

**EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
500 EAST 4TH AVENUE
April 2, 2019
5:30 P.M.**

Commissioners may pose questions to staff prior to the scheduled board meeting. To view Commissioners' pre-meeting questions and staff responses, visit <http://www.eweb.org/about-us/board-of-commissioners/2019-board-agendas-and-minutes>.

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

Others Present: Frank Lawson, General Manager; Matt Barton, Chief Information Officer; Sue Fahey, Assistant General Manager & Chief Financial Officer; Deborah Hart, Financial Services Manager; Joe Harwood, Communications Specialist; Anne Kah, Executive Assistant; Leslie Kidd, Interim General Accounting & Treasury Supervisor; Lena Kostopoulos, Chief Human Resources Officer; John LaTourette, Line Supervisor; Jeanine Parisi, Customer Relationship Manager; Rod Price, Chief Electric Engineering & Operations Officer; José Wren, Customer Service Lead; Brad Jones and Keith Simovic of Moss Adams

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

Agenda Check

There were no changes or additions to the agenda.

Items from Board Members and General Manager

- Commissioner Schlossberg announced she had attended the March 2019 meeting of the McKenzie Clearwater Coalition. She offered the main theme of that meeting was EWEB's upriver storm response. Commissioner Schlossberg let everyone at that meeting know EWEB was holding its upriver meeting early in the year (April 2019). She also said that she had met with Eugene Mayor Lucy Vinis, and Eugene City Councilor Claire Syrett on two separate occasions to discuss salient local climate change issues.
- Commissioner Helgeson reported that last month, he had attended a Northwest Public Power Association (NWPPA) meeting in Portland. He said that organization had a new manager, who would assume their role on May 1, 2019. Commissioner Helgeson said one of the salient topics at the last NWPPA meeting was a review of legislative activities, especially surrounding the Federal Energy Regulatory Commission (FERC), and the Federal Communications Commission (FCC) as those bodies acted on telecommunication equipment being built on utility infrastructure

- President Carlson announced she had attended the Legislative Day in Salem. She also announced she had met with Tyler Nice and a citizen concerned with resiliency, and they discussed having more metrics for tracking the utility's progress.
- Commissioner Brown said the first quarterly meeting of OPEB was held recently, although he was out of town and unable to attend. He offered that although he was technically a non-voting member of that body, he would have several questions regarding earning capacity. Commissioner Brown said he had seen on the news that Lane Electric was advertising for career opportunities, and he assumed EWEB also had similar career opportunities.
- Mr. Lawson said that he would be traveling to D.C. to discuss the FCC issues mentioned by Commissioner Helgeson with delegates in the Capitol.

Public Input

Sonny Gabbard of Vida said that he was a new EWEB customer since June, 2018. He expressed frustration at the requirement he pay a \$320 fee to EWEB in lieu of using his Social Security number as identification. Mr. Gabbard also said it would be a good idea for the utility to offer incentives to customers who remove their trees that are growing under power lines.

Ken Gripp of Walterville, asked the Board, and the utility at large, why his energy bill was exactly the same, even though Walterville was without power for eight days.

Katie Glenn of the upriver community listed all the recent power outages her community had experienced. She was frustrated that despite all the outages, her power bill was still the same. Ms. Glenn was perturbed that, although the area in which she resides provides all of EWEB water, they seem to be low-priority when it comes to power restoration.

Norm Carter of the upriver community provided testimony about a number of issues he has had with EWEB over the years. He said he was tired of paying taxes for an EWEB drain field on his property.

Tim Laue of Blue River thanked EWEB for their attention to the McKenzie River Valley over the years. He asked EWEB for help to fund the survival of the Leaburg Fish Hatchery. He offered that area's main source of revenue was tourism, and if the Fish Hatchery were to cease to exist, it would have a devastating impact on the McKenzie River Valley.

Victor Odlivak of Eugene read the highlights of two letters—one from a Eugene resident, and one from a resident of Kentucky—about the dangers of 5G. He said that 3% of Eugene's population would be adversely affected by smart meter technology. He gave copies of the two letters from which he read excerpts to the Board.

