

EUGENE WATER & ELECTRIC BOARD
WORK SESSION
EWEB BOARD ROOM
DECEMBER 4, 2012
6:10 P.M.

Commissioners Present: John Simpson, President; John Brown, Vice President; Joann Ernst, Rich Cunningham, and Dick Helgeson

Others Present: Roger Gray, Debra Smith, Cathy Bloom, Susan Eicher, Roger Kline, Lance Robertson, Colleen Wedin, Jason Heuser, Richard Jeffryes, Dave Churchman, Karen Lee, Steve Newcomb, Adam Rue, Michelle Martin, Edward Yan, Susan Fahey, Deborah Hart, Joe Harwood, Wendi Schultz-Kerns, Erin Erben, Kathy Grey, Leslie Kidd, Sheila Crawford, Lena Kostopulos, Gail Murray, Teresa Dingman, Laura Farthing, Wally McCullough, Frank Lawson, Brad Taylor, Steve Newcomb, Laurie Muggy, Lisa Atkin, and Taryn Johnson of the EWEB staff; Vicki Maxon, recorder.

President Simpson convened the Regular Session of the Eugene Water & Electric Board (EWEB) at 6:15 p.m.

He then reviewed the agenda for tonight's meeting.

2012 AUDIT PLANNING

Cathy Bloom, Financial Services Manager, introduced Susan Eicher, General Accounting & Treasury Supervisor, and Julie Desimone (EWEB's auditor) from Moss Adams LLP.

With the use of overheads, Ms. Desimone reviewed the agenda for her presentation, the audit process, and listed the areas that were emphasized in EWEB's annual audit.

Vice President Brown asked why the annual audit didn't pick up a BPA billing error in the hundreds of thousands of dollars. Ms. Eicher recalled a conversation at a previous Board meeting that EWEB staff had actually noticed the error before it was reported and will continue to monitor it.

Vice President Brown then asked if EWEB's staff reorganization/alignment has anything to do with the electric/water percentage reallocation. Ms. Eicher replied that it does not, and that it is merely staff changeover.

Ms. Desimone added that the 86/14 electric/water reallocation will be audited for "reasonableness" to make sure its underlying information is correct and that it's being applied properly. She also added that the audit wouldn't have found the BPA billing error because there's nothing from an audit perspective that would show that to the auditors.

Ms. Bloom added that BPA's bill is always highly scrutinized because it's so complex, and that EWEB has its own internal control for that type of thing.

Ms. Desimone noted that an opinion on EWEB's internal control structure is not offered because of the type of audit that is done for EWEB.

Commissioner Ernst asked what type of guidelines are used for the audit of the power trading floor. Ms. Desimone replied that they start with the risk management policy to see if there's anything far-reaching or out of line with normal utility practice and, if anything is found, it is reported directly back to staff.

Commissioner Cunningham asked if the audit will look at EWEB's PERS unfunded liability. Ms. Desimone replied that it will not, because of all the new standards and regulations that will go into effect in 2014-15. She then explained how that portion of the audit will be conducted in the future.

President Simpson asked how the Board knows that certain contract expenditures are in line with certain standards when they sign for them. Ms. Desimone replied that, according to State standards (required by law), sample contracts are looked at to be sure they are correct and that sample contracts aren't exceeded. They then verify that the signatures are valid and that the time frame is correct, and that they have been recorded into the various spreadsheets.

Vice President Brown asked how the auditors verify that no-bid contracts without negotiation are in compliance. Ms. Desimone replied that the audit looks at State statute to be sure the contract complies and is approved by current Board or management policies. She added that contracts can't be too informal or contain too much "gray area."

Using overheads, Ms. Eicher then identified two significant changes in financial reporting and changes in the names of various balance sheets. She added that staff training now involves more webinars in order to save money on travel, but that there are still a few necessary training sessions that require travel.

Ms. Desimone noted that pension standards will be approached during the next year, and that several years of restated financial statements will occur if everything goes as planned.

In reply to questions from Vice President Brown and Commissioner Helgeson, Roger Gray, General Manager, told the Board he will follow up on the accounting and legal standards of practice and, if there are constraints, methodology changes may be done more frequently so as not to get as much shock effect. He noted that this follow-up will take more than the usual 48-hour turnaround time.

President Simpson thanked Ms. Desimone and staff for their presentation.

EWEB'S 2013 LEGISLATIVE AGENDA

Lance Robertson, Public Affairs Manager, presented a brief introduction regarding the 2013 legislative agenda, and then Jason Heuser, Legislative Representative, gave his presentation.

Mr. Heuser identified the new legislative representatives and the legislative representatives who have received promotions. He also noted that Governor Kitzhaber has not announced any re-election plans (which is unusual). He then briefly reviewed the following topics which had previously been sent to the Board in a backgrounder memo:

- 10-Year Energy Plan
- Net metering and feed-in tariffs
- Oregon Revised Statutes proposals (utility revenues)

He then stated that his next Board presentation may be earlier than usual (in February), as he believes the legislative session regarding PERS will be done early in the session. President Simpson said he is comfortable with that change in presentation schedule.

Vice President Brown asked Mr. Heuser if he knows what Lane County is considering regarding revision of the Contribution in Lieu of Tax (CILT) amount. Mr. Heuser replied that Lane County has given him assurance that their intent is to have it be revenue-mutual, which would require the City to write a check to EWEB out of their share.

Vice President Brown wondered if that would open up a chance for EWEB to pay a 3% CILT instead of 6%. Mr. Heuser replied that the Legislature doesn't have the authority to change that contract. General Manager Gray added that the Eugene City Council and EWEB Board haven't jointly agreed to make that change yet, and that there are some parity issues regarding why EWEB customers are taxed and some other utility customers are not. He added that the discussion revolves around whether or not the revenue is derived outside and/or inside of the city limits.

Commissioner Ernst commented that she would like to see the Board become more involved in legislative issues and possibly write a letter of support regarding some of the issues. She gave the examples of EWEB's Energy Supplier Assessment (ESA's) amount being raised every year and the fact that it has doubled since 2007; and that the recommended feed-in tariff would be devastating to EWEB right now, though the one based on kWhr consumption looks interesting. She also noted that a carbon tax was not on the list of issues.

Mr. Heuser replied that a group of western states and governors may brainstorm the carbon tax issue but that it does not look promising.

Commissioner Ernst continued, reiterating that EWEB should be proactive regarding a carbon tax because market prices have reduced so much because of fracking for natural gas.

Regarding EWEB's renewable portfolio standard (RPS), Commissioner Ernst voiced desire for a Board policy regarding data centers in EWEB territory in order to maintain local control. She added that she believes that topic may already be queued up for discussion before the end of 2012.

President Simpson noted that that discussion is on the agenda for first quarter 2013.

Commissioner Cunningham commented that the Governor had recently alluded to a sales tax. Mr. Heuser replied that there has been some discussion about that but it is not an immediate legislative issue.

Commissioner Cunningham said he believes that EWEB's two largest legislative issues are PERS reform and the Columbia River Crossing (CRC), which has enormous regional impact.

Regarding PERS reform, Mr. Heuser replied that EWEB owes \$94 million, and that even though he himself has to be optimistic, he believes it would behoove EWEB to be pessimistic. He noted that the Governor has included \$800 million in PERS savings in his budget, and that the binary quality of the pick-up has to be 6% or somewhere in between, but that cost of living adjustments will be tough to justify.

President Simpson thanked Mr. Heuser for an excellent report and for the background on the statewide net metering issue. He said he agreed that the major theme is maintaining local control and cost containment, at all costs.

President Simpson then asked Mr. Heuser if he is involved in the BPA pushback. He noted that EWEB's customers are pushing the Board to keep rates in check, yet EWEB receives 60% of its power from BPA. He wondered who should be the group to demand that BPA rates not rise.

Mr. Heuser replied that other EWEB staff interacts more directly with BPA and that some issues involving BPA get taken to Congressional delegation.

General Manager Gray commented that EWEB's Power Resources staff participate in rate cases and also participate through the Public Power Council (PPC) and other membership group, and that sometimes staff are part of subgroups where interests are unique (i.e., transmission). He noted that there have been some small victories, but that BPA is a 75-year-old company and their infrastructure and fish and wildlife costs are also going up. He added that the Public Utility Commission (PUC) participates as a group (not the individual utilities), and that BPA rate cases are elaborate and drawn out, and in the end, BPA has the authority to set its own rates through Congress and the Federal Energy Regulatory Commission (FERC).

President Simpson concurred with Commissioner Ernst's request for the Board to get more involved in legislative issues. He asked Mr. Heuser to prompt Board as he sees fit to assist him and/or write letters for legislative reform. He voiced willingness for a Board representative to travel to Salem if necessary.

Commissioner Helgeson voiced strong support for the assessment fee. Regarding net metering and feed-in tariffs, he hopes the legislature doesn't have the authority to decide the technical requirement. Regarding the RPS, he stated that he believes that under the current economic climate, EWEB would look to relax that.

Mr. Heuser told the Board that he will contact Taryn Johnson, Executive Assistant to the Board and General Manager, regarding the Board's availability for letter writing, phone calls, or a possible trip to Salem.

President Simpson adjourned the Work Session at 7:20 p.m.

Assistant Secretary

President

EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
DECEMBER 4, 2012
7:30 P.M.

Commissioners Present: John Simpson, President; John Brown, Vice President; Joann Ernst, Rich Cunningham, and Dick Helgeson

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President Simpson convened the Regular Session of the Eugene Water & Electric Board (EWEB) at 7:30 p.m.

AGENDA CHECK

There were no items.

PUBLIC INPUT

President Simpson informed the audience that they could speak in either or both of tonight's public input sessions (agenda items #2 and/or #6). He asked them to listen to the staff presentation first and then decide which public input session their comments would more closely relate to, as some of their concerns may be addressed in the staff presentation. He added that the Board is here to listen to what the public has to say.

Jonathan Light thanked the Board for their continued support and partnership in energy education funding which educates thousands of students, and said that these programs really do bring along future citizens in the areas of energy production and consumption and, most importantly, conservation. He noted that he had distributed a flyer to each of the Commissioners that shows students in outdoor situations.

Al King, a former State legislator, commented that he had served on the Salmon Committee when he was in the legislator, and that EWEB provides some very important energy education programs, and that he especially appreciates the "pipeline" EWEB provides to the Springfield School District. He thanked the Board for retaining its energy education programs, as students will become better stewards because of them.

Dan Patch commented that it is embarrassing that the public has to keep repeating the same things over and over, and that it is disingenuous for the Board to say they are listening when they have no intention of doing what the public is asking them to do. He said that at the

last public hearing, when he asked what the public should do when they are unsatisfied with the Board, President Simpson had replied that a recall could be done. He feels it is extremely disingenuous for the Board president to thumb his nose at the public and say that if the public doesn't like what the Board is doing, they can raise thousands of dollars and try to recall the Board, and see what happens. He feels that EWEB has no accountability for the errors and problems that are created financially, and that all they do is build a giant empire, and then when prices and the money don't add up, they turn around and sock it to the customers' pockets. He suggested that EWEB start spending some of their "war chest" before they start raising rates, and that the Board start listening to their constituents instead of just continuing to build their empire while the nation is on the brink of financial collapse. He said that the customers are supposed to own EWEB and that EWEB is supposed to work for them, but they don't; and that all they do is work for EWEB and enrich EWEB. He closed by saying that EWEB is making customers pay, and they are sick of it, and he asked the Board to start paying attention to customers.

