceeds and approximately \$5 million working cash to defease additional bonds and achieve debt service savings of \$31million (up to \$3.5 million annually). The positive impact of reducing debt service costs is more favorable for the Electric Utility than retaining cash in reserves given its debt load. Combining the additional defeasance with the required Smith Creek defeasance will result in lower transaction costs than a separate defeasance or refunding the bonds in conjunction with the planned 2017 bond issuance.

Recommendation

Management recommends that the Board approve the use of working cash to supplement the Smith Creek sale proceeds and approve Resolution No. 1611 to defease 2005, 2006 and 2012 Electric Utility Bonds.

Requested Board Action

Approval of the use of approximately \$5 million working cash to defease Electric Utility Bonds and approval of Resolution No. 1611.

**Eugene Water & Electric Board
Schedule of Cash Reserves
December 31, 2015**

ATTACHMENT 1

CASH ACCOUNT	FINANCIAL POLICY REFERENCE	ELECTRIC SYSTEM	
		PERFORMANCE STANDARD	BALANCE 12/31/2015
<u>CASH FOR OPERATIONS</u>			
1) Working Cash McKenzie River Trust	Rate Sufficiency Policy	\$ 24,000,000	\$ 33,760,985
<u>DESIGNATED FUNDS</u>			
2) Operating Reserve	Rate Stability Policy	\$ 2,000,000	\$ 2,082,704
3) Self-Insurance Reserve	Rate Stability Policy	1,720,000	1,773,975
4) Power Reserve	Rate Stability Policy	22,100,000	27,359,486
5) Capital Improvement Reserve	Capital Reserve Policy	20,000,000	23,173,022
6) Rate Stabilization Fund		-	12,426,316
Economic Development Loan Pilot Program Fund		-	1,940,293
Carmen-Smith Fund		-	15,790,304
7) Pension & Post Retirement Medical Fund		-	8,236,889
DESIGNATED FUNDS SUBTOTAL		\$ 45,820,000	\$ 92,782,989
CASH TARGETS & BALANCES TOTAL		\$ 69,820,000	\$ 126,543,974
<u>LEGALLY RESTRICTED</u>			
8) Bond Funds - Type II & III			\$ 18,280,487
Reserves & Investments for Debt Service			19,587,334
RESTRICTED FUNDS TOTAL			\$ 37,867,821

Financial Policy - Total Targets included in ceiling

- 1) Working Cash - amount of cash needed to pay for ongoing operational costs during the year.
- 2) Operating Reserve - for emergency operating costs.
- 3) Self-Insurance Reserve - reserve to pay for claims incurred during the year and target is based on the \$2 million self-insurance coverage limit.
- 4) Power Reserve - amount of reserves to offset fluctuations in purchased power costs related to market price variability, uncertainty in regard to hydro generation, customer load and annual budgeted reserve draws.
- 5) Capital Improvement Reserve - reserve for capital improvements and target is based on one years depreciation. Balance reflects current year activity through December.
- 6) Rate Stabilization Fund - funds available for one time expenditures. To be allocated based on Board direction.
- 7) No Target - Amount designated to fund Supplemental Retirement Plan, and PERS or OPEB Trust.
- 8) Bond Funds used to pay for board directed capital projects/subprojects. Balance reflects current year activity through December.

RESOLUTION NO. 1611

A RESOLUTION AUTHORIZING THE DEFEASANCE OF ALL, A PORTION OF, OR NONE OF THE CITY OF EUGENE, OREGON ELECTRIC UTILITY SYSTEM REVENUE BONDS, SERIES 2005, ELECTRIC UTILITY SYSTEM REVENUE BONDS, SERIES 2006, AND ELECTRIC UTILITY SYSTEM REVENUE AND REFUNDING BONDS, SERIES 2012; AUTHORIZING THE EXECUTION AND DELIVERY OF AN ESCROW DEPOSIT AGREEMENT; AUTHORIZING APPOINTMENT OF AN ESCROW AGENT;

WHEREAS, on October 4, 2012, the City of Eugene, Oregon (the “City”), acting by and through the Eugene Water & Electric Board (“EWEB”), issued its Electric Utility System Revenue and Refunding Bonds, Series 2012 in the original principal amount of \$71,230,000 (the “Series 2012 Bonds” of which \$64,665,000 is currently outstanding; and

WHEREAS, \$13,010,000 of the Series 2012 Bonds was allocated to the refunding of bonds issued to refund bonds issued to acquire the Smith Creek Hydro Project (the “Smith Creek Bonds”); and

WHEREAS, currently \$11,140,000 of the Smith Creek Bonds is outstanding; and

WHEREAS, EWEB intends to sell the Smith Creek Hydro Project; and

WHEREAS, Treasury Regulation §1.141-12 requires, among other things, the redemption or defeasance of bonds which become “nonqualified bonds” due to the sale of a bond financed facility within 90 days of the date the bonds become “nonqualified bonds,” which requires the redemption or defeasance of the outstanding Smith Creek Bonds upon the sale of the Smith Creek Hydro Project; and

WHEREAS, the Smith Creek Bonds are first subject to optional redemption on August 1, 2022; and

WHEREAS, EWEB desires to use cash and proceeds from the sale of the Smith Creek Hydro Project to defease all, a portion of, or none of the City of Eugene, Oregon Electric Utility System Revenue Bonds, Series 2005 (the “Series 2005 Bonds”), City of Eugene, Oregon Electric Utility System Revenue Bonds, Series 2006 (the “Series 2006 Bonds”), and Series 2012 Bonds; and

WHEREAS, currently \$6,385,000 of Series 2005 Bonds is outstanding and are subject to optional redemption on August 1, 2015.

WHEREAS, currently \$8,440,000 of Series 2006 Bonds are outstanding and are subject to optional redemption on August 1, 2016.

WHEREAS, in order to effectuate the defeasance of all, a portion of, or none of the Series 2005 Bonds, Series 2006 Bonds and Series 2012 Bonds, it is necessary and appropriate that the City acting through EWEB authorize the execution and delivery of an Escrow Deposit Agreement between EWEB and the Escrow Agent; and

WHEREAS, it is necessary and appropriate that the City acting through EWEB authorize the appointment of an Escrow Agent to serve as such under the Escrow Deposit Agreement.

NOW THEREFORE, BE IT RESOLVED BY THE EUGENE WATER & ELECTRIC BOARD OF THE CITY OF EUGENE, OREGON, AS FOLLOWS:

Section 1. Authorization of Defeasance. The defeasance of all, a portion of, or none of the Series 2005 Bonds, Series 2006 Bonds, and Series 2012 Bonds upon the sale of the Smith Creek Hydro Project with proceeds from the sale of Smith Creek Hydro Project and cash is hereby authorized. The Treasurer or the Assistant Treasurer of EWEB, or any such officer's designee (the "Authorized Representative"), is hereby authorized and directed, for and in the name and on behalf of EWEB and the City, to determine whether all, a portion of, or none of the Series 2005 Bonds, Series 2006 Bonds and Series 2012 Bonds are to be defeased with proceeds from the sale of Smith Creek Hydro Project and/or cash. Effective upon and subject to the execution and delivery of an Escrow Deposit Agreement and the deposit with the Escrow Agent an amount sufficient to defease the Series 2005 Bonds, Series 2006 Bonds and Series 2012 Bonds being defeased, the City acting through EWEB (1) does hereby call that portion of the Series 2005 Bonds determined to be defeased for redemption on the earliest practical redemption date, at a price of par value, plus accrued interest to the redemption date; (2) does hereby call that portion of the Series 2006 Bonds determined to be defeased for redemption on August 1, 2016, the first optional redemption date, at a price of par value, plus accrued interest to the redemption date; (3) does hereby call that portion of the Series 2012 Bonds determined to be defeased for redemption on August 1, 2022, the first optional redemption date, at a price of par value, plus accrued interest to the redemption date, and (4) does hereby give irrevocable instructions to U.S. Bank National Association, successor Trustee, Paying Agent and Registrar, to give notice of such call for redemption of the Series 2005 Bonds, Series 2006 Bonds and Series 2012 Bonds determined to be redeemed in the manner provided in the Master Resolution.

Section 2. Authorization of Execution and Delivery of Escrow Deposit Agreement. The Authorized Representative is hereby authorized and directed to execute and deliver an Escrow Deposit Agreement entered into to effectuate the defeasance of the Series 2005 Bonds, Series 2006 Bonds and Series 2012 Bonds to be defeased.

Section 3. Appointment of Escrow Agent. The Authorized Representative is authorized to appoint an Escrow Agent and Verification Agent in connection with the defeasance of the Series 2005 Bonds, Series 2006 Bonds and Series 2012 Bonds to be defeased.

Section 4. Authorization of Execution of other Certificates and Documents. The Authorized Representative is hereby authorized and directed to execute and deliver certificates certifying such facts as Bond Counsel shall require in connection with the defeasance of the Series 2005 Bonds, Series 2006 Bonds and Series 2012 Bonds to be defeased and to execute and deliver such other documents as shall be necessary or desirable to perform EWEB's obligations under this resolution and to consummate the defeasance of the Series 2005 Bonds, Series 2006 Bonds and Series 2012 Bonds to be defeased.

Section 5. Effective Date. This resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED this 5th day of April, 2016

EUGENE WATER & ELECTRIC BOARD

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 EWEB at its April 5, 2016 Board Meeting.

Assistant Secretary



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
FROM: Sue Fahey, Finance Manager
DATE: March 25, 2016
SUBJECT: Water System Resolution Updates
OBJECTIVE: Approval of Resolution No. 1614

Issue:

With the upcoming Water Utility bond refundings, EWEB has the opportunity to easily update and modernize the Master Water Bond Resolution to include terms relating to financial products and structuring/bond security methods that didn't exist in 1997 when the current Master Water System Resolution was drafted. Staff worked with EWEB's bond counsel, financial advisor and underwriter to update resolution language which provides enhanced flexibility in the current financial markets while maintaining strong credit worthy covenants.

Background:

The Water Utility System is in the process of preparing a bond financing to include money for new money projects and to refund the Series 2002, Series 2005 and Series 2008 bonds for ongoing debt service savings purposes. The retirement of the three prior series of bonds provides an opportunity to introduce "springing amendments" which become effective once all currently outstanding bonds (which also include the Series 2011 bonds) mature or are refunded.

