

**EUGENE WATER & ELECTRIC BOARD
SPECIAL and REGULAR SESSIONS
EWEB BOARD ROOM
500 EAST 4TH AVENUE
February 7, 2017
5:30 P.M.**

Commissioners Present: Dick Helgeson, President; John Brown, Vice President; Sonya Carlson, Steve Mital, John Simpson, Commissioners

Absent: None

Others Present: Matt Barton, Information Services Manager; Mel Damewood, Chief Engineering & Operations Officer; Erin Erben, Chief Customer Officer; Sue Fahey, Chief Financial Officer ; Catherine Gray, Resource Analyst; Frank Lawson, General Manager; Mark Freeman, Customer Solutions Manager; Nick Nevins, Engineering Technician; Jeannine Parisi, Government Affairs Coordinator

President Helgeson called the Regular Session to order at 5:30 p.m.

Agenda Check

There were no changes to the Agenda

Items from Board Members and General Manager

- Commissioner Mital reported that while meeting with two Springfield Utility Board (SUB) Board members, they came up with the idea of jointly funding an independent study to look at mutually beneficial opportunities between EWEB and SUB as per post-disaster concerns. Commissioner Mital asked for and received Board consensus to move forward with the independent study idea.
- Vice President Brown agreed that there were many opportunities for collaboration between SUB and EWEB in a post-disaster scenario. He reiterated a need for diligence in illegal camping cleanup and monitoring efforts on the McKenzie River.
- President Helgeson said that he was arranging to attend the American Public Power Association (APPA) meetings in Washington D.C. And that he was also planning to attend the Northwest Public Power Association (NWPPA) in, he believed, Missoula, Montana.
- Commissioner Simpson opined that, in light of the uncertain future of the Environmental Protection Agency (EPA), it would be a good idea for EWEB to release a statement proclaiming its commitment to sound environmental stewardship. He also offered kudos to EWEB staff for its response to, and handling of the aftermath of, the last ice storm.

- Commissioner Carlson offered her support for a collaboration with SUB surrounding a disaster scenario, and she also agreed with Commissioner Simpson's idea of releasing a stewardship statement to the public.
- Mr. Lawson assured Vice President Brown that steps were being taken to address the illegal camping on the McKenzie; he said that he would share an update with the Board. He added that he agreed with Commissioner Simpson's public environmental stewardship statement. Mr. Lawson reported there was a meeting with the Federal Emergency Management Agency (FEMA) next week to begin the administrative processes as per EWEB's request for ice storm emergency reimbursement. He said the Storm Report would be out by February fifth, including both raw and specified data.

Commissioner Mital said he had been in contact with SUB Board members via email, and that he would share that conversation with the other EWEB Commissioners.

Public Input

Anne Fifield of Eugene, and representing the City of Eugene Community Development Division, said that since the Downtown Fiber Project (DFP) was being built using existing EWEB infrastructure, the project would not be possible without the utility, and she thanked the Board and EWEB staff for that.

Milo Mecham of Eugene and Lane Council of Governments (LCOG), asked the Board to consider offering fiber pricing based on quarter-mile increments, although EWEB staff's suggestion was pricing based on half-mile increments. Mr. Mecham also asked that the Board consider not using a 2x multiplier for the risk adder.

Matt Sayre, representing the Technology Association of Oregon (TAO), stated that since the implementation of the DFP, lucrative tech companies have been drawn to downtown Eugene. He also reported that state economists estimated that local tech sector job growth would increase by 28% over the next 10 years. Mr. Sayre urged the Board to consider quarter-mile pricing, and a 180% multiplier (based on the DFP pilot) instead of the 2x multiplier recommended by EWEB staff.

Brittney Quick Warner of Eugene, and Director of Business Advocacy for the Eugene Chamber of Commerce, offered that Internet access infrastructure is just as important as physical infrastructure today, and the DFP is a necessary and appropriate service for entities such as EWEB, City of Eugene, and LCOG to provide the community. She concluded that the Eugene Chamber of Commerce also supported the quarter-mile pricing option, and the 180% multiplier for the risk adder.

Stephen Parac, COO of XS Media, Eugene, offered that Internet service providers (ISPs) were losing money. He said that the high overhead associated with operating an ISP, combined with the service charge imposed by EWEB for fiber use, is well over the \$99/month ISPs charge their customers for Internet access, making the project

unsustainable at current rates. He added that if EWEB was to adopt the quarter-mile pricing option, XS Media would be able to lease more fiber, generating more revenue for EWEB.

Commissioner Mital stated he was not in support of EWEB subsidizing the DFP further, due to a lack of local businesses raising concerns about current fiber pricing.