Steve Mital, EWEB Commissioner-Elect in Wards 1 and 8, recalled that last Sunday the Register-Guard did a feature story on EWEB's proposed rate increases and compared them to SUB's and EPUD's rate increases, and that the article stated in a graphic on the front page that EWEB's rates were going up by 8% while SUB's and EPUD's were only increasing 4% and 3%, respectively. He noted that this is not an apples to apples comparison, and that SUB's and EPUD's rate increases did not factor in the full impact of the likely but not formally yet adopted BPA rate increases. He added that, in reality, BPA increases will hit SUB and EPUD harder than they do EWEB, as EWEB is insulated from these impacts to some extent because it generates 40% of its own power. He emphasized that this an important bit of context that Register-Guard readers deserved, but didn't get, and that the article included inflammatory and misleading statements. He said that in this morning's Register-Guard there was a letter to the editor that again compared EWEB's employee to ratepayer ratio to SUB and EPUD, and that this is another unfortunate example of an apples to oranges comparison masquerading as an apples to apples comparison. He said that his point is that the Register-Guard is the newspaper of record, and what it reports carries great weight in our community, and that it did damage to EWEB's reputation by publishing both incomplete and inaccurate information. He added that even though he looks forward to reading the Register-Guard every day and he values the truth wherever it leads, even if it's critical of EWEB, it has to be fair. He closed by saying that he believes the Register-Guard's standards have slipped, and that is a disservice to everyone. He urged EWEB Board and staff to not accept the Register-Guard article and to resurrect the checks and balances that EWEB has had in place in years past.

Mike Gerot is a River Road Water District (RRWD) Board member, and RRWD is one of EWEB's wholesale customers. He stated that the RRWD Board is concerned about the trends they are experiencing, especially with the current water rate increase proposal. He noted that over the next three years the proposed increase will result in about a 37% increase. He reminded the Board that RRWD is responsible for all of its own administrative, meter reading and billing functions, and that those are all costs over and above what they pay their water service. He thanked the Board for the opportunity to speak.

Bob Cassidy, a former EWEB Commissioner, is speaking tonight as an EWEB customer/owner. He emphasized that EWEB employees' wages are not the problem, and that he is proud to be an owner of a utility that pays good living wages to their employees. He noted that EWEB's lowest-paying position pays \$29,000 per year and is a job share position, with both employees being provided benefits coverage. He said that he feels sorry for customers who have difficulty paying their EWEB bill, gas bill, telephone bill, and all other things they can't afford because of low wages, and that he is proud that EWEB pays quality of life wages. His advice to the Board was to not wait for customers to contact them about a rate increase, and for customers to seek opportunities to let EWEB know they are doing a good job with running the utility to their benefit. He noted that EWEB's general manager is willing to work for half of his previous income and that, if EWEB customers need an enemy to blame, they should blame State and federal government, who over-promoted expensive wind power and are now doing unregulated fracking which is devastating EWEB's wholesale income.

Nick Uhrhausen commented that he doesn't have too much of a problem with EWEB's electric rates, but he feels that water should be almost a free commodity. He added that he has never heard his neighbors complain about water rates until recently, and he asked the Board to reconsider the proposed water rate increase.

Jeff Demers is the Director of Operations for Willamette Water Company. He gave the following testimony:

"Willamette Water Company is a private water distribution company serving residential, commercial and industrial water customers in the greater Goshen area south of Eugene. Willamette Water has been an EWEB customer since 1972, and purchases all of its water from EWEB for resale to its customers under a surplus water agreement.

Over 60% of Willamette's water customers are residential. They are renters and homeowners in an unincorporated area of Lane County that is particularly depressed, many on fixed or limited incomes that make it a real economic struggle to keep the utilities on and the rent paid.

EWEB now proposes to increase the cost of water to Willamette Water customers, specifically, by a staggering 36% in February. That's nearly twice the increase EWEB is proposing for the rest of its customers. That's a four-year water cost increase of 104%--- more than double.

The proposed increase to Willamette and the process EWEB has engaged in is contrary to the basic principles of fairness. Despite Willamette being a major customer for over 40 years and being singled out by EWEB for its own special 36% rate schedule, there was no reasonable notice by EWEB--no letter, no phone call or opportunity to be heard. I read about the increase in Sunday's paper, and had my first conversation on this matter with EWEB staff yesterday.

Fairness dictates that Willamette should have been advised by EWEB staff of their intent to create a specific Willamette Water rate schedule with radically higher rates, and at a minimum

be given the opportunity to have a conversation about an action that will dramatically affect its ratepayers.

Furthermore, Willamette Water has a contractual relationship with EWEB. Our contract expired on August 24, 2012. We met with EWEB staff in May and submitted a letter dated November 5, 2012 requesting a one-year extension and proposing negotiations for a new water supply agreement. You have that letter. We have a genuine concern that EWEB's unilateral action to raise Willamette's rates without reasonable notice is inconsistent with EWEB's contractual obligations.

Willamette Water is not trying to cause a problem here or asking for a free pass. We are a water utility too, dealing with the same demand and cost issues EWEB is facing. We get it that revenue has to cover expenses. If legitimate costs go up and demand decreases, there has to be an offsetting increase in rates.

What Willamette Water is asking is that EWEB defer making a decision tonight to unilaterally raise Willamette Water's rates, and to appropriately address the rate issue in the context of good faith contract negotiation. Thank you."

Mark Hudson recalled that BPA has just said that they are going to raise rates from 12 to 20 cents/kWhr starting in 2016. Instead of blaming BPA, he urged the Board to move forward and try to solve its problems, and he offered some potential solutions and alternatives. For the tiers that EWEB has, he asked the Board to raise that rate. He noted that since Commissioner Ernst's concern at the last meeting was that low-income customers are really at the margin, EWEB should fund the low-income assistance program and add assistance for water bills. He suggested that if the City of Eugene is actually interested in EWEB's headquarters building, with the selling price being at around \$15 million, this option at least needs to be on the table. He also suggested that a partnership with the U of O, as their Masters in BA program has essentially a consulting service that wouldn't cost EWEB anything but staff time, and they would evaluate EWEB's business practices with a new, fresh set of eyes. He suggested that a ratepayer suggestion program may be helpful in which a customer can come up with an idea, and if it saves EWEB money, for the first year of that savings, the customer gets 10%. Lastly, he suggested that EWEB contact Peter DeFazio to see if they can get infrastructure funding. In closing, he asked that EWEB increase its communication with customers in order to limit misinformation.

Dick Beers commented that EWEB's customers don't have a choice for their public utility, and that utilities were originally set up for the economy of the people living in the area, but customers are out of that district now. He told the Board that EWEB has "given away the ship," and used the example that, according to the recent Register-Guard article regarding EWEB employee wages, every 10 years EWEB produces a millionaire. He noted that out of that work time, its employees only work two-thirds (70%) of the time, and the rest is paid time for time not worked (vacation, holiday, PERS, and all of the other things an employee doesn't have to show up to receive), and that it is that time not worked that is killing EWEB's customers. He said he doesn't believe EWEB customers are getting a return on their investment, and that the community needs help because it is broke. Regarding the proposed water increase, he believes there is no shortage of water right now, and that water should be free. He thanked

the outgoing Board members for representing customers, but said that unfortunately, he doesn't feel that customers have been represented for the last 10 years.

Phil Kidd is a former physicist. He said that after reading the recent Register-Guard article, he got the strong impression that the Board has already made its decision and are pretty much waiting for the public hearing to get over with so they won't have to worry about the budget again until next year. He then referred to the recent op ed piece by Dorothy Good, which he believes was an excellent summary. He asked the Board to study that article again, because the thing that seems to come out of these types of articles is that the Board has already made major decisions on the budget and that it was not printed in a form that is easily understood, nor is it sent out so that customers can review it prior to a public hearing. He asked the Board to put out information to all customers in an easily understandable format, and possibly show an example of an EWEB bill, and break that down into the eco-energy portion, the labor portion, etc., and list those prior to the budget decision. He added that it would also be helpful if the Board prepared a preliminary budget with all data available, and provided it to the public for them to study and understand.

Dan Russell commented that Mr. Kidd's comments summed up a lot of his feelings about the Register-Guard article, EWEB's tiered rates, etc. He noted that it's the poor customers who can't pay their bills and he wondered if the Board wants everyone in Eugene to have brown lawns. He said that it had cost him approximately \$100 to water his grass this year and that that is insane, and that EWEB has a lot of audacity in this economic climate, when everyone is struggling, to propose a 21% rate increase for River Road Water District, a 30-some percent increase for Willamette Water Company. He said that to hear that Water Willamette Company wasn't informed about a rate increase until two days ago is extremely disrespectful, and that he is appalled to see such high rate increases. He noted that he has not seen one proposal to lower EWEB's costs, yet its customers' rates are going to be raised by 20%. He asked the Board to give him a break, as in most businesses, when demand goes up, prices go up; and when demand goes down, prices fall and companies cut costs, but he doesn't see that happening at EWEB. Conversely, he sees that as water demand goes up, EWEB wants more money, and when demand goes down, EWEB still wants more money.

Sandra Bishop, a former EWEB Commissioner, gave the following testimony:

"I admire your work as elected officials on this board. I don't envy you these tough decisions. I'm here tonight to encourage you to make this budget-related decision based on facts, not reaction to public pressure.

You are elected to this board to make wise policy decisions that will guide the utility into the future. You are not here to win a popularity contest. We need decision-making based on facts, not a reaction to public opinion. Of course public opinion is important, but even more important is assuring that the public is educated about the function and the reality of EWEB and EWEB operations.

The fact is that 75-80% of EWEB's budget goes for power-related costs. Why are you spending all this time zeroing in on employee costs when approximately three-quarters of your

budget is driven by power cost? Are you really actively engaging in talking about the 70%+ of the budget that is not wage- or employee-related?

Where is the assessment of power projects EWEB owns? Why are we not hearing you talk about selling a power project or renegotiating power contracts? Why would you think your contract with the union is any less tangible than a power purchase or power sales agreement?

If you want to look for more revenue, and if you want to avoid raising rates any more than necessary, you should be looking at the part of the budget that drives the largest percentage of cost.

Please realize that your employees are the greatest assets of this utility. Don't sacrifice your employees on the altar of public opinion. Rather, educate the ratepayers as to where the money really goes at EWEB--what costs drive this budget and this rate increase.

Please look at the decision you will be making tonight in a larger context. Where will the utility be in five, 10 or 20 years? I see this utility as being at a critical juncture, a crossroads. It seems like the Board is becoming more easily swayed by public perception and opinion than by actual facts--by facts, I mean the economic underpinnings and the human values that drive this organization.