Certain financial mechanisms have been introduced over the past twenty years which were not contemplated and therefore not considered under the original Master Water System Resolution. For example, the introduction of tax-credit bonds like Build America Bonds ("BABS"), or Clean Renewable Energy Bonds ("CREBS") are taxable bonds that are sold with a federal subsidy payment that is then paid back to the Issuer. The existing Master Water System Resolution doesn't contemplate how to account for such subsidy payments as they relate to the Additional Bonds Test (the test that determines whether or not EWEB generates enough revenue to support additional debt), Rate Covenant (the covenant with bondholders that states EWEB will charge rates and charges in order to generate a Debt Service Ratio of 1.25x), or Reserve Fund Requirement (the additional source of reserve funds that are held by EWEB as required by bondholders) sections of the Resolution.

Many comparable bond market participants, similar in size and scope to that of EWEB, have been building Debt Service Reserve Fund ("DSRF") sizing flexibility. The current EWEB DSRF requirement is to fund an amount equal to maximum annual bond interest for all Parity Bonds (Parity Bonds are those that have the same priority of claim against pledged revenues and consist of the

Series 2002, 2005, 2008 and 2011 Water System Bonds) outstanding. This level of funding has provided healthy liquidity balances that have helped maintain the high EWEB Water Utility System bond ratings (Aa2/AA/AA+). Updates to the Master Resolution maintain this same level of funding for the Series 2016 Bonds, but provide additional flexibility to EWEB for future Water System Bonds whereby the DSRF requirement can be determined on a Series-by-Series basis. This additional flexibility allows EWEB to decide the DSRF liquidity funding level at the time of the future borrowing, whether it be higher or lower than the existing requirement, within the IRS tax-maximum calculation.

Discussion

The “springing amendments” EWEB is considering primarily focus on modernizing existing Resolution sections to include additional flexibility in the areas of:

a) Treatment of federal subsidies,

Updates the Master Water System Resolution to include defined terms for “Tax Credit Subsidy Bond” and Tax Credit Subsidy Payments” (**SECTION 2. (b) Definitions**) For purposes of calculating the Annual Debt Service amount, any tax subsidy payment would be credited against the annual total which provides a more favorable and industry standard debt service coverage calculation in the event EWEB were to receive such subsidies (updated in **SECTION 3. (a) Annual Debt Service Definition (g)**)

b) **SECTION 3 (b) Reserve Credit Facility Definition:** Rating of Reserve Credit Facilities

A Reserve Credit Facility is an insurance-type product that provides a pre-determined level of dollar coverage for the Debt Service Reserve Fund Requirement.

This updates the Resolution to include the phrase: “is rated at the time of issuance” within the sentence that ends with “of Reserve Credit Facility within one of the highest rating categories by each Rating Agency Rating, at the request of the Board...”. This amendment allows EWEB to purchase a Reserve Credit Facility if it meets certain ratings criteria, but then protects EWEB from having to come up with excess cash that would need to become restricted Debt Service Reserve Fund monies, should the rating on the Reserve Credit Facility drop sometime after bond issuance and during the life of the policy. The Trust Estate (**SECTION 3 (d)**) language has been revised to include language on Reserve Credit Facilities.

c) **SECTION 3 (c) Reserve Requirement Definition:** Series by series debt service reserve requirement

The current Master Water System Resolution Reserve Requirement calculates the Requirement based on all outstanding Series of Bonds. An update to this requirement would allow EWEB to determine and calculate the Reserve Requirement for each additional future Series of bonds at the time of issuance. The administration procedures of the Reserve Account have been updated in **SECTION 3 (e) Administration of the Reserve Account** and **SECTION 3 (g) Reserve Requirement for Additional Bonds** which allows for the funding of the Reserve Requirement over a period not-to-exceed 5 years. This flexibility may be helpful with larger bond issuances.

d) **SECTION 3 (f): Rate covenant**

Amendment to match the language stated in the Master Electric System Resolution.

This amendment removes language that excluded Rate Stabilization Fund transfers from the Net Revenue calculation – used to determine the required debt service coverage level of at least 1.25 times. This will provide flexibility in the debt service coverage calculation in the event revenue is reduced due to low consumption.

- e) **SECTION 4.** Amendment to remove the phrase “authorizing their issuance” from the end of the sentence since the retirement of debt or purchase of bonds in the open market does not constitute an “issuance”.

Additional amendments to Resolution No. 1606 will be effective immediately. Such amendments relate to:

- a) **SECTION 5 (a): Series 2016 Bonds Authorized:** Flexibility to refund all or a portion of the Series 2002 Bonds, Series 2005 Bonds and Series 2008 Bonds. Allows EWEB to determine which bonds are refunded for debt service savings purposes and provides flexibility to determine on the day of pricing whether or not certain bonds should be included as refunding candidates or not.
- b) **SECTION 5 (b): Reserve Account:** Flexibility to fund the Series 2016 Reserve with cash, bond proceeds or a Reserve Credit Facility. The current resolution only allows the Debt Service Reserve Fund to be funded with Series 2016 bond proceeds.
- c) **SECTION 5 (c): Redemption:** Under a situation where Series 2016 Bonds are redeemed in advance, allows for Authorized Representative of EWEB to select specific sinking fund installments (a sinking fund installment is a principal maturity amount within a term bond that consists of two or more years of principal that is sold with one maturity date) within a term bond to be selected for retirement instead of having the Trustee select the bonds. This provides EWEB flexibility if it desires to reduce debt service in a given year where the principal maturity in that year is a part of a term bond (a term bond consists of two or more years of principal maturities that are combined and sold with one maturity date for investor purposes) with annual sinking fund payments.
- d) **SECTION 5 (d) Notice of Redemption:** Under a situation where EWEB may look to refund the Series 2016 Bonds in advance for debt service savings purposes, this amendment allows EWEB to issue a conditional notice of redemption on the Series 2016 bonds whereby an advance notice of refunding is sent out to investors but can be rescinded if savings are no longer at the desired level between the posting of the notice and the sale date of the refunding bonds. This provides flexibility in volatile markets.

Recommendation

Management recommends that the Board approve the proposed updates to the Water Utility System Master Water Bond Resolution. These updates provide EWEB flexibility in the current financial markets while maintaining credit worthy covenants.

Requested Board Action

Approval of Resolution No. 1614.

RESOLUTION NO. 1614
April 2016

SUPPLEMENTAL MASTER WATER BOND RESOLUTION

**A SUPPLEMENTAL RESOLUTION AMENDING THE WATER UTILITY
SYSTEM REVENUE BONDS MASTER WATER BOND RESOLUTION;
AMENDING SUPPLEMENTAL RESOLUTION NO. 1606; AND
PROVIDING FOR RELATED MATTERS.**

WHEREAS, on September 2, 1997 the Eugene Water & Electric Board (“EWEB”) adopted a Master Water Bond Resolution (the “Master Resolution”) authorizing the issuance of Water Utility System Revenue Refunding Bonds, Series 1997, in the aggregate principal amount of \$6,615,000 (the “Series 1997 Bonds”) for the purpose of financing construction of any additions, replacements, expansions, renewals or improvements to the Water Utility System operated by EWEB (the “Water Utility System”);

WHEREAS, EWEB has previously issued Additional Bonds pursuant to the terms of the Master Resolution as follows: \$21,405,000 Water Utility System Revenue Bonds, Series 2000 (the “Series 2000 Bonds”), \$10,000,000 Water Utility System Revenue Bonds, Series 2002 (the “Series 2002 Bonds”), \$12,540,000 Water Utility System Revenue Refunding Bonds, Series 2005 (the “Series 2005 Bonds”), \$15,595,000 Water Utility System Revenue Bonds, Series 2008 (the “Series 2008 Bonds”) and \$17,300,000 Water Utility System Revenue Bonds, Series 2011 (the “Series 2011 Bonds”);

WHEREAS, on September 1, 2015, EWEB adopted Resolution No. 1524 requesting that the City (1) authorize and set the terms for the issuance and sale of water utility system revenue bonds in the aggregate principal amount not to exceed \$18,000,000 for the purpose of financing improvements to the water utility system, to fund necessary reserves and to pay a portion of the costs of issuance of the bonds; (2) authorize and set the terms for the issuance and sale of water utility refunding bonds in the aggregate principal amount not to exceed \$35,000,000 for the purpose of refunding all or a portion of the Series 2002 Bonds, Series 2005 Bonds and Series 2008 Bonds, to fund necessary reserves and to pay a portion of the costs of issuance of the bonds, and (3) authorize publication of notice of Water Utility System Revenue Bond Authorization in accordance with Oregon Revised Statutes (“ORS”) 287A.150;

WHEREAS, on October 12, 2015, the City Council adopted its Resolution No. 5139 (the “City Resolution”) authorizing the issuance and sale by the City, acting by and through EWEB, of bonds, in one or more series, in an aggregate principal amount not to exceed (1) \$18,000,000 for the purpose of providing funds for the Project, to fund necessary reserves and to pay a portion of the costs of issuance of the bonds; (2) \$35,000,000 for the purpose of refunding the Series 2002 Bonds, Series 2005 Bonds and Series 2008 Bonds, to fund necessary reserves and to pay a portion of the costs of issuance of the bonds; and (3) authorize publication of Notice of Water Utility System Revenue Bond Authorization in accordance with ORS 287A.150;

WHEREAS, on October 14, 2015, the Notice of Revenue Bond Authorization relating to the water utility system revenue bonds was published in The Register-Guard, a newspaper of

general circulation within the geographical boundaries of the City, and sixty (60) days elapsed since the publication of such Notice and no voters residing within the geographical boundaries of the City filed a petition with the City asking to have the question of whether to issue the Water Utility System Revenue Bonds for the Project in the aggregate principal amount not to exceed \$18,000,000 referred to a vote;

WHEREAS, on March 1, 2016, EWEB adopted Supplemental Bond Resolution No. 1606 (“Supplemental Resolution No. 1606”) authorizing the issuance of Water Utility System Revenue and Refunding Bonds, Series 2016 (the “Series 2016 Bonds”), for the purposes of (1) financing improvements to the Water Utility System in the aggregate principal amount not to exceed \$18,000,000 and (2) refunding the Series 2002 Bonds, Series 2005 Bonds and Series 2008 Bonds in the aggregate principal amount not to exceed \$35,000,000 and providing for related matters;

WHEREAS, Section 16.A.(1) of the Master Resolution provides for amendment of the Master Resolution without the consent of any Bondholders to cure any ambiguity or formal defect or omission in the Master Resolution;

WHEREAS, Section 16.A.(11) of the Master Resolution provides for amendment of the Master Resolution without the consent of any Bondholders to modify any of the provisions of the Master Resolution or any Supplemental Resolution in any other respect whatever, provided that:

- (a) no Bonds affected by such modification shall be Outstanding at the date of the adoption of such Supplemental Resolution; or
- (b) such modification shall be, and be expressed to be, effective only after all affected Outstanding Bonds at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding Bonds, and such Supplemental Resolution shall be specifically referred to in the text of all Bonds authenticated and delivered after the date of adoption of such Supplemental Resolution and of Bonds issues in exchange therefor or in place thereof; or
- (c) such modification does not materially and adversely affect the rights of the Bondowners of any Outstanding Bonds;

WHEREAS, EWEB finds it advantageous to amend the Master Resolution to (i) implement springing amendments, such amendments to be effective for the Series 2016 Bonds and all Additional Bonds only after and upon all Series 2002 Bonds, Series 2005 Bonds, Series 2008 Bonds, Series 2011 Bonds cease to be Outstanding Bonds and (i) implement an amendment to be effective immediately; and

WHEREAS, EWEB finds it advantageous to amend Supplemental Resolution No. 1606, such amendments to be effective for the Series 2016 Bonds as of the date hereof.