Scott Rohter of Eugene thanked EWEB for the snowstorm cleanup and subsequent power restoration. He said that although EWEB's electricity delivery was safe, it was not reliable because the utility refused to stop merely pruning trees affecting their infrastructure, in favor of cutting the trees down altogether.

President Carlson offered that EWEB was not in the business of installing telecommunications infrastructure, instead, the utility rented space on existing utility infrastructure to telecommunications companies for their infrastructure, as long as certain criteria is met, including worker safety and proper permitting. She said the reason many upriver energy bills were the same despite many days of outages, was because when meter readers cannot get to a meter on a property, that property's energy bill was estimated. Finally, President Carlson encouraged attendance at EWEB's upriver meeting, being held later in the month.

Commissioner Brown thanked Mr. Gabbard for becoming a new EWEB ratepayer. He assured him someone from the Utility would contact him about his concerns. Commissioner Brown expressed frustration at the demise of the Leaburg Fish Hatchery; he said he hoped someone would address this salient upriver issue.

Commissioner Helgeson said EWEB was limited in what it could do with trees that were not in the right-of-way, or any EWEB easement. He said he would like some background information from staff on the issues effecting the Leaburg Fish Hatchery.

Vice President Mital said he would like to follow up on the Social Security number issue raised by Mr. Gabbard in his testimony.

Mr. Lawson offered the EWEB Board could direct staff to be more aggressive with tree trimming than what is set out by Federal mandate.

Approval of Consent Calendar

MINUTES

1. a. March 5, 2019 Executive Session #1
- b. March 5, 2019 Executive Session #2
- c. March 5, 2019 Regular Session

CONTRACTS

2. **CH2M Hill Engineers, Inc. dba Jacobs** – for engineering, design, and related services for the Carmen-Smith Fish Passage Facilities. \$10,000,000.
3. **H&J Construction, Inc.** – to perform the Willamette Street Water Main Replacement. \$900,000.
4. **Michels Corporation** – for the construction of Holden Creek Substation Transformer Addition. \$215,000.

5. **Pacific Excavation, Inc.** – for construction services at EWEB’s Carmen-Smith Hydro Project. \$238,000.
6. **Wildish Construction, Co.** – to perform the Villard Street Water Main Replacement. \$180,000.

INTERGOVERNMENTAL AGREEMENT

7. **Bonneville Power Administration (BPA)** – for Transmission Operator (TOP) Services. \$1,900,000 (over five years).

RESOLUTION

8. **Resolution No. 1910**, Appointment of Board Liaison to City of Eugene for climate related matters.

Commissioner Brown moved to approve the Consent Calendar without Item 7. The motion passed unanimously 5:0.

Items Removed From Consent Calendar

Vice President Mital pulled Item 7, Bonneville Power Administration (BPA) for Transmission Operator Services, from the Consent Calendar. He said he did not feel like he had enough information to determine whether or not EWEB was on a path to the efficiencies he was looking for.

Mr. Price responded that the contract in question was requirement-driven and part of the Utility’s North American Electric Reliability Corporation (NERC) regulatory requirements. He said the designation of Transmission Operator (TOP) regulates how a utility’s systems operate, and ensures they are consistent in viable control of their systems, and analysis of said systems. Mr. Price said that EWEB’s systems were configured in such a way, that they were considered a Transmission Operator. He also pointed out that currently, EWEB does not have a staff that is dedicated to NERC compliance. There are approximately 30 things that EWEB is registered to be compliant with and about 20 people in the Electric Division are responsible for various aspects of those registrations. Those staff spend around 10-15% of their time, per year, doing that work.

Mr. Barton said the EWEB IT Department spent between five and seven FTE on just the compliance part of the NERC requirement.

Mr. Price said EWEB was contracting with BPA to handle the registration work.

Vice President Mital wondered about options to manage compliance issues.

Mr. Lawson stated that EWEB was in a position size-wise, which NERC classifies as a Transmission Operator. He also offered that since EWEB did not just feed load, but there were actual electrons passing through their system, NERC gave the utility the Transmission Operator designation.

President Carlson asked if the compliance aspect of TOP were handed off to BPA, and BPA somehow lapsed in their reporting, would it fall back on EWEB.