It is strikingly clear that the public wants relief from ever-increasing utility rates. But look at the potential unintentional consequences that you may be setting in motion by ignoring the obvious. The obvious is that continuing to ask for rollbacks from your employees is very likely to result in additional union organizing. That will likely result in an actual increase in costs and thus higher rate increases in the future.

You have asked the General Manager to go back to the unions and ask if the unions might make more concessions--this is after the union (IBEW) has already made major financial concessions by agreeing to forego a full 4% COLA and settle for 3% this year, and to see their annual increases ratcheted down to 2.5% based on the Portland consumer price index (CPI). I'm sure these agreements were not entered into lightly.

You have a situation now where your general manager, Roger Gray, seems to have a good working relationship with the union. It is apparent that General Manager Gray respects the union. You would be well-served to listen to the General Manager Gray when he says there is nothing more to be gained from pressuring employees, both union and non-union, right now to make more concessions.

Don't underestimate the cost of unionization. Even successful union negotiations are costly. Is this something that you are willing to put into your budget? How do you budget for it?

The employees are your best assets. They are the heart of the utility. I realize that conditions in the utility industry are very challenging right now. Everything should be done to avoid creating more of a siege mentality in relations with your employees. EWEB has to vie for

employees in the regional context. You can't afford to make EWEB an inferior workplace, and you can't afford to alienate your current employees and scare off future employees.

It's time to let your employees do their jobs. The public spotlight should be taken off employee salaries and aimed where the real driver in this budget is--power cost. Don't damage the strong loyalty and ethic of service that you have from all EWEB employees.

I know that you all have great respect for EWEB employees. I challenge you to demonstrate that respect by looking elsewhere to balance your budget and keep rate hikes down."

Michael Townsend is self-employed. He commented that there is a real need for information about where the rate increase is coming from. He said that there is much money going into EWEB's PERS accounts, and that they're basically for people who have had public jobs for the last 20 years. He pays \$10,000 a year for health insurance for himself and his family, so to have 12%, in addition to a salary, going into an employee's PERS account is a huge benefit. He pays 15.3% in taxes, and he pays on both ends, and if he can put \$2,000 to 4,000 into savings, he is lucky. He reiterated that EWEB offers \$10,000 in retirement for each EWEB employee and another \$10-20,000 for health care benefits, on top of their salary. He said he believes the citizens of Eugene need to be looking at what the cumulative rate increase has been over the last 10 years and that, though he hasn't looked, he is sure that his water bill has gone up approximately 100% in the last 10 years. He emphasized that if BPA or some of the energy sources EWEB is purchasing from are jacking up rates, EWEB customers need to know that. In closing, he urged others in the community to run for the EWEB Board, and that there seems to be a conflict between EWEB saying that there is a ton of inflation in the utility and Ms. Bishop saying that employees are sacrificing a lot.

Rhonda DiMarco makes less than the lowest-paid employee at EWEB. She had to save money to buy Christmas lights, and saved for three months previous to last summer in order to have enough water to water her lawn so that it would look nice. She said that EWEB customers have had enough of rate increases. She noted that her wages haven't gone up for two years and that she doesn't get food stamps, health insurance or energy assistance, and that she lives alone. She closed by saying that she pays her bills and works her butt off so she can have what I has and do what she needs to do.

Commissioner Cunningham commented that he had received 17 phone calls regarding the op ed piece that appeared in the Register-Guard and that he had even called General Manager Gray on a Sunday night because he had received so many phone calls from constituents.

He noted that he had asked staff for balances of all of EWEB's reserve accounts, and that there is no \$48 million set-aside for real estate and new buildings. He added that some of the phone calls he received were from EWEB employees, and that everyone is hurting. He wondered at what point something will give, and he noted that people who work in education haven't had a pay increase in five years, as there is no money there. He noted that EWEB doesn't have the authority to tell IBEW to open up their contract, and he asked that staff consider a cost of living adjustment freeze to show transparency and fairness. He reminded the audience

that if EWEB doesn't increase rates, its bond rating could go straight downhill, and they can't afford for that to happen.

He also reminded the audience that the real argument is with BPA, as they raise their rates each and every year, and take no prisoners. He recalled that EWEB has had very, very marginal rate increases for the last 7-8 years, but they have hit their own perfect storm, as they can't sell power for what it's worth, and they have tried not to raise rates so its customers can afford to live.

He continued by saying that there isn't anyone on the Board who wants to vote for the budget tonight, but that the Board has a fiduciary responsibility to not jeopardize EWEB's ability to borrow money, and he believes he has no other alternative than to vote for this budget in order to improve EWEB's financial situation.

Vice President Brown thanked everyone for coming to tonight's meeting and echoed Commissioner Cunningham's comments. He reminded the audience that the budget has already been cut 20% and that EWEB has laid off employees and terminated positions. He cautioned everyone that next year will be worse, and that EWEB has lost \$70 million since this budget process started. He said he appreciated Mr. Hudson's suggestions and that EWEB is seriously considering the City's offer to buy or share the EWEB headquarters building, and that this would result in the City spending \$12-14 million for a new building instead of \$45 million.

Vice President Brown agreed with Mr. Cassidy regarding EWEB employee wages not being the problem, and he agreed that EWEB's employees are its best asset. He noted that 20-25% of EWEB's budget represents the cost of operations and that EWEB can't control BPA, but is insulated by its own generation, even though they are forced into buying \$80/MW renewables and selling them for \$20/MW, and that EWEB will quickly go broke doing that. He reminded the audience that EWEB raised rates about 10 years ago in one fell swoop because of Enron.

He told Ms. DiMarco that he hears her loud and clear, and that her testimony really affected him.

President Simpson thanked everyone for testifying and wished them a prosperous and spirited holiday season. He noted that he is also a ratepayer and that Eugene's citizens need to be truly proud of EWEB, but a change needs to be made. He said that a disconnect seems to be growing between how EWEB operates and how customers feel it should operate, and that the way to close the gap is to include customers in the budget process.

He acknowledged Messrs. Hudson and Kidd for their suggestions to send public information out early and in a digestible form, and to design EWEB's bills to be more clear and to clearly show where the money goes. He also mentioned the possibility of setting up a citizens budget advisory committee for independent reflection on what staff and the Board have proposed.

President Simpson pointed out that if the budget is further reduced, customers may see more power outages, and weekend and after hours call-outs would be diminished, i.e., if a customer has a power outage on Friday evening, it may not be restored until Monday. He wondered if the public would be okay with that since customer have said repeatedly that EWEB's reliability is their #1 value.

He reminded the audience that employee wages represent only 1/4 of EWEB's budget, and that EWEB's primary cost is power, and always has been. He explained that the cost of power has risen especially because of the community's demand that EWEB invest in renewables and because of the wholesale power trading mechanism--buy low and sell high. He said that in the past this has allowed EWEB to afford to provide value-added services to citizens who have expressed that they appreciate EWEB's involvement in the community, but now EWEB has no choice but to dial this back, as it has become unsustainable.

He apologized to Mr. Patch for the flippant comment at a previous meeting, but said it is difficult to continue to get negative feedback for decisions which he feels are wise and sound for business.

He reminded the audience that EWEB's public relations staff answers customer inquiries in detail and that they send a copy of those replies to the Board, and that, in turn, those inquiries and answers are posted on EWEB's website so that the public can see them. He agreed that EWEB can do a better job of educating the public and that the Board is dedicated to making that a reality.

Commissioner Ernst clarified that EWEB Commissioners are elected to serve in different wards and that they are not paid, though dinner is provided at each meeting. She added that EWEB pays for her home internet access, as she previously did not have it. She said that when she was elected, she took the Board's mission and vision statement seriously, which is to provide reliable electric and water to its ratepayers, but that it also included that it had to be done affordably.

She pointed out that in 2007 her salary was twice as much as it is now, and that she supports almost three other people who have lost their jobs because of the economy, and that she believes "we're all in this together."

She recalled the major changes the Board has made in the last few years and noted that EWEB previously tended to balance their budget by raising rates, though not randomly, and that when General Manager Gray was hired, the economy was crashing. She acknowledged that General Manager Gray took it upon himself to look at the affordability piece of EWEB's mission and vision, and that the first change that was made was to not raise rates because of cost increases, but to make a rate increase the last priority, while balancing that with maintaining reliability, including EWEB's bond rating and EWEB's ability to borrow money in order to fund necessary projects.

She reiterated that EWEB employees' wages are a very small part of its costs and that the largest cost is what EWEB pays for power and transmission. She noted that on the electric side,

fracking has driven the price of natural gas down, and that has an effect on renewables so that EWEB has a difficult time in the wholesale market; and on the water side, fixed costs and employee wages drive most of that cost.

She added that the Board should ask employees to also tighten their belts by rejecting a cost of living increase (COLA) this year, though she hopes that won't lead to unionization; and that she believes EWEB employees should pay a portion of the contribution to PERS.

She echoed President Simpson's comments that the Board realized that the budget process was not transparent and that public hearings were held after the fact, and that this year the public was invited to be involved from the beginning. She, too, reminded the audience that public information is available on EWEB's website and that EWEB's public relations staff will always answer inquiries from customers.

In regard to tonight's public comment that water should be free, she recalled that some communities have polluted rivers and killed fish, and that everyone needs to be good stewards of the water that is used to generate electricity and provide customers with an excellent water source. She closed by saying that she doesn't believe electricity or should be free, but that EWEB should provide the best service they can for the most affordable rates.

Commissioner Helgeson echoed the comments of his fellow Commissioners. He said that, as a new Commissioner, he is still learning how to position himself and relate to his fellow Commissioners, and that he does monitor his possible pomposity.

President Simpson then called for a five-minute recess.

CONSENT CALENDAR

MINUTES

- 1a. October 2, 2012 – Work Session
- 1b. October 2, 2012 – Regular Session

BUDGET AMENDMENT

2. Budget Amendment # 9 – Willamette 1325 Reservoir, Contact person is Debra Smith or Mel Damewood.

CONTRACT

3. WESCO Distribution – for the purchase of 69kV, 115kV and 230kV Instrument Transformers on an as needed basis – Engineering Department – \$493,000 (over 5 years). Contact person is Debra Smith or Mel Damewood.

RESOLUTION

4. Resolution No. 1225 – 2013 Legislative Session, Contact person is Lance Robertson.

It was moved by Commissioner Cunningham, seconded by Commissioner Ernst, to approve the Consent Calendar. The motion passed unanimously (5-0).

2013 BUDGET/RATES PUBLIC HEARING

- 2013 Proposed Budget
- May 2013 Electric Rate Proposal/February 2013 Water Rate Proposal

With the use of overheads General Manager Gray, Debra Smith, Assistant General Manager; Cathy Bloom, Financial Services Manager; Sue Fahey, Fiscal Services Supervisor; and Adam Rue and Michelle Martin, Rate Analysts, reviewed the 2013 proposed budget, the May 2013 electric rate proposal, and the February 2013 water rate proposal.

President Simpson acknowledged and appreciated staff's excellent work and their effort to address customer questions.