NOW, THEREFORE, BE IT FOUND, DETERMINED, ORDERED AND RESOLVED BY THE EUGENE WATER & ELECTRIC BOARD OF THE CITY OF EUGENE, OREGON, as follows:

SECTION 1. Findings.

(a) The Master Resolution may be amended by Supplemental Resolution without the consent of any Bondowners pursuant to Sections 16.A.(1) and 16.A.(11).

(b) This Supplemental Master Water Bond Resolution shall be specifically referred to in the text of all Bonds authenticated and delivered after the date of adoption of this Supplemental Master Water Bond Resolution and of Bonds issued in exchanged therefor or in place thereof.

(c) Prior to the issuance of any Series 2016 Bonds, EWEB shall: (i) prepare a plan showing that the estimated Water Utility System revenues are sufficient to pay the estimated debt service on the Bonds, and (ii) provide a copy of this Supplemental Master Water Bond Resolution to the City.

SECTION 2. Definitions.

(a) Unless the context shall clearly indicate some other meaning, all words and terms used in this Supplemental Master Water Bond Resolution which are defined in the Master Resolution shall for all purposes of this Supplemental Master Water Bond Resolution have the respective meanings given to them in the Master Resolution.

(b) Unless the context shall clearly indicate some other meaning, the following terms shall, for all purposes of the Master Resolution and of any supplemental resolution (including for all purposes, this Supplemental Master Water Bond Resolution), and for all purposes of any certificate, opinion, instrument or other document therein or herein mentioned, have the following meanings, with the following definitions to be equally applicable to both the singular and plural forms of such terms and vice versa:

“2016 Reserve Subaccount” means the account created in Section ~~3.(f)(5)(b)~~ of this Supplemental Indenture.

“Supplemental Master Water Bond Resolution” shall mean this Supplemental Master Water Bond Resolution adopted by Eugene Water & Electric Board on April 5, 2016.

“Tax Credit Subsidy Bond” means any Bond that is designated by the Board as a Tax Credit Subsidy Bond, pursuant to Section 54AA of the Code or any similar taxable tax credit bond program, and which is further designated by the Board as a “qualified bond” with respect to which the Board is eligible to receive a tax credit payable by the United States Treasury to the Board under Section 6431 or a similar provision of the Code.

“Tax Credit Subsidy Payments” means those amounts which the Board is scheduled to receive from the United States Treasury in respect of any bonds issued as Tax Credit Subsidy Bonds.

(c) Unless or except as the context shall clearly indicate otherwise or may otherwise require in this Supplemental Master Water Bond Resolution: (i) all references to a particular article, section and/or subdivision of the Master Resolution, this Supplemental Master Water

Bond Resolution or Supplemental Resolution No. 1606, as the case may be are to the corresponding article, section or subdivision of the Master Resolution only, this Supplemental Master Water Bond Resolution only, or Supplemental Resolution No. 1606, as the case may be; (ii) the terms “herein”, “hereunder,” “hereby,” “hereto,” “hereof,” and any similar terms refer to this Supplemental Master Water Bond Resolution as a whole and not to any particular section or subdivision hereof; (iii) the terms “therein,” “thereunder,” “thereby,” “thereto,” “thereof,” and any similar terms refer to the Master Resolution and to the Master Resolution as a whole and not to any particular article, section or subdivision thereof; and (iv) the term “heretofore” means before the time of effectiveness of this Supplemental Master Water Bond Resolution.

SECTION 3. Springing Amendments to Master Resolution. Pursuant to the provisions of Section 16.A.(11)(b) of the Master Resolution, the Master Resolution is hereby amended and restated in the following respects, such amendments and restatements to become effective only after and upon all Outstanding Bonds as of the date of this Supplemental Master Water Bond Resolution shall cease to be Outstanding Bonds. As of the date of this Supplemental Master Water Bond Resolution, the Series 2002 Bonds, Series 2005 Bonds, Series 2008 Bonds, Series 2011 Bonds are Outstanding Bonds.

(a) **Annual Debt Service Definition.** Section 1.A.(5) of the Master Resolution is amended and restated as follows:

“‘Annual Debt Service’ shall mean the amount required to be paid in the then current or any succeeding Fiscal Year in respect of the principal and interest on any Outstanding Bonds, any Outstanding Subordinate Obligations and under any existing Derivative Product; provided that:

(a) there shall be credited against such sum any interest capitalized or otherwise payable from proceeds derived from the sale of such Bonds or Subordinate Obligations to the extent that the Master Resolution, Supplemental Resolution or other act of the City authorizing the issuance of such Bonds or Subordinate Obligations designates that the proceeds of such Bonds or Subordinate Obligations shall be applied to the payment of such interest;

(b) the amount required to be paid in any Fiscal Year under any Derivative Product shall be calculated by offsetting the aggregate amount of all Reciprocal Payments for such Fiscal Year against the aggregate amount of all City Payments for such Fiscal Year;

(c) the amount of Term Obligations subject to mandatory redemption in any Fiscal Year pursuant to a Mandatory Redemption Schedule shall be deemed to mature in the Fiscal Year in which such Term Obligations are subject to such mandatory redemption and only the principal amount of such Term Obligations scheduled to remain Outstanding on the final maturity date thereof shall be included in determining the Annual Debt Service for Bonds in the Fiscal Year in which such maturity date occurs;

(d) for purposes of determining Annual Debt Service for the Outstanding Bonds which constitute Option Obligations, any such Option Obligations Outstanding at the

time of such determination shall be assumed to mature on their stated dates of maturity; provided that if such Option Obligations are subject, without contingency, to scheduled mandatory redemption on specific determinable dates and in specific amounts, then such Option Obligations shall be deemed to mature on the dates and in the amounts provided in connection with such scheduled mandatory redemption;

(e) for purposes of computing Annual Debt Service on Outstanding Bonds which constitute Capital Appreciation Obligations, only that portion of the Accreted Value becoming due at maturity or by virtue of scheduled mandatory redemption prior to maturity with respect to such Bonds shall be included in the calculations of accrued and unpaid interest and principal requirements; ~~and~~

(f) for purposes of determining the Reserve Requirement and for purposes of the rate covenant contained in Section 9 hereof and the certificate required by Section 10A(5)(a) or 10A(5)(b) of this Master Resolution, Annual Debt Service or Maximum Annual Debt Service shall be computed by assuming that Variable Rate Obligations shall be deemed to bear interest at all times to maturity thereof at the Estimated Average Interest Rate applicable thereto and if such Variable Rate Obligations are subject, without contingency, to scheduled mandatory redemption on specific or determinable dates and in specific amounts, then such Variable Rate Obligations shall be deemed to mature on the dates and in the amounts provided in connection with such scheduled mandatory redemption; and

(g) there shall be credited against such sum any amounts scheduled to be received by the Board as a Tax Credit Subsidy Payment in each such period for any Tax Credit Subsidy Bonds outstanding.

(b) **Reserve Credit Facility Definition.** Section 1.A.(75) of the Master Resolution is amended and restated as follows:

“‘Reserve Credit Facility’ shall mean a Credit Facility issued for the purpose of funding, in lieu of cash, all or any portion of the Reserve Requirement and which is issued or provided by a Credit Provider whose long-term debt obligations or claims-paying ability (as appropriate) is rated at the time of issuance of the Reserve Credit Facility within one of the highest rating categories by each Rating Agency rating, at the request of the Board, the Series of Bonds in connection with which such Reserve Credit Facility is being given or provided.”

(c) **Reserve Requirement Definition.** Section 1.A.(76) of the Master Resolution is amended and restated as follows:

“‘Reserve Requirement’ means:

(a) For ~~any~~ the Series ~~of~~ 2016 Bonds, the greatest amount of interest required to be paid on the Series 2016 Bonds in any Fiscal Year ~~such~~ the Series 2016 Bonds will be Outstanding as of the date of calculation; and

(b) For any series of Additional Bonds, an amount to be set forth in the Supplemental Resolution authorizing such Bonds.”

(d) **Trust Estate.** Section 2.D. of the Master Resolution shall be amended and restated as follows:

“As security for the payment of the principal, interest and premium (if any) on ~~all~~ Outstanding Bonds, the Board hereby pledges, ~~subject only to the prior lien on Revenues as provided for in Section 3.2 of the 1986 Resolution which shall continue to secure the 1995 Bonds until the same have been paid or otherwise discharged or defeased under Article XIII of the 1986 Resolution,~~ to the Registered Owners of the Outstanding Bonds all of the Board’s right, title and interest in the following:

(i) the Net Revenues;

(ii) the moneys and investments (including investment earnings thereon) on deposit in the Debt Service Account (except the Rebate Account);

(iii) the money, investments and the Reserve Account, including without limitation the Board’s right, title and interest in any Reserve Credit Facilities (and any moneys drawn or paid thereunder) given with respect to meeting on deposit in a subaccount of the Reserve Requirement on a particular Account allocable to any Series of Bonds, provided that such Reserve Account subaccount secures only those Bonds for which it was established;

~~(iv)(iii)~~ any Credit Facility other than a Reserve Credit Facility given as security for the payment of any amounts owing on any Bonds (and any moneys drawn or paid thereunder); ~~provided that such Credit Facility secures only those Bonds for which it was given; and~~

~~(v)(iv)~~ such other properties and assets as may be hereafter pledged to the payment of Bonds pursuant to any Supplemental Resolution or which may be delivered, pledged, mortgaged or assigned by any person as security for Bonds.

The foregoing is referred to herein as the “Trust Estate.”