Mr. Price said BPA had a staff of 12 people dedicated to TOP services, and they were bound to compliance. He added that if there were any compliance violations, EWEB would be accountable.

President Carlson asked if there were any clauses in the contract which would hold BPA responsible.

Mr. Price said yes. He also said if there was a compliance failure that was BPA's fault, they would take responsibility for it.

President Carlson asked if this switch in any way put EWEB in a worse negotiating position.

Mr. Price answered no.

Vice President Mital moved to approve Consent Calendar Item 7. The motion passed unanimously 5:0.

2018 Year-End Audited Financial Statements and Management Letter

Ms. Fahey, Ms. Hart, Ms. Kidd, and Mr. Jones and Mr. Simovic of Moss Adams offered the Board a report and Power Point presentation on 2018 year-end financial statements.

Commissioner Brown pointed out the single deviation from the threshold on the Water side of the Utility occurring due to the Capital Water Improvement Plan (CWIP) not closing a work order soon enough, and he wondered what that threshold was.

Mr. Jones responded there was typically a 60-day window between the finalization of a work order and that work order's accounting, and to Commissioner Brown's question, there was a work order with a recorded completion date of August 2018, that was still open as of December 31, 2018.

Commissioner Schlossberg wondered about the risks from last year highlighted in the full audit.

Mr. Simovic offered that at the beginning of the audit, Moss Adams gives an initial presentation to the Board to highlight critical areas in the full audit process, and how they plan to address them. He clarified those initial critical areas were not communicated by letter, but they were included in the initial presentation exclusively.

President Carlson asked if the previous year's recommendations were reviewed in this year's audit.

Mr. Simovic said that was correct.

Commissioner Helgeson asked what steps the Utility could take to ensure it continues to operate smoothly and efficiently from a financial standpoint.

Mr. Simovic asserted that over time, EWEB has continued to constantly improve financial practice-wise. He added EWEB had moved up the continuum and if the Utility kept the strong controls it had developed in place, and continued to follow (and set) financial best practices, EWEB would continue to excel.

President Carlson wondered why management passed on making the adjustment.

Ms. Fahey replied the only thing that would have an effect on EWEB's financial income statements was a little bit of depreciation that would have happened between September and December of 2018 on the \$223,000 water item.

Break

President Carlson called for a break at 6:53 p.m. The meeting resumed at 7:05 p.m.

Snow Storm Response & Restoration

Mr. Price, Mr. LaTourette, Mr. Harwood, and Mr. Wren offered the Board a report and PowerPoint presentation on snow storm response and restoration.

Commissioner Schlossberg thanked staff for their hard work and dedication to get power restored after the February 2019 snow storm. She wondered—with system-wide AMI rollout—how much further along would the Utility be if this type of storm were to happen again next year.

Mr. LaTourette said there would need to be more advanced meters installed in EWEB's power territory in order for them to relay helpful data to the utility in the event of storm outages.

Commissioner Schlossberg wondered if EWEB employed prerecorded outage messages during storm outages.

Mr. Harwood offered that once a ratepayer reports an outage, they can opt in to status update callbacks or text messages. He also said that EWEB compensated by pushing out information on digital channels.

Commissioner Schlossberg wondered if other utilities were working on resiliency, and also if EWEB was working with other utility providers on shared resiliency.

Mr. Price replied there was resiliency work between agencies and entities in the area.

Commissioner Brown thanked staff for their work on the restoration. He said that EWEB experienced roughly the same number of outages as the previous Valley ice storm, but had half as many line crews in the field; he wondered why that was.

Mr. Price responded there were more crews available during the aforementioned ice storm due to the localized nature of the event. He added that if there had been more crews out during the snow storm of 2019, some of them would have been sitting idle due to EWEB's process for sending crews on specific work calls.

Vice President Mital observed that although there seemed to be plenty of public sympathy for the linemen out working in the adverse weather, the staff working the phone lines during storm events do not seem to garner the same types of feelings from ratepayers as do the line crews.

Mr. Wren appreciated Vice President Mital's recognition of that discrepancy. He said that he had experienced deep appreciation from ratepayers for EWEB staff working phone lines through storm events.

Commissioner Helgeson offered he was out of power for five days during the snow storm, and that he really did not get a lot of useful information from the outage map.