General Manager Gray reviewed the agenda for the presentation, the context for the budget and rate process and the road map presented in previous budget presentations. He noted that there are two primary factors responsible for the proposed rate increase: a reduction in demand for electricity due to the recession, and the reduction in the cost of natural gas, which drives the wholesale power market.

Regarding additional ways to reduce the budget and avoid rate increases, he noted that the sale of assets would take quite a while and that a revision of EWEB's renewable portfolio standard (RPS) would take months, and that the only thing that could be done quickly would be massive employee layoffs. Regarding service reliability, cuts would not be made across the board but, if made, would be the ones that were least impactful to customers. He noted, however, that EWEB must comply with federal regulations regarding tree trimming, water filtration, etc. in order to comply with legal obligations, or they would be sued. He continued to give examples of how a reduction in service would affect customers, i.e., longer customer wait times on the phone, longer lines for customer service, longer response time for outages, etc. He also noted that EWEB's contract with Bonneville Power Administration (BPA) is a seven-year contract that EWEB can't walk away from, and that it would be financially devastating to do so.

General Manager Gray apologized to Mr. Demers, the Willamette Water Company (WWC) and the public present for dropping the ball on giving WWC notice about a rate increase, and said that this error was caused by a management cut, which resulted in a lack of communication.

General Manager Gray noted that recent public surveys had shown that the two major issues for customers are service quality and reliability, and rate affordability.

Ms. Bloom reviewed the budget and rates process, timeline, and summary of actions and changes to date.

Commissioner Ernst commented that the hiring of a water rate consultant was an important step in the water rate redesign, as it was discovered that some customers weren't paying their fair share of the base cost, which helped create a "death spiral."

In response to a question from President Simpson, General Manager Gray briefly reviewed the water rate tier structure, and how people foregoing their basic needs doesn't equate to water conservation.

Commissioner Helgeson asked that staff move forward to reviewing what has already been done and why, and the effect it will have on certain issues, as he believes that is what the audience came to the meeting to hear.

President Simpson wondered, if the Board approves the budget and rate assumptions this evening, if there will still be a 4% rate increase in November, or if there is room for reduction if BPA's rate raise ends up being less than 10%. General Manager Gray replied that there is room for reduction depending on what the BPA rate increase is. He reminded the Board that there is no action required tonight regarding the BPA pass-through, and that the Board is merely establishing a placeholder for that pass-through.

Commissioner Cunningham asked if this budget assumes additional employee layoffs. General Manager Gray replied that it does not, however it does capture the effect of elimination of a wage increase for non-union employees, and a 3% COLA and 1% contribution to health savings accounts for union employees. He reiterated that he is discussing alternatives with the union and that other provisions could be considered, i.e., layoffs, no overtime, etc.

General Manager Gray emphasized that he has great respect for the union (IBEW) process, that they have never refused anything and are monitoring EWEB's situation, and that they care as much about EWEB's issues as EWEB does. He added that the reality is that the IBEW has its process and the Board has its process, and things can't be done quickly on either side.

General Manager Gray also reminded the Board that the rate increase forecasts assume tonight's presented budget, and that if there is no COLA given and a 3% savings is captured from the IBEW, EWEB would get a variance and staff would then amend the budget in first or second quarter of 2013. He noted that those savings would not have a material impact on a rate increase.

Using bar graphs, General Manager Gray then reviewed the 2013 electric and water rate drivers.

Commissioner Ernst noted that it was a previous Board who voted for the relicensing of Carmen-Smith at a high price, and that it would be difficult to renegotiate that contract at this point.

General Manager Gray then summarized electric and water rate drivers and the perspective vs. reality of the most frequent issues raised by customers:

Perspective: EWEB is raising rates 8% in May

Reality:

- May proposed rate increase is 4% overall, 3.7% residential
- EWEB is projecting a November increase of 4% solely due to an increase in BPA power costs

Perspective: Rate increase drivers are EWEB's high wages and benefits

Reality:

- Electric rate increases are driven by BPA price increases, lost wholesale revenue and the Carmen-Smith project
- Water rate increases are driven by continued loss of sales due to the economy and inadequate rate design, increase in shared costs (less for electric utility), and depleted reserves
- EWEB routinely benchmarks its wages and benefits and uses the 50th percentile as target

Perspective: EWEB management is "top heavy"

Reality:

- Senior management has been cut 66% since 2010 (from six to two)
- Market data indicates that senior management salaries are below market

Perspective: PERS is the problem

Reality:

- PERS rates depend mainly on the PERS investment portfolio performance, and increases have been an issue for most public employers for several years
- Past legislative changes have slowed the rate of increases
- EWEB has been, and will continue to be, active in legislative efforts

Perspective: Cutting more employees will solve rate increase issue

Reality:

- EWEB cut 9% of its work force this year, including 38 layoffs, in an effort to mitigate rate increases
- Less than 25% of O&M budget is labor costs, which is much lower than other agencies
- EWEB has been, and will continue to be, active in legislative efforts

Perspective: The new Roosevelt building, the purchase of West 3rd location, and new trucks are the cause of rate increases.

Reality:

- Roosevelt facility resulted in approximately a 2% rate increase in 2009
- West 3rd was purchased with reserve funds and 2013 budget only includes \$30,000 of utility costs
- In 2012, Fleet Services reevaluated vehicle replacement process to provide a smooth budget impact, which resulted in reducing the 2012 fleet capital budget by \$800,000. 2013 budget is 14% below 2012.

- Reliable equipment is critical to ensure provision of reliable electric and water services

Perspective: EWEB is “walking away” from conservation, solar and other social programs valued by customers.

Reality:

- Conservation is geared to meet approved IERP plans
- EWEB is still doing conservation in spite of losing sales in recent years and projected flat sales in 2013
- EWEB lost significant BPA conservation funding
- Solar subsidies have been reduced to match market and economic realities
- EWEB is proposing to reduce customer assistance programs because financial projections indicate challenges that would not make using reserves prudent. EWEB’s rate-funded program still remains the largest (on a percentage basis) in Oregon.
- School grants were reduced, but not eliminated

General Manager Gray noted that the purchase of the building on West 3rd Avenue had little to no direct effect on rates. He added that the most economically feasible situation for EWEB (and possibly for the City of Eugene) would be to share the headquarters building with the City, and then the rest of the property would become surplus and could be sold.

Commissioner Ernst asked if the \$15 million the City would pay to share the headquarters building would be used to offset future rate increases. General Manager Gray replied that there is a \$22 million gap for 2014 that needs to be closed and that the \$15 million would help to close part of that, which would make a later rate increase more viable.

Ms. Fahey presented an overview of the 2013 proposed electric and water budget, the electric and water operations and maintenance (O&M) budget assumptions, the electric and water budgeted O&M resources, and the electric and water budgeted expenses for 2013 compared to 2012.

Ms. Smith briefly reviewed how revenue, cash reserves and debt feed into the debt service coverage ratio and how a rate increase (or lack of) affects debt service coverage ratio.

Commissioner Helgeson noted that a high proportion of the budget is allocated to capital, and he wondered if that is normalized or if there are fluctuations in 2013 that cause that ratio.

General Manager Gray replied that this represents a conscious decision to ramp up maintenance in the transmission and distribution system and to focus on reliability. He added that most water utilities are starting to face this same issue and that staff is working to get a benchmark within EWEB’s peer group for the water utility.

Mr. Rue then presented the electric rate proposal, including a comparison of residential electric rates both locally and in the Northwest.

President Simpson noted previous Board discomfort around the average monthly residential consumption figure of 1050 kWh, and asked that this item be placed on the starboard report.

Commissioner Ernst agreed, saying that it seems that an owner-occupied, four-person single family residence with 100% ceiling heat (i.e., an apartment) is what should be looked at.

Commissioner Helgeson recalled that the Register-Guard article had said that the proposed electric rate increase was going to cost some customers \$1,000 more per month, and he wondered if there wasn't an extra zero in that dollar amount. He also wondered if there truly are some residential customers whose annual EWEB bills are in the \$10,000-\$15,000 range. General Manager Gray replied that it would be hard for him to imagine that is the case, and that more likely a residential customer's total annual bill (for electric and water) starts at around \$1,000.

Ms. Martin then presented the water rate proposal. Ms. Smith noted that staff has recommended that Willamette Water Company's water rate increase be enacted on May 1, 2012 rather than February 1, 2012, in order to represent the amount of notice that was given to EWEB's other wholesale customers.

Ms. Martin then reviewed the 2013 proposed water revenue by class, and a local and Northwest utility water rate comparison.

Vice President Brown wondered how delaying WWC's rate increase is financially fair to River Road Water District, Santa Clara Water District, and EWEB's other wholesale water customers.

General Manager Gray reiterated that the failure to notify WWC of a water rate increase was an oversight on a previous manager's part, and that the timing of WWC's rate increase represents the amount of notice that was given to the water districts.

Commissioner Ernst asked what the revenue gap is and where that money will come from. General Manager Gray replied that this represents approximately \$12,000 per month, and that EWEB will close the gap on their side.

Commissioner Cunningham wondered if the WWC water rate increase could be enacted on April 1 (i.e., splitting the difference). President Simpson replied that in his opinion it is reasonable to go with staff's recommendation, but he polled the Board on whether EWEB should grant WWC zero, 60 or 90 days' notice before enacting their water rate increase. President Simpson and Commissioner Cunningham preferred a 90-day notice, Commissioner Ernst preferred a 60-day notice, and Vice President Brown and Commissioner Helgeson deferred to staff's discretion.

SECOND PUBLIC HEARING ON 2013 BUDGET AND ELECTRIC/ WATER RATE PROPOSALS

Dick Varner, retired EWEB Fiscal Services Supervisor, told the Board that he had verified the typical all-electric home square footage usage amounts, and that they are more weighted toward apartments with gas-based heat pumps. He verified that at one time there indeed was one residential customer who used .25 KW a year and one who used over 50,000 KW per year.

He continued, saying that the potential path toward no rate increase in May would require the Board to take a risk on the power side with substantial reserves. He noted that a 93% hydro assumption is approximately what the worst 10 years would be, but that 95% would be a bit more optimistic, and that if staff wanted to offset this, they should look to average water. If a 95% figure is used, reserves should be used to offset the planned debt service issue in 2013 and then factor in employee pay adjustment, which would cover about 2/3 of proposed rate increase but not all of it, unless the power assumption was more optimistic. He added that doing that for one year would be okay but, doing it for more than that would be good. He noted that the 90% hydroelectric assumption was a good first move but that he believes that could be more optimistic.

Regarding rate design, he suggested a similar design as for water, i.e., going to the full cost of providing electric service to a home at \$25/per month rather than \$10.85 per month. He commended staff for increasing the water basic charge.

In closing, Mr. Varner said that he hopes the Board will consider postponing action on the electric rate increase until they have a chance to discuss with staff whether or not any of his suggestions would merit changes in the electric rate increase.

Commissioner Helgeson thanked Mr. Varner for his testimony.