(e) **Administration of the Reserve Account.** Section 7.D. of the Master Resolution shall be amended and restated as follows:

“The Reserve Account shall be administered as follows:

(1) The Board covenants with the Owners of the Bonds that it will, on the first day of each Fiscal Year, so long as any Bonds remain Outstanding, determine an amount such that the balance in the Reserve Account will at least equal the Reserve Requirement for each Series ~~for the~~ of Bonds as of that date. If the amount on deposit in any subaccount of the Reserve Account is less than the Reserve Requirement, the deficiency

shall be eliminated from payments for such purpose available from the Water Revenue Fund in proportionate monthly amounts so that the Reserve Requirement for ~~the each~~ Series of Bonds is achieved within twelve months from the date of any deficiency. In the event the amount on deposit in any subaccount of the Reserve Account is more than the Reserve Requirement on any date specified in paragraph B₂(3) of this Section 7, any such excess may be transferred by the Board to the Water Revenue Fund. The balance in any subaccount of the Reserve Account shall include, in addition to Permitted Investments, cash deposits and deposits of Bond proceeds, the face amount of any Reserve Credit Facility. In lieu of or in addition to depositing cash or Permitted Investments to any subaccount of the Reserve Account, the Board may from time to time deposit a Reserve Credit Facility to any subaccount of the Reserve Account. With respect to any Reserve Credit Facility, the Bond Registrar shall hold and administer the Reserve Credit Facility and shall maintain adequate records, verified with the Credit Provider(s), as to the amount available to be drawn at any given time under the Reserve Credit Facility and as to the amounts paid and owing to the Credit Provider(s).

(2) Monies in any subaccount of the Reserve Account may be invested only in Permitted Investments that mature no later than the final maturity date of the Bonds secured by such subaccount, but no such Permitted Investments shall result in a yield that would violate the provisions of Section 148 of the Code.

(3) If, on any date upon which any amounts of principal of or interest on the Bonds are due and payable, the amounts on deposit in the Debt Service Account allocable to a Series of Outstanding Bonds on a pro-rata basis when added to moneys drawn or available to be drawn under any Credit Facility (other than a Reserve Credit Facility) for such purpose, are insufficient to pay all amounts of principal of, premium (if any) and interest on a Series of ~~the~~ Outstanding Bonds due on such date, then the Board shall withdraw from the Reserve Account subaccount allocable to such Series of Outstanding Bonds in the order of priority set forth below, an amount equal to such deficiency and apply the amount so withdrawn to the payment of the amounts of principal, premium (if any) and interest due on such Series of ~~the~~ Outstanding Bonds on such date; provided that with respect to draws on the Reserve Credit Facility, if any, the Bond Registrar, as Paying Agent, shall deliver a demand for payment at least three (3) days prior to the date on which funds are required as set forth in a particular Reserve Credit Facility.

Withdrawals from ~~the-a~~ Reserve Account subaccount allocable to a Series of Bonds shall be made in the following order of priority:

First, from any cash on deposit in the Reserve Account subaccount;

Second, from the liquidation proceeds of any Permitted Investments made from moneys on deposit in the Reserve Account subaccount; and

Third, from moneys drawn or paid under any Reserve Credit Facility allocable to such Series of Bonds or pro-rata from moneys drawn or paid under several such Reserve Credit Facilities allocable to such Series of Bonds.

(4) The amounts on deposit in the Reserve Account shall be determined by the Board (a) as of the first day of each Fiscal Year, (b) as of the date of issuance of any Additional Bonds hereunder, and (c) as of the date of any withdrawal from the Reserve Account.

(5) All amounts on deposit in the Reserve Account which are allocable to a particular Series of Bonds may be applied to the final payment (whether at maturity, by prior Redemption or by means of a defeasance as provided in Section 18 hereof) of Outstanding Bonds of that Series.

(6) Any Resolution authorizing the issuance of a Series of Additional Bonds shall require a deposit into the Reserve Account of an amount sufficient to make the balance in the Reserve ~~Fund Account~~ at least equal to the Reserve Requirement, which deposit may be in the form of cash, Permitted Investments or a Reserve Credit Facility.

The deposit required by Section 7.D.(6) may be made in not more than five annual installments, with the final installment due not later than the fifth anniversary of the issuance of the Series of Additional Bonds. If the Board elects to fund the portion of the Reserve Requirement which is allocable to a Series of Additional Bonds in installments, the election and the schedule for such deposits shall be stated prominently in the proceedings authorizing the Series of Additional Bonds.

~~(8) Notwithstanding anything to the contrary set forth in this Master Resolution, within (7) Within 90 days of the effective date of the Supplemental Master Water Bond Resolution, the Board shall transfer Permitted Investments, cash and any Reserve Credit Facility in the Reserve Account to the 2016 Reserve Subaccount and any other subaccount established for Outstanding Bonds so that the effect of such transfers is that the Reserve Requirements for the Outstanding Bonds are funded on an approximately pro rata basis. Any Reserve Credit Facility given with respect to meeting the Reserve Requirement on a particular Series of Bonds shall be transferred to the Reserve Account subaccount established for such Series of Bonds."~~

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~~(7) (8) Notwithstanding anything to the contrary set forth in this Master Resolution, amounts on deposit in the 2016 Reserve Subaccount shall be applied solely to the payment of debt service due on the Series 2016 Bonds."~~

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(f) ~~2016 Reserve Subaccount.~~ The following text is added to Section 7 of the Master Resolution:

~~"I. There is hereby affirmed, created and established as a special fund of the Board in the Reserve Account a separate subaccount for the Series 2016 Bonds, the "2016 Reserve Subaccount"."~~

(g)(f) **Rate Covenant**, Section 9.B. of the Master Resolution is amended and restated as follows:

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"The Board may transfer funds from the Rate Stabilization Account to satisfy the requirements of the rate covenant in Section 9A of this Master Resolution. If the Board transfers funds from the Rate Stabilization Account during any Fiscal Year to satisfy such rate covenant, the Board covenants for the benefit of the Owners of the 1995 Bonds and all Bonds that it will charge rates and fees in connection with operation of the System which, when combined with other Gross Revenues, are adequate to generate Net Revenues (exclusive of transfers from the Rate Stabilization Account) in such Fiscal Year at least equal to 1.25 times Annual Debt Service due in that Fiscal Year for all 1995 Bonds and Outstanding Bonds. If the Net Revenues fail to meet this level, the Board will promptly increase its rates and fees or reduce expenses to a level so that Net Revenues (exclusive of transfers from the Rate Stabilization Account) are projected to meet the required level.

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The Treasurer shall annually, within six months after the close of each Fiscal Year, prepare a Board Certificate based on the Board's audited financial statements for such Fiscal Year showing for the preceding Fiscal Year (i) Net Revenues, (ii) the Annual Debt Service for ~~the 1995 Bonds and~~ the Bonds for such Fiscal Year, and (iii) the Annual Debt Service for any Subordinate Obligations for such Fiscal Year. If the Certificate filed shows that such Net Revenues fail to meet the requirements of Section 9A of this Master Resolution, *(and, if applicable, Section 9B of this Master Resolution)*, then the Treasurer shall simultaneously prepare a Certificate of the Board stating in effect that changes in operating procedures or revisions in rates can and will be made which, in the opinion of such signatory, ~~would have resulted~~ *expects to result* in ~~greater~~ Net Revenues sufficient to satisfy the requirements of Section 9A of this Master Resolution *(and, if applicable, Section 9B of this Master Resolution)*, together with a copy of a resolution, adopted by the Board and certified of the Board, authorizing and directing that such changes or revisions be effectuated as promptly as possible, but in no event in greater than ninety (90) days from the date of the Board Certificate."

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(h)(g) **Reserve Requirement for Additional Bonds**, Section 10.A.(3) of the Master Resolution is amended and restated as follows:

"Except as provided in this paragraph (3), the Supplemental Resolution authorizing the issuance of ~~the~~ *a Series of* Additional Bonds shall *state the Reserve Requirement for such Series and* require that a deposit be made at closing sufficient to bring the balances in the Reserve Account equal to the Reserve Requirement for ~~at each~~ *each Series of* Outstanding Bonds, including the proposed Series of Additional Bonds. The Supplemental Resolution authorizing the issuance of Additional Bonds may provide that the Board may make deposits to the Reserve Account *and any subaccount for any Series of Bonds* over a period that is not in excess of a five-year period following the date of delivery of such *Series of* Additional Bonds. For purposes of Section 10.A.(2) of this

Master Resolution, no deficiency shall be deemed to exist in the Reserve Account as a result of the application of the preceding sentence.”

SECTION 4. Amendment to Section 8.A.(8) of the Master Resolution. Pursuant to Section 16.A.(1) of the Master Resolution, Section 8.A.(8) of the Master Resolution is hereby amended and restated as follows:

“To retire by optional redemption or purchase in the open market any Outstanding Bonds or other revenue obligations of the Board as authorized in Supplemental Resolutions of the Board ~~authorizing their issuance.~~”

SECTION 5. Amendments to Supplemental Resolution No. 1606. Pursuant to the provisions of Section 16.A.(11)(a) of the Master Resolution, Supplemental Resolution No. 1606 is hereby amended and restated in the following respects.

(a) **Series 2016 Bonds Authorized.** Section 3.(b) of Supplemental Resolution No. 1606 is hereby amended and restated as follows:

“An undivided amount not to exceed \$35,000,000 is determined to be the aggregate principal amount of the Series 2016 Refunding Bonds, and the proceeds of the sale thereof shall be used as determined by the Authorized Representative in connection with the refunding all or a portion of the Series 2002 Bonds, Series 2005 Bonds and Series 2008 Bonds, the payment of related costs of issuance and any required incremental deposit to the Reserve Account.”

(b) **Reserve Account.** Section 10 of Supplemental Resolution No. 1606 is hereby amended and restated as follows:

“In connection with the issuance of the Series 2016 Bonds, a deposit into the Reserve Account or the provision of a Reserve Credit Facility in an amount sufficient to make the balance in the Reserve Account at least equal to the Reserve Requirement is required. The deposit into the reserve account to meet the Reserve Requirement will be funded with Series 2016 Bond proceeds, cash or a Reserve Credit Facility as determined by the Authorized Representative.”

There is hereby affirmed, created and established as a special fund of the Board in the Reserve Account a subaccount for the Series 2016 Bonds, the “2016 Reserve Subaccount”. Deposits in the 2016 Reserve Subaccount shall secure all Outstanding Bonds until such time the springing amendments in Section 3 of the Supplemental Master Water Bond Resolution are effective.”

(c) **Redemption.** Section 15 of Supplemental Resolution No. 1606 is hereby amended and restated as follows:

“The Series 2016 Bonds may be subject to optional redemption and mandatory redemption prior to maturity as determined by the Authorized Representative pursuant to Section 18 hereof. In the case of partial optional redemption of Series 2016 Bonds,

selection of individual sinking fund installments of any Series 2016 Bonds issued as term bonds to be redeemed may be designated by EWEB.”