BOARD ACTION ITEMS

Approval of Consent Calendar MINUTES

1. January 10, 2017 Special and Regular Sessions

CONTRACTS

2. CLEAResult Consulting – for EWEB’s Residential LED Retail Buy-Down Program \$254,000 (Resulting Cumulative Total \$1,150,000) Contact Person is Mark Freeman 541-685-7061.

3. Interactive Intelligence, Inc. – for professional service to upgrade and implement technology enhancements, \$495,000 (Resulting Cumulative Total \$1,210,000). Contact Person is Matt Barton 541-685-7109.

4. KONE Inc. – for HQ Elevator Modernization for Facilities Services, \$325,000. Contact Person is Mel Damewood 541-685-7145.

5. Kubra Data Transfer, LTD – to provide Electronic Bill Presentment and Payment services (EBPP), Bill Print and IVR functions, \$735,000 (Resulting Cumulative Total \$1,910,000). Contact Person is Erin Erben 541-685-7615.

6. Wildish Building Company – for Task Order #4 of the Construction Manager/General Contractor (CM/GC) contract for the construction of Carmen Powerhouse Dewatering System Improvements, \$172,000. Contact Person is Mel Damewood 541-685-7145.

RESOLUTIONS

7. Resolution No. 1703 – Board Appointments, Committees, Outside Liaisons, Contact Person is Frank Lawson, 541-685-7621.

8. Resolution No. 1704 - Oregon Depository Accounts, Contact Person is Sue Fahey, 541-685-7688.

Commissioner Mital wished to pull Item #2, CLEAResult Consulting – for EWEB’s Residential LED Retail Buy-Down Program \$254,000 (Resulting Cumulative Total \$1,150,000), and Item #8, Resolution No. 1704 - Oregon Depository Accounts, for discussion.

Vice President Brown wished to pull Item #3, Interactive Intelligence, Inc. – for professional service to upgrade and implement technology enhancements, \$495,000 (Resulting Cumulative Total \$1,210,000) for discussion.

Vice President Brown moved to approve the Consent Calendar without Items 2 and 3. The motion carried unanimously 5:0.

Items Removed from Consent Calendar

Commissioner Mital expressed confusion as to what exactly EWEB's part was in the contract with CLEAResult Consulting; he was also confused as to why there was such a significant overage in 2016.

Mr. Freeman clarified that this Consent Calendar Item was not to approve an ongoing contract, but rather to approve actual expenses through January 31. He also stated that people bought more LEDs than originally expected.

Commissioner Simpson moved to approve the CLEAResult consulting contract, Consent Calendar Item #2. The motion carried unanimously 5:0.

Vice President Brown wondered how the contract with Interactive Intelligence, Inc., went from \$600,000 to \$1.2 million.

Mr. Barton replied the increase was due to the age of the system.

Commissioner Carlson asked if there was a strategy behind continuing to partner with Interactive Intelligence, Inc., as opposed to a different company.

Mr. Barton answered that he thought it better to use existing technologies—making relatively minor upgrades to them—than to spend exorbitant amounts on new technologies. He added that if EWEB were to switch vendors, they would also have to upgrade their entire phone system.

Commissioner Simpson asked if there was a long-range plan in place for this contract.

Mr. Barton replied the first upgrade would be to route phone calls through EWEB's ISP; he said the next step was to have EWEB's phone service hosted by an outside party. Mr. Barton stated that these two upgrades would lead to a much smaller and regular fee, rather than millions of dollars every few years for larger upgrades.

Commissioner Simpson moved to approve the contract with Interactive Intelligence, Inc., Consent Calendar Item #3. The motion carried unanimously 5:0.

Commissioner Mital asked if, from the list of banks compiled by the EWEB Finance Department, EWEB staff had the authority to choose three.

Ms. Fahey responded that it was indeed staff's intent to choose three banks from the aforementioned list.

Commissioner Mital asked if the banks on the list had been thoroughly vetted yet.

Ms. Fahey replied that they had not, and the current banks list was preliminary.

Vice President Brown asked if the criteria being used to select banks was interest rate-based, or community-based.

Ms. Fahey said that the criteria was not interest rate-based.

Commissioner Simpson pointed out that he could find no sunset date for this Resolution.

Ms. Fahey said that staff wanted to retain authorizational discretion to pick the term of investment most appropriate for EWEB's financial conditions.

Commissioner Simpson moved to approve Resolution No. 1704, Consent Calendar Item #8. The motion carried unanimously 5:0.

Pricing Strategy Committee

Ms. Erben and Ms. Parisi offered the Board a progress report and Power Point on Pricing Strategies.

Vice President Brown asked who would be responsible for setting the values of the different representative groups such as conservation, low-income, higher users, etc. He also wondered if, before implementation, the Pricing Strategy Committee (PSC) would share budgetary and rate implications with the Board.