President Simpson told Mr. Varner that it was great to see him and that he appreciated his time, and he thanked him for a great backgrounder which was full of excellent ideas, but that in his opinion they are too late, though he is not quite ready to defer his suggestions. He added that it would be perfectly appropriate for staff to consider these options throughout the year and begin to study the various impacts.

Vice President Brown thanked Mr. Varner for his input but said he will defer to General Manager Gray and staff. Commissioner Cunningham also thanked Mr. Varner for his input and said it was good to see him.

2013 BUDGET – Resolution 1222

It was then moved by Commissioner Cunningham, seconded by Commissioner Ernst, to approve Resolution 1222 for 2013 budget action. Commissioner Cunningham complimented staff for their excellent work on the budget.

Commissioner Ernst commented that this is one of the most difficult budgets that EWEB has ever done, that she feels sorry for all the employees who were laid off, and that she wishes that wouldn't have had to happen. She thanked the remaining EWEB employees for being professional and for taking care of the EWEB's ratepayers. She closed by saying that she believes that Board and staff have made as many cuts as they can and that if there are more cuts made, that would affect reliability, which would not be a good thing. She voiced support for staff's recommendation.

Vice President Brown agreed that Board and staff have cut as much as they can, but he believes there may be more to cut. He recalled that when the Board previously decided to cut energy education, they ended up restoring it. He noted that the little stuff adds up--the wetlands project at the Roosevelt Operations Center (ROC), reducing EWEB crews in the Vida area by 50% in order to maintain just a few customers, and the negative situation at Walterville. He closed by saying that he will support the motion, but there is a lot of work to do so that crews who have worked in the rain all day today do not feel they need to be present tonight to sit and wait for the Board's decision.

Commissioner Helgeson commented that he appreciates staff's work on the budget and that he appreciates EWEB's employees for responding to customers. He agreed with Vice President Brown that there is more work to be done and that EWEB is not out of the woods yet, and he noted that tonight the Board is solving issues for 2013, but not the long-term issues for 2014-15.

President Simpson commented that he appreciates staff very much, and that when employees were laid off, part of him died, because that was something he never planned on doing. He apologized for dragging his feet at the beginning of budget talks this year and last year because he had refused to believe that EWEB was in dire straits, but that he was finally able to "wake up and smell the roses," and was finally able to understand. He closed by saying that he is forever indebted to EWEB's leadership team and budget staff for crafting the budget.

Commissioner Ernst thanked Commissioner Helgeson and Vice President Brown for looking into the future, and added that she believes that Commissioner-Elect Steve Mital also has the ratepayers' interest at heart.

General Manager Gray thanked the Board for their acknowledgement of EWEB's employees, and said that the entire budget process and also the articles in the paper have been tough. He agreed with President Brown and Commissioner Helgeson that there are still big challenges ahead, which will be brought to the Board in the first quarter of 2013. He closed by saying that he personally will fail to do his job if the only thing that is done in December is layoffs, as there are a lot of alternatives to look at, ranging from small to large.

President Simpson commended General Manager Gray for finding thousands of dollars' worth of items to cut without impacting customers.

The previous motion was repeated, and Resolution 1222 to approve the 2013 budget was passed unanimously (5-0).

2013 MAY ELECTRIC RATES – Resolution No. 1223

It was moved by Commissioner Cunningham, seconded by Commissioner Helgeson, to approve Resolution 1223 to enact the May 2013 electric rate increase.

Commissioner Ernst asked for clarification that EWEB Community Care program funding will be \$1.7 million, and for clarification that the program is accessible to customers who make less than 60% of median wage.

Wendi Schultz-Kerns, Cash Accounting Supervisor, replied that that the program is for customers whose income is at or below 60% of the Oregon median household income. She reminded the Board and the audience that information regarding this program is available on EWEB's website and that customers can call EWEB or come to the EWEB office for more information. She added that Oregon's median income went down a bit this year, and she also noted that this program still includes customers who have lost their jobs, but this requires proof that they have applied for Unemployment.

The motion was then approved unanimously (5-0).

2013 FEBRUARY WATER RATES – Resolution No. 1224

It was moved by Commissioner Cunningham, seconded by Vice President Brown (with modification, excepting Schedule 5 because of the extension of time for the Willamette Water Company rate increase to go into effect), to approve Resolution 1224 to enact the February 2013 water rate increase.

Commissioner Helgeson stated that he will be voting no on this item, though he generally supports staff's direction, because he feels there is more that can be done and not enough time given to work it out, though he appreciates that the rate increase has been rolled back.

Commissioner Ernst stated that she respects Commissioner Helgeson's no vote because he is a new Board member. President Simpson agreed with Commissioner Ernst.

Ms. Smith noted that staff will be convening on Friday morning, December 7, to look at opportunities to reshape the capital investment on both the water and electric sides in order to attempt to adopt a smoothing strategy on the water side, and that there is still an opportunity to reflect that in the 2014 smoothing strategy piece. She added that regardless of how the Board votes, staff has set an aggressive target for mid January to present a new look at the capital improvement plan.

Commissioner Helgeson then stated that, due to the above-mentioned staff attempt, he will now vote in support of the motion.

The previous motion then passed unanimously (5-0).

ITEMS FROM BOARD MEMBERS

Regarding meeting with the City Council about the possibility of the City of Eugene sharing the EWEB headquarters building, Commissioner Ernst commented that she believes that will be an uphill battle because of the general public's nostalgia about City Hall being located downtown. However, she added that she has won over some of her constituents and is still in agreement with that plan.

President Simpson thanked the public that were still present for suggesting some budget solutions at tonight's meeting. He reminded the audience that any e-mails that are received on the same day as the Board meeting will probably not be read or properly interpreted. He asked that any e-mails to the Board be sent 2-3 days ahead of a Board meeting.

Regarding future public hearings, Vice President Brown commented that, in his opinion, when EWEB publishes that a public hearing will occur at a certain time and then the hearing ends up occurring two hours later than that published time, the public should be given an opportunity to testify at the scheduled time, and that the Board should be more courteous to the public in the future so they won't have to sit for two hours past the published time in order to present testimony.

Commissioner Cunningham thanked staff for making his job easier for the last four years.

CORRESPONDENCE/BOARD AGENDAS

General Manager Gray briefly reviewed highlights of the December 18 Board meeting and noted that there will be an executive session at 5:30 p.m. with the regular session starting at 6:30 p.m., and that public input will be held at approximately 7:30 p.m.

He also mentioned a future agenda item regarding a tariff for the University of Oregon to transmit power.

President Simpson adjourned the Regular Session at 10:45 p.m.

Assistant Secretary

President

EUGENE WATER & ELECTRIC BOARD
EXECUTIVE SESSION
EWEB BOARD ROOM
500 EAST 4TH AVENUE
DECEMBER 18, 2012
6:30 P.M.

Commissioners Present: John Simpson, President; John Brown, Vice President; Joann Ernst, Rich Cunningham and Dick Helgeson

Others Present: General Manager Roger Gray and Lena Kostopulos of EWEB Staff.

President Simpson called the Executive Session meeting of the EWEB Board of Directors to order pursuant to ORS 192.660(2)(I) at 6:30 p.m. to review and evaluate, pursuant to standards, criteria and policy directives adopted by the governing body, the employment-related performance of the chief executive officer.

President Simpson adjourned the Executive Session meeting at 7:20 p.m.

Assistant Secretary

President

EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
DECEMBER 18, 2012
7:30 P.M.

Commissioners Present: John Simpson, President; John Brown, Vice President; Joann Ernst, Rich Cunningham, and Dick Helgeson

Others Present: Roger Gray, Debra Smith, Wendi Schultz-Kerns, Karen Lee, Cathy Bloom, Sue Fahey, Mark Freeman, Mel Damewood, Brad Taylor, Roger Kline, Dave Churchman, Lance Robertson, and Taryn Johnson of the EWEB staff; Vicki Maxon, recorder.

Vice President Brown convened the Regular Session of the Eugene Water & Electric Board (EWEB) at 7:32 p.m. He stated that President Simpson is ill and will be participating in tonight's meeting via conference call.

AGENDA CHECK

There were no items.

PUBLIC INPUT

Ron Felt stated that there are approximately 36 backflow testers on EWEB's approved list of testers, and that he is concerned about a change in the backflow testing contract that will occur on January 1, 2013. He explained that the new contract wants to limit the testing region to four areas based on the lowest bid in each area. He stated that his concern is that he and his fellow testers didn't realize that they would be in competition with EWEB for backflow testing and that they would like an opportunity to discuss this change in the contract with EWEB staff, and to delay the effective date of January 1, 2013. He added that he and his fellow testers do not want to force themselves to become the lowest bidder and have some of them be out of work, as it is a sideline job for many of them who do irrigation or similar jobs.

Allen Marchant echoed Mr. Felt's concerns that a five-year contract had been proposed and that he and his fellow backflow testers were given very short notice about the contract changes, and that they would like to propose a price increase, just as EWEB is proposing a rate increase. He noted that the person who is managing the contract is a sideline backflow tester who directly competes with he and his fellow testers and other markets outside of EWEB, and that he and his fellow testers believe it is a conflict of interest for this person to be able to influence the contract. He also noted that there are currently 16 backflow testing companies/individuals and that this proposed change in the contract would reduce the 16 companies down to four, or possibly one for the entire city.

Mark Kibbey of Landmark Irrigation became a backflow tester in 1982 because former EWEB backflow testing coordinator Steven West had approached him due to the fact that EWEB

couldn't hire backflow testers. He noted that it was supposed to be a free market type arrangement at the time and that even though EWEB managed the price, it has remained the same for years. He emphasized that he has paid his employees well and provided health insurance for them for 15+ years, and that this change in the contract is the wrong thing to do.

Jamie Hogate of Hogate Fire Protection stated that EWEB is attempting to put a price cap on backflow services, and that if testing is done anywhere else in Oregon, it costs \$40-50 per test. She noted that her company can't charge that because EWEB is only allowing a fee of \$35 per test, and now EWEB wants to pay the tester only \$8 when they charge the customer \$20. She suggested that EWEB charge \$75-100 per test and not tie the testers' hands by selling to the lowest bidder, and that the testers shouldn't be told they have to renegotiate their price if they're not the lowest bidder.

Commissioner Helgeson commented that he appreciates EWEB's relationship with the backflow testers, as he used to work in Water Operations and also worked with Stevne West, so he is familiar with the backflow testing program. He stated that he would be interested in continuing to do what EWEB can do to make it convenient and cost-effective for its customers but also be responsive to the backflow testers' concerns, and that he is confident that staff will do just that. He thanked the testers who were present for the good partnership they have had with EWEB over the years, and asked them to hang in there.

Commissioner Ernst thanked the backflow testers for attending and assured them that staff, General Manager Gray and the Board heard their concerns and questions. She admitted that she doesn't know a lot about this particular issue but that she will educate herself in the next week or so, and that she also feels confident that General Manager Gray and staff can resolve this issue for a win/win situation. She wondered if the Board should call a special meeting to discuss this.