(d) **Notice of Redemption.** Section 16 of Supplemental Resolution No. 1606 is hereby amended and restated as follows:

“Official notice of redemption shall be given by the Registrar on behalf of EWEB by mailing a copy of an official redemption notice by first-class mail at least 20 days prior to the date fixed for redemption to the registered owner(s) of the Series 2016 Bonds to be redeemed at the address shown on the Bond register or at such other address as is furnished in writing by such registered owner to the Registrar, and by publishing the notice as required by law; provided that so long as a book-entry only system is maintained in effect, notice of redemption shall be given at the time, to the entity and in the manner required in DTC’s Operational Arrangements, and the Registrar shall not be required to give any other notice of redemption otherwise required herein, except for publishing the notice as required by law.

Any notice of optional redemption may state that the optional redemption is conditional upon receipt by the Registrar of moneys sufficient to pay the redemption price of such Series 2016 Bonds or upon the satisfaction of any other condition, and/or that such notice may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission or of the failure of any such condition shall be given by the Registrar to the Owner as promptly as practicable upon the failure of such condition or the occurrence of such other event.”

SECTION 6. Resolution to Constitute Contract. In consideration of the purchase and acceptance of any or all of the Series 2016 Bonds by those who shall be the beneficial owners from time to time (collectively, the “Bondowners”), the provisions of this Supplemental Master Water Bond Resolution shall be part of the contract of EWEB with the Bondowners and shall be deemed to be and shall constitute a contract between EWEB and the Bondowners. The covenants, pledges, representations and warranties contained in this Supplemental Master Water Bond Resolution or in the closing documents executed in connection with the Series 2016 Bonds including without limitation EWEB’s covenants and pledges herein set forth to be performed by or on behalf of EWEB shall be contracts for the equal benefit, protection and security of the Bondowners, all of which shall be of equal rank without preference, priority or distinction of any of the Series 2016 Bonds over any other Bonds, except as expressly provided in or pursuant to this Supplemental Master Water Bond Resolution or the Master Resolution.

SECTION 7. Effect of Section Headings. The heading or titles of the several Sections hereof shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of this Supplemental Master Water Bond Resolution.

SECTION 8. Effect.

Except as expressly amended and supplemented hereby, the Master Resolution shall remain in full force and effect as if the same were fully set forth herein. Except as expressly amended and supplemented hereby, Supplemental Resolution No. 1606 remain in full force and effect as if the same were fully set forth herein.

SECTION 9. Repeal of Inconsistent Resolutions. Any prior resolution of EWEB, or any portion thereof, in conflict or inconsistent with this Supplemental Master Water Bond Resolution is hereby repealed to the extent of such conflict or inconsistency.

SECTION 10. References to Statutes in Master Resolution. Except as expressly provided herein to the contrary, all references to statutes in the Master Resolution that have been amended, superseded or re-codified by applicable statutes of similar purpose shall be deemed from and after the effective date of such amendment, supersession or re-codification to refer to such statutes as so amended, superseded or re-codified.

PASSED AND ADOPTED this 5th day of April 2016.

EUGENE WATER & ELECTRIC BOARD

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 EWEB at its April 5, 2016 Board Meeting.

Assistant Secretary

RESOLUTION NO. 1614

April 2016

SUPPLEMENTAL MASTER WATER BOND RESOLUTION

A SUPPLEMENTAL RESOLUTION AMENDING THE WATER UTILITY SYSTEM REVENUE BONDS MASTER WATER BOND RESOLUTION; AMENDING SUPPLEMENTAL RESOLUTION NO. 1606; AND PROVIDING FOR RELATED MATTERS.

WHEREAS, on September 2, 1997 the Eugene Water & Electric Board (“EWEB”) adopted a Master Water Bond Resolution (the “Master Resolution”) authorizing the issuance of Water Utility System Revenue Refunding Bonds, Series 1997, in the aggregate principal amount of \$6,615,000 (the “Series 1997 Bonds”) for the purpose of financing construction of any additions, replacements, expansions, renewals or improvements to the Water Utility System operated by EWEB (the “Water Utility System”);

WHEREAS, EWEB has previously issued Additional Bonds pursuant to the terms of the Master Resolution as follows: \$21,405,000 Water Utility System Revenue Bonds, Series 2000 (the “Series 2000 Bonds”), \$10,000,000 Water Utility System Revenue Bonds, Series 2002 (the “Series 2002 Bonds”), \$12,540,000 Water Utility System Revenue Refunding Bonds, Series 2005 (the “Series 2005 Bonds”), \$15,595,000 Water Utility System Revenue Bonds, Series 2008 (the “Series 2008 Bonds”) and \$17,300,000 Water Utility System Revenue Bonds, Series 2011 (the “Series 2011 Bonds”);

WHEREAS, on September 1, 2015, EWEB adopted Resolution No. 1524 requesting that the City (1) authorize and set the terms for the issuance and sale of water utility system revenue bonds in the aggregate principal amount not to exceed \$18,000,000 for the purpose of financing improvements to the water utility system, to fund necessary reserves and to pay a portion of the costs of issuance of the bonds; (2) authorize and set the terms for the issuance and sale of water utility refunding bonds in the aggregate principal amount not to exceed \$35,000,000 for the purpose of refunding all or a portion of the Series 2002 Bonds, Series 2005 Bonds and Series 2008 Bonds, to fund necessary reserves and to pay a portion of the costs of issuance of the bonds, and (3) authorize publication of notice of Water Utility System Revenue Bond Authorization in accordance with Oregon Revised Statutes (“ORS”) 287A.150;

WHEREAS, on October 12, 2015, the City Council adopted its Resolution No. 5139 (the “City Resolution”) authorizing the issuance and sale by the City, acting by and through EWEB, of bonds, in one or more series, in an aggregate principal amount not to exceed (1) \$18,000,000 for the purpose of providing funds for the Project, to fund necessary reserves and to pay a portion of the costs of issuance of the bonds; (2) \$35,000,000 for the purpose of refunding the Series 2002 Bonds, Series 2005 Bonds and Series 2008 Bonds, to fund necessary reserves and to pay a portion of the costs of issuance of the bonds; and (3) authorize publication of Notice of Water Utility System Revenue Bond Authorization in accordance with ORS 287A.150;

WHEREAS, on October 14, 2015, the Notice of Revenue Bond Authorization relating to the water utility system revenue bonds was published in The Register-Guard, a newspaper of

general circulation within the geographical boundaries of the City, and sixty (60) days elapsed since the publication of such Notice and no voters residing within the geographical boundaries of the City filed a petition with the City asking to have the question of whether to issue the Water Utility System Revenue Bonds for the Project in the aggregate principal amount not to exceed \$18,000,000 referred to a vote;

WHEREAS, on March 1, 2016, EWEB adopted Supplemental Bond Resolution No. 1606 (“Supplemental Resolution No. 1606”) authorizing the issuance of Water Utility System Revenue and Refunding Bonds, Series 2016 (the “Series 2016 Bonds”), for the purposes of (1) financing improvements to the Water Utility System in the aggregate principal amount not to exceed \$18,000,000 and (2) refunding the Series 2002 Bonds, Series 2005 Bonds and Series 2008 Bonds in the aggregate principal amount not to exceed \$35,000,000 and providing for related matters;

WHEREAS, Section 16.A.(1) of the Master Resolution provides for amendment of the Master Resolution without the consent of any Bondholders to cure any ambiguity or formal defect or omission in the Master Resolution;

WHEREAS, Section 16.A.(11) of the Master Resolution provides for amendment of the Master Resolution without the consent of any Bondholders to modify any of the provisions of the Master Resolution or any Supplemental Resolution in any other respect whatever, provided that:

- (a) no Bonds affected by such modification shall be Outstanding at the date of the adoption of such Supplemental Resolution; or
- (b) such modification shall be, and be expressed to be, effective only after all affected Outstanding Bonds at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding Bonds, and such Supplemental Resolution shall be specifically referred to in the text of all Bonds authenticated and delivered after the date of adoption of such Supplemental Resolution and of Bonds issues in exchange therefor or in place thereof; or
- (c) such modification does not materially and adversely affect the rights of the Bondowners of any Outstanding Bonds;

WHEREAS, EWEB finds it advantageous to amend the Master Resolution to (i) implement springing amendments, such amendments to be effective for the Series 2016 Bonds and all Additional Bonds only after and upon all Series 2002 Bonds, Series 2005 Bonds, Series 2008 Bonds, Series 2011 Bonds cease to be Outstanding Bonds and (i) implement an amendment to be effective immediately; and

WHEREAS, EWEB finds it advantageous to amend Supplemental Resolution No. 1606, such amendments to be effective for the Series 2016 Bonds as of the date hereof.

NOW, THEREFORE, BE IT FOUND, DETERMINED, ORDERED AND RESOLVED BY THE EUGENE WATER & ELECTRIC BOARD OF THE CITY OF EUGENE, OREGON, as follows:

SECTION 1. Findings.

(a) The Master Resolution may be amended by Supplemental Resolution without the consent of any Bondowners pursuant to Sections 16.A.(1) and 16.A.(11).

(b) This Supplemental Master Water Bond Resolution shall be specifically referred to in the text of all Bonds authenticated and delivered after the date of adoption of this Supplemental Master Water Bond Resolution and of Bonds issued in exchanged therefor or in place thereof.

(c) Prior to the issuance of any Series 2016 Bonds, EWEB shall: (i) prepare a plan showing that the estimated Water Utility System revenues are sufficient to pay the estimated debt service on the Bonds, and (ii) provide a copy of this Supplemental Master Water Bond Resolution to the City.

SECTION 2. Definitions.

(a) Unless the context shall clearly indicate some other meaning, all words and terms used in this Supplemental Master Water Bond Resolution which are defined in the Master Resolution shall for all purposes of this Supplemental Master Water Bond Resolution have the respective meanings given to them in the Master Resolution.

(b) Unless the context shall clearly indicate some other meaning, the following terms shall, for all purposes of the Master Resolution and of any supplemental resolution (including for all purposes, this Supplemental Master Water Bond Resolution), and for all purposes of any certificate, opinion, instrument or other document therein or herein mentioned, have the following meanings, with the following definitions to be equally applicable to both the singular and plural forms of such terms and vice versa:

“2016 Reserve Subaccount” means the account created in Section 5.(b) of this Supplemental Indenture.

“Supplemental Master Water Bond Resolution” shall mean this Supplemental Master Water Bond Resolution adopted by Eugene Water & Electric Board on April 5, 2016.

