

**EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
500 EAST 4TH AVENUE
November 1, 2016
5:30 P.M.**

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

Absent: None

Guests: Patty Boyle, Principal Project Manager; Sheila Crawford, Senior Financial Analyst, ; Sue Fahey, Chief Financial Officer ; Catherine Gray, Energy Resource Analyst; Deborah Hart, Senior Financial Analyst; Frank Lawson, General Manager; Mike McCann, Generation and Electric Operations Manager; Adam Rue, Senior Rates Analyst; Jerry Reller, Financial Analyst; Nate Shultz, Financial Analyst

President Simpson convened the November 1, 2016, Regular Session at 5:30 p.m.

Agenda Check

There were no changes to the agenda.

Items from Board Members and General Manager

- Commissioner Brown asked Mr. Lawson about the past water service problems to the south hills during electric outages. He wondered what happened to the prior sense of urgency surrounding the south hills service issues. He announced that the City Club of Eugene was holding a discussion on Friday, November 4, to talk about EWEB's water and heavy metals. He concluded that he was very disappointed in the lack of progress on the upriver transient camp cleanup.
- Commissioner Mital offered an update on his participation in a Eugene City Council committee on the Climate Recovery Ordinance. He added that he would present the Board members with the scope document as soon as it was available.
- President Simpson reported that he recently attended a round table discussion with Peter DeFazio concerning the Downtown Fiber Initiative. He also stated that he took part in a short video as a representative of EWEB, involving the sale of the riverfront property.
- Commissioner Manning commiserated with Commissioner Brown surrounding the issue with transient camps on the McKenzie. He also reported that he went to three Bethel schools to present awards to students for their participation in EWEB's poster contest.
- Mr. Lawson assured the Board that staff would do a follow-up on the south hills service issues. He also expressed concern about the transient camps on the

McKenzie. He concluded that his protocol as General Manager will be to follow up directly with the Board as soon as any action is taken.

Public Input

Bob Cassidy of Eugene expressed concern about the City of Eugene's possible purchase of EWEB's riverfront property. He stated that the building belongs to Eugene residents as it was paid for through property taxes, and not to EWEB or its employees. He concluded that he wanted to avoid Eugene citizens paying for the building a second time, through property taxes paid to reimburse the City of Eugene for the purchase price.

Carolyn Stein representing Bring Recycling thanked EWEB for its support of Bring programs, such as Bring's K-12 Program.

Angela Marzano representing Bring Recycling presented the Board with outcomes related to Bring's RE:think Program. She offered the Board two handouts pertaining to said outcomes.

Ephraim Payne representing Bring thanked the Board for being a co-host of the Eugene Home & Garden Tour.

Marilyn Cross of Vida thanked the Board for its September meeting on the McKenzie.

Tim Whitley of Eugene thanked EWEB for its 4J School District grant program, especially as it pertained to a field trip to Leaburg to study salmon. Mr. Whitley read two letters from students who went on the Leaburg field trip.

Commissioner Manning thanked the presenters for their comments.

Vice President Helgeson told Mr. Cassidy that it was too early to talk about purchase price for the riverfront property.

President Simpson thanked Ms. Cross for her gracious comments concerning the McKenzie meeting.

Commissioner Mital expressed respect for Mr. Cassidy and his comments. He agreed with Vice President Helgeson that it was too soon to talk about a purchase price of the riverfront property.

Commissioner Brown thanked all the presenters for their comments. He further clarified to Mr. Cassidy that not all Eugene residents were EWEB ratepayers.