President Simpson thanked the testers for attending and apologized for not being able to attend in person. He admitted that he is not up to speed on why this change in contract has been proposed but that he will quickly get up to speed and will be "holding some noses to the grindstone" to resolve this issue.

Commissioner Cunningham reminded the audience that he and Commissioner Ernst's terms are up at the end of this month, but he hopes that staff will find a solution that will make everyone happy, and that he is confident that staff will work with the testers to do so.

Vice President Brown commented that the Board hears their concerns, and that the two Commissioner-Elects are also present tonight and have also heard the testers' concerns. He noted that his concern is that a backflow tester comes out and winterizes his sprinkler system for a certain charge, and if part of that charge is for backflow, he's not going to "beat someone up" for \$25. He wondered how it passes EWEB's triple bottom line test when one person comes out to winterize his sprinkler system and another one comes out to conduct the backflow test. He stated that he is the one who should decide who does that, not EWEB.

Debra Smith, Assistant General Manager, introduced herself and also introduced Brad Taylor, Acting Water Operations Manager. She noted that EWEB has had some recent management changes in Water Operations, and that she hasn't had a chance to talk to Chuck Bodine, Water Distribution Supervisor, as he was ill last week, and she also noted that she had just been made aware of this issue yesterday. She explained that she is reviewing some past documentation from EWEB's perspective and that she wants to hear more from the backflow testers' perspective. She confirmed that she and Mr. Taylor have the flexibility to delay contract implementation to a time that is best for everyone, and that she will schedule a meeting right after the holidays. She also confirmed that the request for proposal (RFP) has not been sent out yet.

Commissioner Ernst thanked Ms. Smith and reiterated that even though she will be going off the Board at the end of December, she would like some input regarding this issue before then, as she wants to understand why EWEB is making this change because it seems like the system has worked well for a long time. She wondered what the advantages would be for EWEB customers and the backflow testers to change the process.

Ms. Smith replied that she will let the Board know staff's decision before the end of December and that she doesn't feel it is necessary to call a special Board meeting to discuss this issue.

CONSENT CALENDAR

MINUTES

- 1a. October 16, 2012 – Work Session
- 1b. November 6, 2012 – Executive Session
- 1c. November 6, 2012 – Work Session
- 1d. November 6, 2012 – Regular Session

RESOLUTIONS

- 2. Resolution No. 1221 – Approving revisions to customer service policies and procedures – all Utilities and Water policies. Contact Person is Mel Damewood.

BUDGET AMENDMENTS

- 3. Budget Amendment # 10 – Distribution Metering Capital, Contact person is Debra Smith or Todd Simmons

President Simpson pulled item 1b, 1c and 1d and made some typographical changes. He also pulled budget amendment #10.

Commissioner Cunningham pulled item #2.

It was moved by Commissioner Cunningham, seconded by Commissioner Helgeson, to approve the remainder of the Consent Calendar. The motion passed unanimously (5-0).

ITEMS REMOVED FROM CONSENT CALENDAR

Regarding budget amendment #10, President Simpson said he will be voting in favor of the amendment, but made a correction in the figure for Actual Expenditures through November 2012, on page 1. He noted that he had verified with Cathy Bloom, Financial Services Manager, that the revised amount is the correct amount.

It was moved by Commissioner Cunningham, seconded by Commissioner Helgeson, to approve budget amendment #10 with the above correction. The motion passed unanimously (5-0).

Regarding item #2, Commissioner Cunningham asked for confirmation that the fee for connection/disconnection of water service is being amended to \$75. Mel Damewood, Water Engineering Manager, replied that this fee is being raised from \$40 to \$75 for evening call-outs only. Mark Freeman, Customer Service Manager, added that this \$75 fee will be assessed when a customer forgets to call during normal business hours to turn on their water service and instead has to call the dispatcher after hours in order to turn it on. He added that the non-pay fee is being raised from \$15 to \$20, and that the shutoff fee is being raised from \$30 to \$35, and he noted that these fees are based on cost recovery except in the case of meter tampering.

Commissioner Ernst commented that she herself had to pay the \$75 reconnect fee when she bought her house because she closed in mid-afternoon and the seller had already disconnected their service, so she had to pay the fee. She wondered if the advanced metering infrastructure (AMI) project would take care of some of those issues.

Mr. Freeman replied that typically the above is a trust issue between the seller and the buyer, and that all of that is done ahead of time in order to alleviate that situation. He added that it sometimes depends on the time of year and the work load in the field that day, and that at times the serviceman can come back later that same day to start service if he is in the area and, if that occurs, the customer is charged the normal fee and not the \$75 fee.

Commissioner Helgeson commented that he realizes that EWEB meters are by and large very accurate, and that he can understand why EWEB wants to charge \$180 to have a meter checked for accuracy, but he is concerned that this puts the onus on the customer, and that it may be an obstacle for many customers. He asked staff to continue to pay attention to how that is working and keep the Board posted, as that fee may create some unintended consequences.

It was then moved by Commissioner Cunningham, seconded by Commissioner Ernst, to approve item #2. The motion passed unanimously (5-0).

2012 GENERAL MANAGER'S ANNUAL PERFORMANCE EVALUATION

Vice President Brown recalled that the Board met in Executive Session earlier this evening to review General Manager Gray's annual performance evaluation.

Lena Kostopulos, Human Resources Manager, stated that the Board is overall very satisfied with General Manager Gray's performance aside from some constructive suggestions that were made regarding communication with the public, marketing, and generally presenting EWEB in a more positive light. She added that the Board will receive a summary memo as part of its January 2, 2013 consent calendar.

Commissioner Helgeson commented that, as a new Commissioner, he has had a great experience working with General Manager Gray and that despite a number of challenges this year, General Manager Gray and staff have done excellent work.

Commissioner Ernst commented that she has every confidence that General Manager Gray will continue to lead EWEB forward, and that she also appreciates staff. She added that these are tough times for EWEB and she hopes that there will continue to be good alignment between Board, staff and General Manager Gray, and that there is will be opportunity for everyone to provide input.

President Simpson commented that he is thrilled with General Manager Gray's exemplary performance and that he has fit very well into the organization despite all of the recent changes that have required EWEB to tighten their belt. He said that General Manager Gray has his full support and confidence and that he has been nothing but amazed at his performance. He noted that though the Board discussed some "did well/do better" concepts with General Manager Gray, none of those are insurmountable, and that he looks forward to continuing to work with General Manager Gray. He thanked General Manager Gray for his leadership and said he hopes that General Manager Gray will continue at EWEB for many, many years to come.

Commissioner Cunningham commented that General Manager Gray has led EWEB in exemplary fashion, and that the new top management structure of General Manager Gray as General Manager along with Ms. Smith as Assistant General Manager works well, and that these two hard-working people will get the most out of EWEB employees and will receive their dedication. He echoed President Simpson's wish for General Manager Gray to continue at EWEB for many years.

Vice President Brown echoed the previous comments, and added that he appreciates General Manager Gray's ability to receive the Board's constructive criticism and continue to move EWEB forward, and also his ability to recognize the challenges EWEB is faced with while still recognizing the value of its employees. He added that though it was painful for General Manager Gray to lay off employees and hear criticism from the public, his willingness to defend EWEB's employees and have the public understand the root cause of the layoffs shows his ability to lead, and also shows that he values EWEB's employees.

General Manager Gray thanked the Board for their comments, and said he appreciates their feedback and also their acknowledgment of staff. He noted that the praise of EWEB staff is well-deserved and that he just happens to be the one who leads them. He voiced ownership of the "did well/do better" items and said that he will ask for staff assistance in order to improve. He closed by commending EWEB staff for helping him get through a tough year.

DOMINION POWER SERVICES, SMITH CREEK O&M CONTRACT AWARD

Roger Kline, Generation & Fleet Services Manager, recalled the backgrounder memo that the Board received prior to tonight's meeting, noting that Dominion Power Services was the previous contractor, and that their bid once again came in as the most cost-effective.

It was moved by Commissioner Cunningham, seconded by Commissioner Helgeson (for the purpose of discussion), to approve the above contract.

Commissioner Helgeson asked for a brief explanation of the contract scope. Mr. Kline replied that it is a traditional labor, materials and equipment contract with contingency for overtime required, etc.

President Simpson stated that he will vote for this contract award but noted that it should not be part of the consent calendar.

The motion then passed unanimously (5-0).

COMMISSIONERS CUNNINGHAM AND ERNST APPRECIATION

President Simpson appreciated the following regarding Commissioner Ernst's tenure on the Board:

- Commitment to conservation and renewable power
- Support of him as Board President
- Well-prepared for meetings and took the time to drill down and understand issues
- Time invested meeting with staff to understand various concepts and issues
- Commitment to IERP and attendance at IERP meetings (for a period of one year)
- Values of appropriate energy sourcing and advocating not only for renewable energy options but also for generation and "power to the people"
- Commitment to sustainability
- 100% paperless approach and working off a laptop at Board meetings, which will hopefully eventually result in each Commissioner using a laptop at meetings in 2013
- Concern for low-income customers
- Sensitivity and awareness - "Don't sacrifice comfort for reliability"

President Simpson appreciated the following regarding Commissioner Cunningham's tenure on the Board:

- Passion about Community Care funding and "looking out for the little guy"
- Concern about impact of rate increases
- Willingness to open up every page of the budget
- The ultimate politician: "I've never met a budget you couldn't trim 3% from"

- Has learned much from his perspective of what people don't say and the subtext that goes along with that
- Support of energy education grant program and Board governance
- Praise of EWEB employees in the field and the office
- Truly caring about EWEB
- Observed a maturity of knowledge of various issues throughout his term

President Simpson told both Commissioners it was a pleasure to serve on the Board with them and wished them the best.

Vice President Brown thanked both Commissioners for their dedication to EWEB and the community, and for challenging conversations, respectful dialogue, and their commitment to work together for the common good.

Commissioner Helgeson told both Commissioners that he had appreciated working with them as both a previous EWEB staff member and currently a Commissioner. He thanked them for helping him get up to speed as a new Board member.

Commissioner Cunningham commented that his term on the Board helped him learn about the diversity of the community, and that he appreciated the fact that the Board could come together, even as diverse individuals, to make decisions which were in the best interest of all of EWEB's ratepayers.

General Manager Gray echoed the previous comments, thanked the Commissioners for their public service, wished them the best, and said that it has been a pleasure to work with both of them.

He told Commissioner Cunningham that he appreciated his concern and passion about the impact of rate increases, especially in the last year.

He told Commissioner Ernst that he also appreciated her concern and passion about the impact of rate increases, and her constant reminders for Board and staff to not lose their vision of the future. He also thanked her for her incredible contributions to EWEB's Integrated Energy Resource Plan (IERP).