“Tax Credit Subsidy Bond” means any Bond that is designated by the Board as a Tax Credit Subsidy Bond, pursuant to Section 54AA of the Code or any similar taxable tax credit bond program, and which is further designated by the Board as a “qualified bond” with respect to which the Board is eligible to receive a tax credit payable by the United States Treasury to the Board under Section 6431 or a similar provision of the Code.

“Tax Credit Subsidy Payments” means those amounts which the Board is scheduled to receive from the United States Treasury in respect of any bonds issued as Tax Credit Subsidy Bonds.

(c) Unless or except as the context shall clearly indicate otherwise or may otherwise require in this Supplemental Master Water Bond Resolution: (i) all references to a particular article, section and/or subdivision of the Master Resolution, this Supplemental Master Water

Bond Resolution or Supplemental Resolution No. 1606, as the case may be are to the corresponding article, section or subdivision of the Master Resolution only, this Supplemental Master Water Bond Resolution only, or Supplemental Resolution No. 1606, as the case may be; (ii) the terms “herein”, “hereunder,” “hereby,” “hereto,” “hereof,” and any similar terms refer to this Supplemental Master Water Bond Resolution as a whole and not to any particular section or subdivision hereof; (iii) the terms “therein,” “thereunder,” “thereby,” “thereto,” “thereof,” and any similar terms refer to the Master Resolution and to the Master Resolution as a whole and not to any particular article, section or subdivision thereof; and (iv) the term “heretofore” means before the time of effectiveness of this Supplemental Master Water Bond Resolution.

SECTION 3. Springing Amendments to Master Resolution. Pursuant to the provisions of Section 16.A.(11)(b) of the Master Resolution, the Master Resolution is hereby amended and restated in the following respects, such amendments and restatements to become effective only after and upon all Outstanding Bonds as of the date of this Supplemental Master Water Bond Resolution shall cease to be Outstanding Bonds. As of the date of this Supplemental Master Water Bond Resolution, the Series 2002 Bonds, Series 2005 Bonds, Series 2008 Bonds, Series 2011 Bonds are Outstanding Bonds.

(a) **Annual Debt Service Definition.** Section 1.A.(5) of the Master Resolution is amended and restated as follows:

“‘Annual Debt Service’ shall mean the amount required to be paid in the then current or any succeeding Fiscal Year in respect of the principal and interest on any Outstanding Bonds, any Outstanding Subordinate Obligations and under any existing Derivative Product; provided that:

(a) there shall be credited against such sum any interest capitalized or otherwise payable from proceeds derived from the sale of such Bonds or Subordinate Obligations to the extent that the Master Resolution, Supplemental Resolution or other act of the City authorizing the issuance of such Bonds or Subordinate Obligations designates that the proceeds of such Bonds or Subordinate Obligations shall be applied to the payment of such interest;

(b) the amount required to be paid in any Fiscal Year under any Derivative Product shall be calculated by offsetting the aggregate amount of all Reciprocal Payments for such Fiscal Year against the aggregate amount of all City Payments for such Fiscal Year;

(c) the amount of Term Obligations subject to mandatory redemption in any Fiscal Year pursuant to a Mandatory Redemption Schedule shall be deemed to mature in the Fiscal Year in which such Term Obligations are subject to such mandatory redemption and only the principal amount of such Term Obligations scheduled to remain Outstanding on the final maturity date thereof shall be included in determining the Annual Debt Service for Bonds in the Fiscal Year in which such maturity date occurs;

(d) for purposes of determining Annual Debt Service for the Outstanding Bonds which constitute Option Obligations, any such Option Obligations Outstanding at the

time of such determination shall be assumed to mature on their stated dates of maturity; provided that if such Option Obligations are subject, without contingency, to scheduled mandatory redemption on specific determinable dates and in specific amounts, then such Option Obligations shall be deemed to mature on the dates and in the amounts provided in connection with such scheduled mandatory redemption;

(e) for purposes of computing Annual Debt Service on Outstanding Bonds which constitute Capital Appreciation Obligations, only that portion of the Accreted Value becoming due at maturity or by virtue of scheduled mandatory redemption prior to maturity with respect to such Bonds shall be included in the calculations of accrued and unpaid interest and principal requirements;

(f) for purposes of determining the Reserve Requirement and for purposes of the rate covenant contained in Section 9 hereof and the certificate required by Section 10A(5)(a) or 10A(5)(b) of this Master Resolution, Annual Debt Service or Maximum Annual Debt Service shall be computed by assuming that Variable Rate Obligations shall be deemed to bear interest at all times to maturity thereof at the Estimated Average Interest Rate applicable thereto and if such Variable Rate Obligations are subject, without contingency, to scheduled mandatory redemption on specific or determinable dates and in specific amounts, then such Variable Rate Obligations shall be deemed to mature on the dates and in the amounts provided in connection with such scheduled mandatory redemption; and

(g) there shall be credited against such sum any amounts scheduled to be received by the Board as a Tax Credit Subsidy Payment in each such period for any Tax Credit Subsidy Bonds outstanding.”

(b) **Reserve Credit Facility Definition.** Section 1.A.(75) of the Master Resolution is amended and restated as follows:

“‘Reserve Credit Facility’ shall mean a Credit Facility issued for the purpose of funding, in lieu of cash, all or any portion of the Reserve Requirement and which is issued or provided by a Credit Provider whose long-term debt obligations or claims-paying ability (as appropriate) is rated at the time of issuance of the Reserve Credit Facility within one of the highest rating categories by each Rating Agency rating, at the request of the Board, the Series of Bonds in connection with which such Reserve Credit Facility is being given or provided.”

(c) **Reserve Requirement Definition.** Section 1.A.(76) of the Master Resolution is amended and restated as follows:

“‘Reserve Requirement’ means:

(a) For the Series 2016 Bonds, the greatest amount of interest required to be paid on the Series 2016 Bonds in any Fiscal Year the Series 2016 Bonds will be Outstanding as of the date of calculation; and

(b) For any series of Additional Bonds, an amount to be set forth in the Supplemental Resolution authorizing such Bonds.”

(d) **Trust Estate.** Section 2.D. of the Master Resolution shall be amended and restated as follows:

“As security for the payment of the principal, interest and premium (if any) on Outstanding Bonds, the Board hereby pledges to the Registered Owners of the Outstanding Bonds all of the Board’s right, title and interest in the following:

(i) the Net Revenues;

(ii) the moneys and investments (including investment earnings thereon) on deposit in the Debt Service Account (except the Rebate Account);

(iii) the money, investments and Reserve Credit Facilities (and any moneys drawn or paid thereunder) on deposit in a subaccount of the Reserve Account allocable to any Series of Bonds, provided that such Reserve Account subaccount secures only those Bonds for which it was established;

(iv) any Credit Facility other than a Reserve Credit Facility given as security for the payment of any amounts owing on any Bonds (and any moneys drawn or paid thereunder), provided that such Credit Facility secures only those Bonds for which it was given; and

(v) such other properties and assets as may be hereafter pledged to the payment of Bonds pursuant to any Supplemental Resolution or which may be delivered, pledged, mortgaged or assigned by any person as security for Bonds.

The foregoing is referred to herein as the ‘Trust Estate.’”

(e) **Administration of the Reserve Account.** Section 7.D. of the Master Resolution shall be amended and restated as follows:

“The Reserve Account shall be administered as follows:

(1) The Board covenants with the Owners of the Bonds that it will, on the first day of each Fiscal Year, so long as any Bonds remain Outstanding, determine an amount such that the balance in the Reserve Account will at least equal the Reserve Requirement for each Series of Bonds as of that date. If the amount on deposit in any subaccount of the Reserve Account is less than the Reserve Requirement, the deficiency shall be eliminated from payments for such purpose available from the Water Revenue Fund in proportionate monthly amounts so that the Reserve Requirement for each Series of Bonds is achieved within twelve months from the date of any deficiency. In the event the amount on deposit in any subaccount of the Reserve Account is more than the Reserve Requirement on any date specified in paragraph B.(3) of this Section 7, any such excess may be transferred by

the Board to the Water Revenue Fund. The balance in any subaccount of the Reserve Account shall include, in addition to Permitted Investments, cash deposits and deposits of Bond proceeds, the face amount of any Reserve Credit Facility. In lieu of or in addition to depositing cash or Permitted Investments to any subaccount of the Reserve Account, the Board may from time to time deposit a Reserve Credit Facility to any subaccount of the Reserve Account. With respect to any Reserve Credit Facility, the Bond Registrar shall hold and administer the Reserve Credit Facility and shall maintain adequate records, verified with the Credit Provider(s), as to the amount available to be drawn at any given time under the Reserve Credit Facility and as to the amounts paid and owing to the Credit Provider(s).

(2) Monies in any subaccount of the Reserve Account may be invested only in Permitted Investments that mature no later than the final maturity date of the Bonds secured by such subaccount, but no such Permitted Investments shall result in a yield that would violate the provisions of Section 148 of the Code.

(3) If, on any date upon which any amounts of principal of or interest on the Bonds are due and payable, the amounts on deposit in the Debt Service Account allocable to a Series of Outstanding Bonds on a pro-rata basis when added to moneys drawn or available to be drawn under any Credit Facility (other than a Reserve Credit Facility) for such purpose, are insufficient to pay all amounts of principal of, premium (if any) and interest on a Series of Outstanding Bonds due on such date, then the Board shall withdraw from the Reserve Account subaccount allocable to such Series of Outstanding Bonds in the order of priority set forth below, an amount equal to such deficiency and apply the amount so withdrawn to the payment of the amounts of principal, premium (if any) and interest due on such Series of Outstanding Bonds on such date; provided that with respect to draws on the Reserve Credit Facility, if any, the Bond Registrar, as Paying Agent, shall deliver a demand for payment at least three (3) days prior to the date on which funds are required as set forth in a particular Reserve Credit Facility.

Withdrawals from a Reserve Account subaccount allocable to a Series of Bonds shall be made in the following order of priority:

First, from any cash on deposit in the Reserve Account subaccount;

Second, from the liquidation proceeds of any Permitted Investments made from moneys on deposit in the Reserve Account subaccount; and

Third, from moneys drawn or paid under any Reserve Credit Facility allocable to such Series of Bonds or pro-rata from moneys drawn or paid under several such Reserve Credit Facilities allocable to such Series of Bonds.

(4) The amounts on deposit in the Reserve Account shall be determined by the Board (a) as of the first day of each Fiscal Year, (b) as of the date of issuance of any Additional Bonds hereunder, and (c) as of the date of any withdrawal from the Reserve Account.

(5) All amounts on deposit in the Reserve Account which are allocable to a particular Series of Bonds may be applied to the final payment (whether at maturity, by prior Redemption or by means of a defeasance as provided in Section 18 hereof) of Outstanding Bonds of that Series.