BOARD ACTION ITEMS

Approval of Consent Calendar

MINUTES

1. a. September 20, 2016 Special Board Meeting
- b. October 4, 2016 Regular Session

CONTRACTS

2. Authorize General Manager to approve a Contract after completion of a competitive process – for Electric Utility Line Work Crew. Up to \$400,000. Contact Person is Mel Damewood, Chief Engineering & Operations Manager 541-685-7145

3. Westates Flagman – for Traffic Control and Flagging Services for work subject to BOLI prevailing wage rates. \$2,250,000 (over 5 years). Contact Person is Mel Damewood, Chief Engineering & Operations Officer 541-685-7145

RESOLUTIONS

4. Resolution No. 1631 Oregon Depository Accounts

5. Resolution No. 1632 2016 Revised and 2017 Trojan Budgets

Items Removed from Consent Calendar

Mr. Lawson stated he would like to remove Item 4, Resolution No. 1631 from the Consent Calendar.

President Simpson asked Mr. Lawson if the item would return to the Consent Calendar next month.

Mr. Lawson replied the Resolution would be back on the Consent Calendar, but not next month.

With consensus from the Board, President Simpson removed Item 4, Resolution No. 1631 from the consent calendar.

Commissioner Mital pulled item 2, Authorize General Manager to approve a Contract after completion of a competitive process from the Consent Calendar.

Commissioner Brown moved to approve items 1, 3, and 5 on the Consent Calendar. The motion carried unanimously 5:0

Commissioner Mital stated that he was fine with the General Manager approving contracts in the Board's stead, but he opined a Report to the Board on the decision after it had been made would be appropriate.

Commissioner Brown moved to approve item 2 on the Consent Calendar. The motion carried unanimously 5:0

Resolution No. 1629 Authorizing General Manager to enter into Carmen Smith Settlement Agreement

Mr. McCann and Ms. Boyle presented the Board with a report and Power Point on Resolution No. 1629.

Commissioner Brown commended Mr. McCann and staff for doing a great job with this resolution.

He wondered if there was any community outreach on the upper McKenzie in preparation for this project.

Mr. McCann said that the community had been notified.

President Simpson asked what risks were involved if the project didn't meet criteria.

Mr. McCann replied that they were using an Adaptive Management approach, meaning that upon completion, the project would be monitored, and if at any time it is found the project is not meeting criteria, they would fix the issue immediately.

President Simpson asked what the timing was on the project.

Ms. Boyle answered ten years.

Commissioner Mital expressed disappointment with the coalition of settlement partners for being unable to submit a request to the Federal Energy Regulatory Commission (FERC) for the full 50-year license.

President Simpson moved to approve Resolution No. 1629 Authorizing General Manager to enter into Carmen Smith Settlement Agreement.

Vice President Helgeson asked if the jurisdictional issues, especially where they involved Wild & Scenic Rivers (WSR), had been resolved.

Mr. McCann responded that sometime after the original application was filed in 2008, FERC decided there were certain things which could not be done in a WSR area. He added that the issue had since been resolved.

The motion put forth by President Simpson carried unanimously 5:0

Resolution No. 1630 Avoided Cost Filing

Ms. Erben and Ms. Gray offered the Board a Power Point on Resolution No. 1630.

President Simpson asked if there were any other standard that could be used.

Ms. Erben replied that since EWEB was not seeking resources, the market would be the default standard.

Commissioner Manning moved to approve Resolution No. 1630 Avoided Cost Filing. The motion carried unanimously 5:0.

GENERAL BUSINESS ITEMS

2017 Proposed Budgets, Revenue Requirements, & Prices

Ms. Fahey stated that about a year ago, the Finance Department projected a 3.5% rate increase for Electric, and a 3.6% rate increase for Water.

Ms. Crawford, Ms. Fahey, Ms. Hart, Mr. Reller, and Mr. Schultz offered the Board a Power Point on 2017 proposed budgets, revenue requirements, and prices.

Mr. Reller reported that Management proposes no price change for Electric.

Mr. Shultz reported that Management was proposing a 2% increase in revenue requirements for Water.

Commissioner Brown asked the presenters if EWEB dropped the Veneta rate by 9%, what impact it would have on the projected revenue for the Veneta service.

Ms. Hart replied that more research would have to be done, and they would get back to the Board as soon as possible with more information on the matter.