Ms. Erben answered that the PSC was planning a more comprehensive survey that would get to a more representational sample. She also stated that the PSC would keep the Board apprised through every step of the process, and invited Vice President Brown, and the rest of the Board, to come and sit in on PSC meetings.

Commissioner Mital asked if the PSC would come back to the Board with an actual pricing proposal in October or November, or if it was just information gathering at this point.

Ms. Erben said the original plan was to come before the Board with a plan by the end of the year for a long-term pricing strategy, and that the plan had been vetted by the public.

Commissioner Mital asked if it would be possible to know who his colleagues had chosen to represent their respective Wards.

Ms. Parisi said that it was possible, and that she would keep the Board advised of any skewing in any direction as per Ward selections.

Commissioner Carlson asked if she and her colleagues would also be naming alternates to their selections.

Ms. Parisi answered that it would be difficult to assign alternates because of the necessary commitment to multiple meetings, but if any Commissioner could find individuals dedicated enough, that assigning alternates was acceptable.

Commissioner Simpson moved to approve the Pricing Strategy Committee's selection process, by which each Board member will select, by the end of February, a primary and alternate constituent from their respective Wards to serve on an ad-hoc Residential Pricing Committee. The motion carried unanimously.

Downtown Fiber Intergovernmental Agreement with City of Eugene

Mr. Damewood offered the Board a report and Power Point presentation on the Intergovernmental Agreement (IGA) with City of Eugene as per the DFP.

Commissioner Simpson asked if, since the fiber shares conduits with power cables, would the fiber get in the way if any underground power cable needed to be replaced.

Mr. Damewood replied that the only place within the electrical conduits where the fiber and cable(s) would be together, is the service going into a building.

Commissioner Carlson asked what the risk to EWEB was concerning new technologies emerging in the future, rendering the existing fiber disused.

Mr. Damewood answered if there was existing fiber which was not being leased in the first place, there would be no need to replace it.

Vice President Brown asked if the City of Eugene was planning on charging a franchise fee on generated fiber revenues.

Mr. Damewood said that the City of Eugene would charge a franchise fee.

Commissioner Mital sought clarification on the franchise fee Vice President Brown mentioned.

Mr. Nevins replied that for every dollar EWEB received in fiber lease revenue, \$0.07 would go to City of Eugene in the form of a 7% franchise fee.

Commissioner Simpson moved to accept the IGA with City of Eugene, as presented by EWEB staff. The motion carried unanimously.

President Helgeson called for a break at 7:10 p.m.

GENERAL BUSINESS ITEMS

Dark Fiber Pricing and Strategic Discussion

Mr. Damewood offered the Board a report and Power Point presentation on dark fiber pricing and strategies.

Commissioner Mital asked if the 55 strand miles mentioned that would be required to recover costs included the per half mile pricing.

Mr. Damewood replied that the distance increments did not factor in the need to lease 55 strand miles of fiber.

Vice President Brown asked if the City of Eugene franchise fee could be waived.

Mr. Damewood answered that it could not.

Commissioner Simpson reminded the Board that EWEB had a responsibility to local economic development. He added that he was in support of the quarter-mile billing option, and the 180% multiplier for the risk adder.

Mr. Nevins stated that if EWEB went with the quarter-mile multiplier over the half-mile option, the utility would stand to reduce fiber revenue by \$7,000.

Commissioner Mital reiterated that he had yet to hear of any downtown businesses complaining about the rate they expect to pay as a result of the current fiber pricing structure. He offered that since the DFP was subsidized heavily by City of Eugene's tax base, downtown businesses stand to pay considerably less for fiber than they are currently. Commissioner Mital offered that it didn't make sense to him for EWEB to subsidize the DFP any further.

President Helgeson polled the Board for support of the staff's DFP pricing proposal of half-mile billing increments, and a 2x risk adder multiplier.

President Helgeson, Vice President Brown, and Commissioner Simpson were all in support.

2016 Fourth Quarter Operating Dashboard/Goals Review

Mr. Lawson offered the Board a review of the fourth quarter operating dashboard and goals.

Correspondence and Board Agendas

Mr. Lawson stated that there were two items of correspondence: a required review of Board bylaws, and a quarterly contract report for the fourth quarter of 2016.

President Helgeson asked how much effort would be involved in drawing up the quarterly contract report.

Mr. Lawson replied that even if the effort required to draw up the report was high, the report would be very useful for the Board and staff as well.

Mr. Lawson said that it was staff's suggestion to start the March meeting at 5 p.m. instead of 5:30, to accommodate an Executive Session.

Board Wrap Up

Commissioner Simpson said that there was a need to be mindful of the time spent on each agenda item.

Adjournment

President Helgeson adjourned the Regular Session at 8:30 p.m.

Assistant Secretary

President