(6) Any Resolution authorizing the issuance of a Series of Additional Bonds shall require a deposit into the Reserve Account of an amount sufficient to make the balance in the Reserve Account at least equal to the Reserve Requirement, which deposit may be in the form of cash, Permitted Investments or a Reserve Credit Facility.

The deposit required by Section 7.D.(6) may be made in not more than five annual installments, with the final installment due not later than the fifth anniversary of the issuance of the Series of Additional Bonds. If the Board elects to fund the portion of the Reserve Requirement which is allocable to a Series of Additional Bonds in installments, the election and the schedule for such deposits shall be stated prominently in the proceedings authorizing the Series of Additional Bonds.

(7) Within 90 days of the effective date of the Supplemental Master Water Bond Resolution, the Board shall transfer Permitted Investments, cash and any Reserve Credit Facility in the Reserve Account to the 2016 Reserve Subaccount and any other subaccount established for Outstanding Bonds so that the effect of such transfers is that the Reserve Requirements for the Outstanding Bonds are funded on an approximately pro rata basis. Any Reserve Credit Facility given with respect to meeting the Reserve Requirement on a particular Series of Bonds shall be transferred to the Reserve Account subaccount established for such Series of Bonds.

(8) Notwithstanding anything to the contrary set forth in this Master Resolution, amounts on deposit in the 2016 Reserve Subaccount shall be applied solely to the payment of debt service due on the Series 2016 Bonds.”

(f) **Rate Covenant.** Section 9.B. of the Master Resolution is amended and restated as follows:

“The Board may transfer funds from the Rate Stabilization Account to satisfy the requirements of the rate covenant in Section 9A of this Master Resolution. If the Board transfers funds from the Rate Stabilization Account during any Fiscal Year to satisfy such rate covenant, the Board covenants for the benefit of the Owners of the 1995 Bonds and all Bonds that it will charge rates and fees in connection with operation of the System which, when combined with other Gross Revenues, are adequate to generate Net Revenues (exclusive of transfers from the Rate Stabilization Account) in such Fiscal Year at least equal to 1.25 times Annual Debt Service due in that Fiscal Year for all 1995 Bonds and Outstanding Bonds. If the Net Revenues fail to meet this level, the Board will promptly increase its rates and fees or reduce expenses to a level so that Net Revenues (exclusive of transfers from the Rate Stabilization Account) are projected to meet the required level.

The Treasurer shall annually, within six months after the close of each Fiscal Year, prepare a Board Certificate based on the Board's audited financial statements for such Fiscal Year showing for the preceding Fiscal Year (i) Net Revenues, (ii) the Annual Debt Service for the Bonds for such Fiscal Year, and (iii) the Annual Debt Service for any Subordinate Obligations for such Fiscal Year. If the Certificate filed shows that such Net Revenues fail to meet the requirements of Section 9A of this Master Resolution (and, if applicable, Section 9B of this Master Resolution), then the Treasurer shall simultaneously prepare a Certificate of the Board stating in effect that changes in operating procedures or revisions in rates can and will be made which, in the opinion of such signatory, expects to result in Net Revenues sufficient to satisfy the requirements of Section 9A of this Master Resolution (and, if applicable, Section 9B of this Master Resolution), together with a copy of a resolution, adopted by the Board and certified of the Board, authorizing and directing that such changes or revisions be effectuated as promptly as possible, but in no event in greater than ninety (90) days from the date of the Board Certificate."

(g) **Reserve Requirement for Additional Bonds.** Section 10.A.(3) of the Master Resolution is amended and restated as follows:

"Except as provided in this paragraph (3), the Supplemental Resolution authorizing the issuance of a Series of Additional Bonds shall state the Reserve Requirement for such Series and require that a deposit be made at closing sufficient to bring the balances in the Reserve Account equal to the Reserve Requirement for ~~all~~ each Series of Outstanding Bonds, including the proposed Series of Additional Bonds. The Supplemental Resolution authorizing the issuance of Additional Bonds may provide that the Board may make deposits to the Reserve Account and any subaccount for any Series of Bonds over a period that is not in excess of a five-year period following the date of delivery of such Series of Additional Bonds. For purposes of Section 10.A.(2) of this Master Resolution, no deficiency shall be deemed to exist in the Reserve Account as a result of the application of the preceding sentence."

SECTION 4. Amendment to Section 8.A.(8) of the Master Resolution. Pursuant to Section 16.A.(1) of the Master Resolution, Section 8.A.(8) of the Master Resolution is hereby amended and restated as follows:

"To retire by optional redemption or purchase in the open market any Outstanding Bonds or other revenue obligations of the Board as authorized in Supplemental Resolutions of the Board."

SECTION 5. Amendments to Supplemental Resolution No. 1606. Pursuant to the provisions of Section 16.A.(11)(a) of the Master Resolution, Supplemental Resolution No. 1606 is hereby amended and restated in the following respects.

(a) **Series 2016 Bonds Authorized.** Section 3.(b) of Supplemental Resolution No. 1606 is hereby amended and restated as follows:

“An undivided amount not to exceed \$35,000,000 is determined to be the aggregate principal amount of the Series 2016 Refunding Bonds, and the proceeds of the sale thereof shall be used as determined by the Authorized Representative in connection with the refunding all or a portion of the Series 2002 Bonds, Series 2005 Bonds and Series 2008 Bonds, the payment of related costs of issuance and any required incremental deposit to the Reserve Account.”

(b) **Reserve Account.** Section 10 of Supplemental Resolution No. 1606 is hereby amended and restated as follows:

“In connection with the issuance of the Series 2016 Bonds, a deposit into the Reserve Account or the provision of a Reserve Credit Facility in an amount sufficient to make the balance in the Reserve Account at least equal to the Reserve Requirement is required. The deposit into the reserve account to meet the Reserve Requirement will be funded with Series 2016 Bond proceeds, cash or a Reserve Credit Facility as determined by the Authorized Representative.

There is hereby affirmed, created and established as a special fund of the Board in the Reserve Account a subaccount for the Series 2016 Bonds, the “2016 Reserve Subaccount”. Deposits in the 2016 Reserve Subaccount shall secure all Outstanding Bonds until such time the springing amendments in Section 3 of the Supplemental Master Water Bond Resolution are effective.”

(c) **Redemption.** Section 15 of Supplemental Resolution No. 1606 is hereby amended and restated as follows:

“The Series 2016 Bonds may be subject to optional redemption and mandatory redemption prior to maturity as determined by the Authorized Representative pursuant to Section 18 hereof. In the case of partial optional redemption of Series 2016 Bonds, selection of individual sinking fund installments of any Series 2016 Bonds issued as term bonds to be redeemed may be designated by EWEB.”

(d) **Notice of Redemption.** Section 16 of Supplemental Resolution No. 1606 is hereby amended and restated as follows:

“Official notice of redemption shall be given by the Registrar on behalf of EWEB by mailing a copy of an official redemption notice by first-class mail at least 20 days prior to the date fixed for redemption to the registered owner(s) of the Series 2016 Bonds to be redeemed at the address shown on the Bond register or at such other address as is furnished in writing by such registered owner to the Registrar, and by publishing the notice as required by law; provided that so long as a book-entry only system is maintained in effect, notice of redemption shall be given at the time, to the entity and in the manner required in DTC’s Operational Arrangements, and the Registrar shall not be required to give any other notice of redemption otherwise required herein, except for publishing the notice as required by law.

Any notice of optional redemption may state that the optional redemption is conditional upon receipt by the Registrar of moneys sufficient to pay the redemption

price of such Series 2016 Bonds or upon the satisfaction of any other condition, and/or that such notice may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission or of the failure of any such condition shall be given by the Registrar to the Owner as promptly as practicable upon the failure of such condition or the occurrence of such other event.”

SECTION 6. Resolution to Constitute Contract. In consideration of the purchase and acceptance of any or all of the Series 2016 Bonds by those who shall be the beneficial owners from time to time (collectively, the “Bondowners”), the provisions of this Supplemental Master Water Bond Resolution shall be part of the contract of EWEB with the Bondowners and shall be deemed to be and shall constitute a contract between EWEB and the Bondowners. The covenants, pledges, representations and warranties contained in this Supplemental Master Water Bond Resolution or in the closing documents executed in connection with the Series 2016 Bonds including without limitation EWEB’s covenants and pledges herein set forth to be performed by or on behalf of EWEB shall be contracts for the equal benefit, protection and security of the Bondowners, all of which shall be of equal rank without preference, priority or distinction of any of the Series 2016 Bonds over any other Bonds, except as expressly provided in or pursuant to this Supplemental Master Water Bond Resolution or the Master Resolution.

SECTION 7. Effect of Section Headings. The heading or titles of the several Sections hereof shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of this Supplemental Master Water Bond Resolution.

SECTION 8. Effect.

Except as expressly amended and supplemented hereby, the Master Resolution shall remain in full force and effect as if the same were fully set forth herein. Except as expressly amended and supplemented hereby, Supplemental Resolution No. 1606 remain in full force and effect as if the same were fully set forth herein.

SECTION 9. Repeal of Inconsistent Resolutions. Any prior resolution of EWEB, or any portion thereof, in conflict or inconsistent with this Supplemental Master Water Bond Resolution is hereby repealed to the extent of such conflict or inconsistency.

SECTION 10. References to Statutes in Master Resolution. Except as expressly provided herein to the contrary, all references to statutes in the Master Resolution that have been amended, superseded or re-codified by applicable statutes of similar purpose shall be deemed from and after the effective date of such amendment, supersession or re-codification to refer to such statutes as so amended, superseded or re-codified.

PASSED AND ADOPTED this 5th day of April 2016.

EUGENE WATER & ELECTRIC BOARD

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 EWEB at its April 5, 2016 Board Meeting.

Assistant Secretary

RESOLUTION NO. 1615

April 2016

**EUGENE WATER & ELECTRIC BOARD
2016 Update to the Integrated Electric Resource Plan**

WHEREAS, the Eugene Water & Electric Board (EWEB) has completed the 2016 Update to its 2011 Integrated Electricity Resource Plan (2011 IERP) as a means to ensure an adequate and affordable supply of electricity for its customers; and

WHEREAS, it was determined that EWEB still requires no new resources beyond those envisioned in the 2011 IERP and that conservation and energy efficiency is still the best resource alternative should a new large load emerge; and

WHEREAS, the Board reiterated the directive to continue to explore the 2011 IERP mandate to research the potential for demand response programs to meet future peak load requirements; and

WHEREAS, the Board has reviewed and approved the 2016 IERP Update to the 2011 IERP at its March 1, 2016 Board Meeting; and

WHEREAS, GP7 policy requires the Board to formally adopt an Integrated Electric Resource Plan (IERP) or update upon completion; and

WHEREAS, the Board deferred initiating another full IERP until an annual update finds inadequate resources within the succeeding 5 year period, or unless otherwise directed by the Board.