Commissioner Mital said that he too would like to see more data on the Veneta service.

President Simpson asked if the Standby Charge was a new tariff.

Ms. Fahey said that it was.

Vice President Helgeson asked to be reminded what the residential load forecast was, and if there was any risk should the forecast prove inaccurate.

Ms. Fahey replied that there was risk involved.

Vice President Helgeson asked what was meant in the new tariff by "facilities capacity"?

Mr. Rue answered the term referred to ratcheted demand.

President Simpson inquired how many Public Hearings had been held for this item.

Ms. Fahey responded that this was the third Public Hearing, but this one was the first to include a complete price proposal.

President Simpson asked if 30 minutes would be required for this item in December. Ms. Fahey replied that it depended on Board direction and instruction.

Public Hearing on Proposed Budgets, Revenue Requirements, & Prices

President Simpson opened the Public Hearing at 6:57 p.m. Seeing no one who wished to speak, he then closed the Public Hearing.

2017 Proposed Budgets, Revenue Requirements, & Prices

Mr. Lawson stated that the Finance Department had done a phenomenal job, and that he and staff would continue working to improve EWEB finances indefinitely.

Commissioner Mital asked if concerns about the 9% rate decrease in Veneta needed to be addressed now, or would the Finance Department come back to the Board with different figures in the future.

Ms. Fahey replied that it was possible.

Vice President Helgeson recommended Ms. Fahey look at the water COSA to maintain confidence in results.

Break

President Simpson called for a break at 7:03 p.m.

2016 Third Quarter Operating Dashboard/Goals Review

Mr. Lawson offered the Board a report on the 2016 Third Quarter Dashboard.

Commissioner Brown asked for clarification on the leases on EWEB acreage.

Mr. Lawson replied that he would follow up with Commissioner Brown at a later date.

Mr. Mital said that he was looking forward to the Strategic Discussion in December.

Correspondence & Board Agendas

Mr. Lawson stated there were three items pertaining to financial statements from the Third Quarter he wanted to bring to the Board's attention.

- Mr. Lawson said that, on the Electric side of the utility, there were shortfalls of \$5-\$7 million dollars due to warm weather. He added that EWEB would be looking at revenue very closely this winter as well, to determine if there is a trend toward warmer weather in the winters.
- Mr. Lawson mentioned the EL1 Capital Report.
- Finally, Mr. Lawson stated that if the Board were to authorize the General Manager to enter into certain agreements, those agreements would be reflected in the Quarterly Contract report

Mr. Lawson said that EWEB would be participating in the City Club of Eugene meeting. Mr. Lawson stated that there would most likely be an Executive Session held in December to discuss property issues and other Board concerns.

President Simpson offered that he noticed the Budget Report has many statements reading "Ends on December 31."

Mr. Lawson clarified that the Budget does end at the end of the year.

President Simpson said that he meant that it was stated that the Commissioners' terms would end on December 31.

Mr. Lawson said that he and Staff would make the necessary changes as soon as possible.

President Simpson asked Mr. Lawson if he thought they should start the December Executive Session at 5 p.m.

Mr. Lawson replied that he would like to allocate 45 minutes to an hour for the December Executive Session.

Board Wrap Up

Vice President Helgeson offered that he was curious as to why there was an Insurance Policy Recommendation from July of 2016, yet, as he understood it, the Insurance Policy issue was not subject to Board Recommendation.

Mr. Lawson assured Mr. Helgeson that it was the intent of Staff to clarify all issues the Board might have.

Commissioner Brown asked if the Ratification of Board Consultants in January was simply procedural, or if the Board itself had input in the process.

Commissioner Mital expressed concern that the Board itself was never asked if they were satisfied with the consultants/advisors.

Mr. Lawson stated that he would need nods of affirmation from the Board to look into what appeared to be a process issue.

Mr. Lawson received unanimous Board consensus to pursue the consultant/advisor process issue.

President Simpson adjourned the Regular Session at 7:54 p.m.