Steve Mital, Commissioner-Elect, thanked Commissioner Ernst for her mentorship. He noted the following appreciations:

- Well-prepared for Board meetings and always asks the essential questions
- Represented low-income customers passionately and respectfully –hopes that will not be lost now that her term is ending
- Principled and courageous – unafraid to raise unpopular perspective
- Focused on things that make us proud of EWEB—conservation, stewardship and responsibility

- Set a great example of what a Commissioner should be – hopes he can live up to that example

Commissioner-Elect James Manning commended Commissioner Cunningham for his support during his transition onto the Board, and for being “authentic and real” to his constituents. He noted that the issues Commissioner Cunningham has raised during his term coincide with his passion to work through the difficult issues along with his fellow Commissioners in order to represent the public. He added that Commissioner Cunningham has the vision and authenticity to look past the superficial and get to what is real. He told Commissioner Cunningham he would stay in touch with him, and reminded him that “old soldiers never die; they only fade away.”

Vice President Brown presented Commissioners Ernst and Cunningham with a gift in recognition of their terms on the Board and also presented them with their pictures that were previously on display in the lobby of the headquarters building. On behalf of the Board, EWEB staff and EWEB’s customers, President Brown again thanked them for their service.

Commissioner Ernst stated that she has enjoyed her time on the Board. She said that EWEB has faced many challenges in the past and currently, and will face many more in the future, and she knows that staff will continue to do great work. She added that she has missed former Board president Ron Farmer, who taught her to think logically, prepare herself for meetings, and ask the right questions, and she thanked him for that.

She said she had enjoyed working with former Commissioner Bob Cassidy, and thanked him for his support and for always being well-grounded. She thanked Commissioner Cunningham for his dedication to the Community Care low-income assistance program, and thanked Vice President Brown for his dedication to the McKenzie River and for keeping it in the forefront and spending extra time to be sure the river is protected. She told Commissioner Helgeson that he had done a great job during his tenure as an EWEB staff member and that she knows he will do a great job as a Commissioner.

She thanked President Simpson for his mentorship and support, and for his great public relations work and spending extra time to get out into the community and show EWEB in a positive light.

In closing, she said when she thinks about leaving a legacy, she thinks about creative tension, and she said that as EWEB moves forward, she has confidence in General Manager Gray, but she cautioned that sometimes when times get tough, the almighty dollar takes over. She reminded the Board (including the two Commissioner-Elects), General Manager Gray and staff that EWEB has been great in the past and can be great in the future, and that it is a publicly owned utility, and future decisions should be made with that in mind. She asked that they not move toward the mentality that “I and me and the dollar is most important.”

She gave the example of EWEB’s policy that was mentioned tonight in which a customer has to pay \$180 to have their meter checked for accuracy, and that the money will only be

refunded if the meter is inaccurate. She reiterated Commissioner Helgeson's earlier comment that this might stop some customers from checking the accuracy of their meter, and that many customers can't afford that. She hopes that EWEB will continue to provide opportunities for every ratepayer to be a participant in the service that they receive.

Commissioner Cunningham thanked his fellow Commissioners and EWEB staff. He told Commissioner-Elects Mital and Manning that they will enjoy their time on the Board, as EWEB has an excellent staff who will always do their best even if the Board doesn't agree with what they prepare.

He told Commissioner Helgeson that he had enjoyed working with him for the short time he has been on the Board, and he added that he feels the friendship that he has developed with Vice President Brown will carry forward for many years.

He encouraged Commissioner-Elects Mital and Manning to read the recent report the Board received regarding construction of the Roosevelt Operations Center (ROC), as it offers great insight into the difference between a building that is built by the government and one that is built by private industry, and that it will be good for the Commissioner-elects to know the difference.

He reiterated that he has enjoyed his four years on the Board, and if it hadn't been for the Bethel School Board having an open seat which he took (which only happens once about every 16-20 years), he would remain on the EWEB Board for a second term, as EWEB had "stolen half his heart" for the last four years.

ITEMS FROM BOARD MEMBERS

President Simpson asked that the discussion regarding backflow fees be queued up for a January meeting agenda.

Vice President Brown noted that the Northwest Public Power Association (NWPPA) Board of Trustees will meet again in Sacramento, California in March, and that he is available to attend if General Manager Gray wants to send him. He also mentioned an upcoming NWPPA conference in Bellevue, Washington from May 19-23 and said he and General Manager Gray can discuss whether or not he should attend one or both of those. He also recalled that he had skipped this year's NWPPA Board of Trustees meeting in Anchorage, Alaska because of the cost.

Due to Board policy that Commissioners cannot receive gifts valued at over \$25, Vice President Brown stated for the record that he recently received four of pairs of coffee mugs from the NWPPA.

Vice President Brown reiterated President Simpson's previous concern about the City of Eugene's proposal for a new \$10 fee for service fee, and also a new park maintenance fee, which could result in as much as a 20-30% increases on EWEB customers' bills.

CORRESPONDENCE AND BOARD AGENDAS

General Manager Gray highlighted two items in his Board report that were requested by Commissioners Cunningham and Ernst. He noted that he will continue to respect those two requests in 2013 and will include Commissioners Cunningham and Ernst on his response even though their terms end at the end of December 2012.

General Manager Gray then noted that the next Board meeting will be January 2, 2013 (a Wednesday instead of a Tuesday because the New Year's Day holiday falls on a Tuesday), and that it will include the oaths of office for the three Commissioner-Elects, a work session, and more time for discussion between Board members. He added that this meeting will have a more open format for current and new Commissioners to share their perspective on items in general.

He also reminded the Board that the State of the City address will occur on Wednesday, January 9 at the Hult Center.

He then wished Board and staff Happy Holidays.

President Simpson thanked Ms. Smith for a great job in her leadership and co-management of EWEB and said he has been impressed with the new general manager/assistant manager management model as it creates diversity. He said it has been fun for him to see her and General Manager Gray trade off covering the different areas of the organization.

Vice President Brown adjourned the Regular Session at 8:44 p.m.

Assistant Secretary

President

EUGENE WATER & ELECTRIC BOARD
SPECIAL BOARD MEETING
EWEB BOARD ROOM
JANUARY 2, 2013
5:00 P.M.

Commissioners Present: John Simpson, President; and Dick Helgeson

Others Present: Roger Gray, Debra Smith, Sheila Crawford, Todd Simpson, Mel Damewood, Roger Kline, Anne Kah, Joe Harwood, Erin Erben, Mark Freeman, Sue Fahey, Brad Taylor, Wendi Schultz-Kerns, Lena Kostopulos, Susan Eicher, Kevin Biersdorff, Felicity Fahy, Steve Mangan, Lance Robertson, Gail Murray, Charlie Walker, and Taryn Johnson of the EWEB staff; Vicki Maxon, recorder.

President Simpson convened the Special Meeting of the Eugene Water & Electric Board (EWEB) at 5:05 p.m.

Michelle Mortensen, Deputy City Recorder, administered the Oath of Office to Richard Helgeson, Wards 2 and 3; James Manning, Wards 6 and 7; and Steve Mital, Wards 1 and 8.

President Simpson adjourned the Special Meeting at 5:10 p.m.

Assistant Secretary

President

EUGENE WATER & ELECTRIC BOARD
WORK SESSION
EWEB BOARD ROOM
JANUARY 2, 2013
5:30 P.M.

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

Others Present: Roger Gray, Debra Smith, Sheila Crawford, Todd Simpson, Mel Damewood, Roger Kline, Anne Kah, Joe Harwood, Erin Erben, Mark Freeman, Sue Fahey, Brad Taylor, Wendi Schultz-Kerns, Lena Kostopulos, Susan Eicher, Kevin Biersdorff, Felicity Fahy, Steve Mangan, Lance Robertson, Gail Murray, Charlie Walker, and Taryn Johnson of the EWEB staff; Vicki Maxon, recorder.

President Simpson convened the Work Session of the Eugene Water & Electric Board (EWEB) at 5:15 p.m.

BOARD GENERAL DISCUSSION ABOUT EWEB DIRECTION AND EXPECTATIONS FOR 2013 STRATEGIC PLANNING

Roger Gray, General Manager, and Erin Erben, Power Resources & Strategic Planning manager led the general discussion.

Ms. Erben welcomed and congratulated the new Commissioners. She noted that tonight's discussion is for the purpose of getting feedback on what the Board has heard from staff over the past year regarding strategic planning, and for staff to hear the Board's personal expectations and experiences regarding the shaping of EWEB's future. She added that tonight, after a brief overview of the strategic planning process and the Board's responsibilities in that process, staff will ask for Board input as part of a continual dialogue regarding Board direction and expectations for strategic planning for the year 2013.

Using overheads, Ms. Erben then briefly reviewed Board policy GP3, Board Strategic Plan Development, and also reviewed EWEB's Strategic and Operational Planning Process road map.

General Manager Gray wished the Board Happy New Year and welcomed the new Commissioners. Using overheads, he then reviewed EWEB's mission and values, overarching strategy, and business strategies.

Sheila Crawford, Strategic Planning Manager, facilitated the discussion of EWEB's Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis. Each Commissioner identified their SWOT items and Anne Kah, Executive Assistant, recorded them on flipcharts.

President Simpson reiterated the SWOT list he had previously submitted.

Commissioner Helgeson agreed with President Simpson's SWOT items and then added his own.

Commissioner Manning stated that he is honored and pleased to be an EWEB Commissioner and that he is looking forward to learning and hearing more from EWEB's customers. He noted that he is a retired military man, and that he will be working on removing his military hat and putting on his civilian hat. He agreed with the SWOT items that President Simpson had listed and then added his own items, noting that because he is in "learning mode," he doesn't have a lot to add. He then added his SWOT items.

Vice President Brown apologized for arriving late. He noted that first and foremost, EWEB's employees are #1, and that everywhere he goes, he hears how good EWEB's employees are. He gave the example of EWEB's Environmental Department and how much positive he has heard about the work they do. He then added his SWOT items.

Commissioner Mital stated that it is a privilege to be a Commissioner, and noted that he had spent approximately 40 hours sitting in the audience at Board meetings in preparation for his role as a Commissioner. He noted that he wants to learn more and revisit some of the previous items that have been listed. He agreed with Vice President Brown that EWEB has an excellent staff, and that he experienced this even before he ran for his Commissioner seat. He then added his SWOT items.

Ms. Crawford then asked the Board for their expectations from staff based on the SWOT items they listed.

Commissioner Manning stated that he is still learning from and listening to his colleagues, and that he generally agrees with everything they have said. He wondered if the EWEB staff layoffs have actually resulted in savings or in worse or better customer service, and he asked if there have been any lessons learned.

Commissioner Manning then noted that his personal style is to sit back and learn so that he can be informed instead of "shooting from the hip" without the proper information. He added that he is looking forward to visiting with his constituents to learn their concerns, and also to learning from his fellow Commissioners.

Vice President Brown stated that he would like to hear more than one option and more than one outcome in staff presentations, and also would like to see an action plan from those options, i.e., for advanced metering infrastructure (AMI), Carmen-Smith, second source water, etc.

President Simpson agreed with Vice President Brown's comments, and added that he would like to staff to separate options into short- and long-term, and also to find common elements within those options, and emphasize those. He added that he would also like staff to present "how about" options—i.e., don't try to fix something in one cycle, and return to the Board to clarify expectations.