NOW, THEREFORE, BE IT RESOLVED by the Eugene Water & Electric Board that the Board hereby adopts the 2016 IERP Update as presented and proposed by staff.

DATED this 5th day of April 2016.

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

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 April 5, 2016 Regular Board Meeting.

Assistant Secretary



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
FROM: Mel Damewood, Engineering Manager and Dean Ahlsten, Compliance Officer
DATE: March 15, 2016
SUBJECT: Annual Rate Adjustment for Dark Fiber Lease
OBJECTIVE: Approval of Resolution No. 1616

Issue Statement

Board Resolution No. 1304 – ‘Dark Fiber Lease Rate Revisions’ authorizes the General Manager to adjust the rate annually, based upon the City of Portland, Oregon’s Consumer Price Index (CPI). EWEB’s current ‘public purpose’ dark fiber rate in effect since April 1, 2015 is \$22.22 per fiber strand-mile per month. Portland’s 2015 CPI adjustment, published in February, is 1.1%.

Background

In 2013 the Board approved the addition of a Dark Fiber Lease rate (DFL-1) under Section E-V of its Customer Services Policies and Procedures. In accordance with Resolution 1304, the initial published rate of \$21.13 per strand-mile month has been increased by 2.8% and 2.3% in 2014 and 2015 respectively. In addition to EWEB’s published public purpose (cost of service based) rate, its K-12 School District and commercial rates have been increased annually in the same manner.

In February EWEB Fiscal Services and Engineering staff initiated a cost of service study to recalibrate the rate(s). This initiative was driven by recent expansion of the fiber network, the length of time that had passed since the last study was conducted in August 2010, and a request from EWEB’s partners in the downtown broadband project to reconsider its rate for commercial service providers. However, due to staffing constraints the study has been deferred one year in favor of applying the 1.1% CPI adjustment as provided for in Resolution 1304.

Discussion

Pursuant to past Board action, EWEB’s three Dark Fiber rates will automatically be adjusted on April 1, 2016 per the City of Portland CPI as shown:

Customer Group	Current DF Rate	April 1, 2016 DF Rate
Public Agencies DFL-1	\$22.22 per fiber strand-mile month	\$22.46 per fiber strand-mile month
School Districts K-12	\$4.89 per fiber strand-mile month	\$4.94 per fiber strand-mile month
For-Profit Companies	\$45.43 per fiber strand-mile month	\$45.93 per fiber strand-mile month

Downtown Eugene Broadband Initiative

Over the past 2-1/2 years EWEB and LCOG have completed three demonstration projects to pilot an innovative new fiber optic network construction concept in the downtown Eugene Business District. The projects were funded by the City of Eugene's Telecommunications Fund, with some capital contributions from EWEB and LCOG. As a result, three multi-tenant buildings have been connected via fiber optic cable to a 'Tier 2' (non-incumbent) Internet Service Providers with a point of presence in LCOG's Willamette Internet Exchange (WIX). A number of Internet Service Providers (ISP's) lease space in the WIX, giving them competitive access to the downtown market. An initial market price of \$99/month for 1Gbit internet service has been established and is under contract with approximately 20 tenants in those buildings. This rate compares favorably to the existing incumbent rate of \$250/month for 150Mbit service, i.e. it provides nearly seven times the bandwidth capacity at 40% of the cost.

In 2015, EWEB partnered with LCOG, the City of Eugene and the Technology Association of Oregon (TAO) to form a 'Fiber Implementation Team' (FIT) whose goal is to expand the footprint of these services by provisioning an open, low-cost, high-speed municipal broadband network throughout the business district. The effort is being driven by the City of Eugene's 2013 Broadband Strategic Plan Goal 5 to "Acquire world class broadband network capabilities in Eugene's downtown and along major corridors to accelerate high-tech business development". In support of common goals and objectives shared by the partner agencies, Management is recommending a modification to EWEB's billing methodology relative to 'Non-Recurring' monthly charges.

EWEB's Customer Services Policies and Procedures currently stipulate: a) one (1) mile minimum charge for Dark Fiber circuits; and b) one-half (1/2) mile billing increments for any circuit length in excess of one mile. Because of the unique design and topology of the proposed downtown fiber optic network, Management feels it is appropriate to adjust the billing determinants to accommodate very short distance / high density service areas such as the downtown business district.

The FIT anticipates interconnection of up to 120 multi-tenant commercial and residential buildings within roughly a ten block area. Circuit (fiber) lengths will vary between a few hundred feet up to two-thirds (2/3's) of a mile maximum; on average considerably less than one mile. The network will consist of many small conduit pathways (one 'microtube' and fiber optic cable per building), placed inside of EWEB electric ducts, connecting end-use customers directly to the WIX. This point-to-point design will minimize infrastructure operating costs by enabling replacement/reconfiguration/rerouting of fiber without vault entry or splicing. This high density model will reduce EWEB's ongoing operations and maintenance costs; therefore its cost recovery requirements are lower when compared with EWEB's conventional dark fiber services.

Accordingly, Management recommends revision of the incremental billing lengths under Section E-V. Paragraph R. Subparagraph 7. – ‘Recurring Charges’ to allow one-quarter mile incremental billing lengths for Dark Fiber Services that are under one-mile in total length. This change will not affect other Dark Fiber Service Agreements currently in effect as they exceed one-mile in length.

Dark Fiber Rate Cost of Service Analysis

Management plans to reschedule the dark fiber cost of service study for this fall in conjunction with the electric rate COSA.

Recommendation and Requested Board Action

Management is informing the Board of the April 1, 2016 annual Dark Fiber rate increase of 1.1% in accordance with Board Resolution No. 1304.

Furthermore, Management is recommending that the Board approve Resolution No. 1616 which implements a change to EWEB’s Dark Fiber Lease mileage-based billing determinants.

Please contact Mel Damewood at 541-685-7145 or e-mail at mel.damewood@eweb.org with questions.

Attachments:

- 1) Resolution No. 1616, April 2016
- 2) Revised Electric Customer Service Policies and Procedures, E-V, Subsection R; Dark Fiber Lease



Eugene Water & Electric Board

Customer Services Policies and Procedures Electric Utility

R. Dark Fiber Lease

1. Availability

EWEB's fiber optic cables run through public right-of-way and are owned and maintained by EWEB. This Price Schedule applies to public agencies and higher level educational institutions as well as existing leases for medical service providers within EWEB's service territory, with the exception of any other price that may apply under a separate agreement or Price Schedule.

2. Character of Service

EWEB's Dark Fiber Lease Price Schedule (DFL-1) pertains to the available surplus fiber strands contained within EWEB's existing fiber-optic system, covering the Eugene metropolitan area and other areas within EWEB's service territory. Subscribing to EWEB's Dark Fiber Lease allows the interconnecting entity to obtain an indefeasible right of use of allocated EWEB-owned fiber strands for the purpose of transmitting voice, data and/or video signals between locations.

3. Interconnection

The Customer is responsible for providing a complete Conduit path from the termination point inside their facility to EWEB Facilities near the Customer premise, in accordance with EWEB's Fiber Optic Customer Standards. All Customer provided Conduit pathway facilities and patch panels shall be inspected and approved by EWEB prior to connection of the lateral extension. After connectivity, EWEB will own and maintain all Facilities up to and including the patch panel.

4. Advance Engineering Fee

All prospective EWEB Dark Fiber Lease subscribers must work with EWEB to complete an Advance Engineering Estimate of the cost and schedule for EWEB to provide dark fiber connectivity. A non-refundable \$500.00 fee is required prior to completing the Advance Engineering Estimate.

Advance Engineering Fee \$500.00
(Resolution No. 1304)

5. Construction Agreement

A signed "Dark Fiber Optic Circuit Construction Agreement" is required by EWEB before commencement of the detail Engineering design and construction of the lateral extension.



Eugene Water & Electric Board

Customer Services Policies and Procedures Electric Utility

6. Non-Recurring Charges

The Customer shall pay an amount equal to 100 percent of the actual design and construction costs, payable upon completion of Dark Fiber connectivity.

7. Recurring Charges

The monthly charge for Dark Fiber Lease is determined by multiplying the length of the subscribed fiber strand(s) times the current monthly price. The length of each fiber strand is determined from EWEB's Geographic Information System (GIS) Fiber Manager Application. ~~rounded up to the nearest one-half mile length. For circuits less than one (1) mile in length, the Dark Fiber Customer shall be billed a minimum of one-quarter (1/4) mile increments of length for each such fiber strand. For circuits exceeding one-mile in length, Dark Fiber Customers shall be billed in one-half mile increments.~~ This information will be recorded in the Lease Agreement.

Dark Fiber Lease bills shall be rendered quarterly.

2015 Monthly Price per Strand Mile* ~~\$22.25~~22.46

Note: *The Dark Fiber Lease Price Schedule will be adjusted annually based on the City of Portland Consumer Price Index. (Resolution No. 1304)

8. General Terms and Conditions

Service under this schedule is subject to the policies and procedures of EWEB.

**RESOLUTION NO. 1616
APRIL 2016**

**EUGENE WATER & ELECTRIC BOARD
DARK FIBER LEASE RATE REVISION**

WHEREAS, the Eugene Water & Electric Board (EWEB) offers surplus Dark Fiber optic strands for lease by public agencies, higher and K-12 educational institutions, medical service providers, and telecommunications service providers;

WHEREAS, Dark Fiber Leases are not considered by the Federal Communications Council or the Oregon Public Utilities Commission to be a regulated Telecommunications Service;

WHEREAS, EWEB has developed plans for a municipal high density, compact Dark Fiber network in downtown Eugene in partnership with the City of Eugene, Lane Council of Governments, and Technology Association of Oregon;

WHEREAS, EWEB's current Dark Fiber Lease Schedule (DFL-1) contains mileage-based billing determinants;

WHEREAS, EWEB desires to treat 'short distance' Dark Fiber service customers equitably;

NOW, THEREFORE, BE IT RESOLVED that the Eugene Water & Electric Board hereby authorizes the Interim General Manager to adjust the Dark Fiber Lease Rate to revise billing length increments under Section E-V 'Dark Fiber Recurring Charges' to allow one-quarter mile incremental billing lengths for Dark Fiber services that are under one-mile in total length.

Dated this 5th day of April 2016.

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

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 April 5, 2016 Regular Board Meeting.

Assistant Secretary