Mr. Price said the outage map used for this storm event was a new version, and EWEB staff would take what they had learned about it during the 2019 snow storm to improve upon it.

President Carlson opined it would be a good idea to proactively move critical staff closer to the storm response before a weather event, instead of trying to get them closer after the foul weather had set in. She added that she was happy with the outage map, but, like Vice President Mital pointed out earlier, she also thought it would be a good idea for that map to also display restorations as they occurred. Finally, President Carlson wondered if text messages to the Utility decreased in this last storm event due to the outage map.

Mr. Harwood said the number of texts and the number of phone calls to EWEB during storm restoration efforts were down. He said he thought it was because more ratepayers were looking at the outage map.

President Carlson wondered if a post-storm ratepayer survey would be a good idea.

Mr. Price said he believed it would be a good idea.

Annual Compensation Review for General Manager

President Carlson offered that in preparation for this agenda item, she had asked the question: What was the Exceptional rate of compensation for a member of the organization's staff who performed their duties with excellence?

Ms. Kostopulos answered that when someone's performance was considered overall "fully skilled," they would generally be compensated between 95-105% of market midpoint, although those are not discrete bookends. The exceptional rating would be above roughly 105% of range midpoint. She went on to point out that there is no range midpoint for the General Manager's salary, there is only the mean.

Commissioner Helgeson asked if EWEB was consistently in the practice of removing the high and low salary ranges (from comparators) when reporting salaries.

Ms. Kostopulos replied the practice had been to report without the high and the low consistently, but the Board has used the full comparator group in the past.

Commissioner Helgeson referenced a mention of the NWPPA's new survey, and wondered if that meant EWEB might be migrating off of the Milliman in future years.

Ms. Kostopulos said it did seem that way. NWPPA members wanted more detail than what has been included in the Milliman report. As such, NWPPA has commissioned a survey specific to General Manager compensation practices. The new survey is constructed more appropriately for executive level salary and will contain greater detail. The Milliman survey is very general; even though there is a line item called additional compensation, it is impossible to tell if the additional compensation figure is included in the total compensation reported. Therefore, the NWPPA survey could reveal that the additional compensation is really over and above the reported base rate from Milliman that has been used.

Vice President Mital referred to the backgrounder from which he concluded that a 4.6% salary increase would keep the General Manager's salary at approximately the middle of the pack, with an eleven month lag. Based on the results of the performance review, he suggested the General Manager's salary be increased by 5%, which is slightly above that.

Commissioner Helgeson asked that a subcommittee of the Board monitor the results of the NWPPA survey and engage with staff to understand the comparators moving forward and then make a recommendation to the full Board around how to manage that.

Ms. Kostopulos indicated that staff will be able to provide a comparison of the Milliman and NWPPA surveys later this year and provide the information to the Board. This will give the Board time to contemplate if there is anything they want to address.

Vice President Mital moved to increase the General Manager's salary by 5%. The motion passed unanimously 5:0.

Correspondence and Board Agendas

Mr. Lawson offered the Board a report on Correspondence and Board Agendas.

Vice President Mital asked if there existed cross-subsidies that favored the Downtown Network. He expressed concern about getting further into that cross-subsidy.

Mr. Lawson said the downtown customers do pay the same rate, but it's more expensive to hook up to the Downtown Network from an infrastructure standpoint.

Ms. Parisi offered they were trying to level the playing field as per customer hookup cost to the Downtown Network.

Commissioner Brown asked, since the University of Oregon was effectively paying less for power (due to some self-generation), did that not equal UO's power being subsidized by the EWEB ratepayers.

Mr. Lawson replied that was incorrect. He said UO's rate was based on cost recovery for the additional revenue.

Vice President Mital wondered if EWEB would be better served spreading available monies from the Business Growth and Retention program to improve the utility's response rate for everyone, instead of what seems like just a select few.

Mr. Lawson said a more relevant comparison was electrification and incentives. He pointed out the fundamental difference between process-based discussions, and incentive-based discussions.

Board Wrap Up

None.

Adjourn

President Carlson adjourned the meeting at 8:34 p.m.

Assistant Secretary

President