Commissioner Helgeson asked staff to stay in the conversation and not become despondent if the Board doesn't go for the first option that is presented. He also asked staff to give the Board their first thoughts even if staff feels they're not totally coherent, and he noted that staff doesn't need to have the options already figured out, because that denies the Board the opportunity to participate in the thought process. He added that in his opinion, if staff and Board are all in it together, it's better. Lastly, he asked staff to be patient with him, as he is still learning.

Commissioner Mital reminded everyone that he is new and that it will take him some time to learn the "formalities," i.e., the conversation during a Board meeting is different than a conversation in the fitness center, and that sometimes the formality is difficult for him. He noted that his personal style is to ask a lot of questions because he learns by clarifying, and that he hopes his asking questions for clarification is not mistaken for mistrust. He added that honesty is helpful and that he hopes that conversations can be relaxed despite the formality, and that the Board can trust that staff will get back to them when they say they will.

In closing, Commissioner Mital noted that EWEB has been a shining star for a long time and that they have been publicly knocked down recently, which in his opinion results in a defensive posture and adds to the difficulty of moving forward. He noted that it is okay for staff to swallow their pride and admit they've made a mistake, if that in fact is the case.

President Simpson voiced appreciation to General Manager Gray, Ms. Crawford, Ms. Erben and Ms. Kah for helping the Board identify the above issues, and added that he has faith that staff will continue to do so.

Ms. Erben then identified the next steps in the process, including upcoming American Public Power Association (APPA) webinars and strategic planning workshops.

Taryn Johnson, Executive Assistant to the Board and General Manager, noted that the webinars are a subscription series that will be purchased once a month through September 2013, and that the first one will be shown from 11 a.m. to 12:30 p.m. at EWEB on January 22 if the Board is available at that time, or the Board can watch them at home if need be.

Vice President Brown noted that January 22 is the same day as the Eugene Planning Commission meeting, and he wondered if that is a possible conflict. Ms. Smith replied that the Board doesn't necessarily have to watch it on January 22, as long as they watch it sometime before the webinar after that one, which will be shown on February 19.

General Manager Gray clarified that the schedule for the webinars will be sent to the Board and that each webinar will be recorded for future viewing.

Ms. Smith told the Board that for the first meeting in March, staff will be presenting current financial issues and a portfolio of financial-based initiatives, including overall financial stability heading into the year 2014-15.

She added that staff doesn't believe EWEB is in financial crisis, though if it would have stayed on the same path it was previously, it would have been. General Manager Gray confirmed that the previous path has been slowed but there are many challenges ahead, especially for 2014-15.

Vice President Brown stated that he would also like to hear point/counterpoint for any options that staff presents. He asked the Board to keep in mind that the frequency of Board meetings went from two a month to one a while back, and that there is a lot on the table, and that the new Commissioners have stated that they look forward to more discussion. He said that he wants to get things right, so if the frequency of Board meetings has to go back to twice a month for a while, so be it.

General Manager Gray gave an example of how a point/counterpoint staff presentation might work and a brief discussion followed.

Commissioner Manning stated that he is a mediator and also a private investigator, so he listens a lot. He noted that if he doesn't respond to a comment or presentation, that doesn't mean he is ignoring the person, and that he will speak up when he has questions, but he won't repeat the same question if someone else has raised it, just to hear the sound of his own voice. As an example of a common sense issue, he stated that he is a big fan of education but he wonders if it makes sense to continue to pour money into energy education when there are customers who can't afford to pay their EWEB bill.

Commissioner Mital recalled an earlier comment by General Manager Gray regarding a previous Board discussion that elicited no Board comment regarding capital plans, but 50 minutes of discussion regarding energy education grants. He agreed that risk and reward options are great for Board discussion and decision-making.

General Manager Gray clarified that staff will offer options with short- and long-term perspectives for each, and he stated that he would like to adopt this as normal practice for the 2014 financial discussion.

President Simpson confirmed that the Board favors that type of presentation, presenting a range from the most conservative options to the most liberal, and then the Board will be able to "set the needle in between" more easily.

President Simpson adjourned the Work Session at 6:40 p.m.

Assistant Secretary

President

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a new contract with **Armadillo Boring, Inc.** for **directional drilling and pipe installation under railroad tracks.**

Board Meeting Date: February 5, 2012
Project Name/Contract#: Bore Under Railroad Tracks/058-2012
Primary Contact: Mel Damewood Ext. 7145
Secondary Contact: Debra Smith Ext. 7196
Purchasing Contact: Sarah Gorsegner Ext. 7348

Action Requested:

Contract Award
 Contract Renewal
 Contract Increase
 Other

Contract Amount:

Original Contract Amount: \$100,000
Additional \$ Previously Approved: \$ n/a
Invoices over last approval: \$ n/a
Percentage over last approval: n/a %
Amount this Request: \$100,000
Resulting Cumulative Total: \$100,000

Funding Source:

Budget
 Reserves
 New Revenue
 Bonding
 Other-Customer

Contracting Method:

Method of Solicitation: Informal Invitation to Bid (ITB)
If applicable, basis for exemption: n/a
Term of Agreement: February 2013-March 2013
Option to Renew? no

Form of Contract:

Single Purchase
 Services
 Personal Services
 Construction
 IGA
 Price Agreement
 Other

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

Narrative:

The Board is being asked to approve a new contract with **Armadillo Boring, Inc.** for directional drilling and pipe installation.

EWEB needs to install a new underground primary (12.74KV) extension in our distribution system from W 1st Ave North to 3300 Cross St. under the Union Pacific Railroad tracks. The work to install the electric line is requested from one of EWEB's industrial customers and costs of the project are borne by the customer. EWEB will be completing some of the trenching and casing installation, but specialized skill and equipment is required to install pipe under the railroad tracks to the south of the property located at 3300 Cross St.

In November 2012, staff solicited bids for the directional drilling and installation of pipe. Eleven firms reviewed the solicitation and six firms attended the mandatory pre-bid meeting. EWEB only received one response that was deemed non-responsive. In December 2012, staff re-solicited bids for the directional drilling and installation of pipe. One bid was received and evaluated; Armadillo Boring, Inc. of Salem, Oregon was determined to be a responsive and responsible bidder. If approved, Armadillo Boring, Inc. will provide the drilling, shoring, and pipe installation required to successfully complete this project.

ACTION REQUESTED:

Management requests Board approve a new Contract with **Armadillo Boring, Inc.** for **Boring under railroad tracks.** Funds for this work are budgeted for 2013, the costs of the project are borne by the customer requesting the work.

SIGNATURES:

Project Coordinator: _____

Manager: _____

Assistant General 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 **Ferguson** for **Low Lead Brass Fittings**.

Board Meeting Date: 2/5/2013
Project Name/Contract#: Low Lead Brass Fittings/052-2012
Primary Contact: Mel Damewood Ext. 7145
Secondary Contact: Debra Smith Ext. 7196
Purchasing Contact: Sarah Gorsegner Ext. 7348

Action Requested:

Contract Award
 Contract Renewal
 Contract Increase
 Other

Contract Amount:

Original Contract Amount: \$ 815,000 over 5 years
Additional \$ Previously Approved: \$ n/a
Invoices over last approval: \$ n/a
Percentage over last approval: n/a %
Amount this Request: \$ 815,000 over 5 years
Resulting Cumulative Total: \$ 815,000 over 5 years

Funding Source:

Budget
 Reserves
 New Revenue
 Bonding
 Other

Contracting Method:

Method of Solicitation: Formal Invitation to Bid
If applicable, basis for exemption: n/a
Term of Agreement: February 5, 2013-February 4, 2014
Option to Renew? Yes
Approval for purchases "as needed" for the life of the contract Yes

Form of Contract:

Single Purchase
 Services
 Personal Services
 Construction
 IGA
 Price Agreement
 Other

Narrative:

The Board is being asked to approve a new contract with **Ferguson** of Eugene, Oregon for the purchase of Low Lead Brass Fittings for the Water Utility on an as needed basis.

EWEB Water requires Low Lead Brass Fittings for component failure replacements and for fittings in new construction. In November 2012, EWEB issued a formal Invitation to Bid to establish a price agreement for the purchase of Low Lead Brass Fittings. The solicitation was reviewed by six companies. Three responses were received; Ferguson was determined to be the lowest responsive and responsible bidder.

Historical procurement data suggests that the total contract amount will be approximately \$815,000 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 Low Lead Brass Fittings at the established prices over the life of the contract. The contract is for one-year with the option to renew for four additional one-year periods.

ACTION REQUESTED:

Management requests Board approve a new contract with **Ferguson** for **Low Lead Brass Fittings**. Funds for these purchases were budgeted for 2013 and will be budgeted annually.

Board Consent Request: Low Lead Brass Fittings, Contract 052-2013

SIGNATURES:

Project Coordinator: _____

Manager: _____

Assistant General 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 contract with **Neilson Research Corporation** for **Water Quality Analytical Testing Services**.

Board Meeting Date: 2/5/2013
Project Name/Contract#: Water Quality Analytical Testing Services/056-2012
Primary Contact: Brad Taylor Ext. 7385
Secondary Contact: Debra Smith Ext. 7196
Purchasing Contact: Sarah Gorsegner Ext. 7348

Action Requested:

Contract Award
 Contract Renewal
 Contract Increase
 Other

Contract Amount:

Original Contract Amount: \$ 149,000 over 5 years
Additional \$ Previously Approved: \$ n/a
Invoices over last approval: \$ n/a
Percentage over last approval: n/a %
Amount this Request: \$ 149,000 over 5 years
Resulting Cumulative Total: \$ 149,000 over 5 years

Funding Source:

Budget
 Reserves
 New Revenue
 Bonding
 Other

Contracting Method:

Method of Solicitation: Request for Proposal(RFP)
If applicable, basis for exemption: n/a
Term of Agreement: 1 year
Option to Renew? Yes, up to a maximum of 5 years
Approval for purchases "as needed" for the life of the contract Yes

Form of Contract:

Single Purchase
 Services
 Personal Services
 Construction
 IGA
 Price Agreement
 Other

Narrative:

EWEB is designated as a Public Water System by the Oregon Health Authority (OHA) and therefore must comply with all Environmental Protection Agency (EPA) and OHA regulations and standards. Regulations require testing as per the EPA Safe Drinking Water Act. Testing consists of over 120 specialized chemical analytes including metals, inorganics, organics, radiologicals, and chlorine by-products. This testing must be performed several times each year. Testing will also be provided for water samples taken from the Willamette River for evaluating its use as a potential second source of water for EWEB. Equipment, certifications, and the time needed to perform this testing are costly and unavailable in EWEB's laboratory, therefore EWEB requires testing by an OHA certified laboratory. If approved, the selected laboratory will provide water testing and reporting services on submitted samples.

In December 2012, staff issued a Request for Proposals to select a company to provide testing services. The solicitation was viewed by twelve firms. Neilson Research Corporation of Medford, Oregon (the sole respondent) was selected based on the evaluation criteria outlined in the Request for Proposals.

Historical data, based on current and past budgets, indicates that EWEB may purchase approximately \$26,000 of services each year or \$130,000 over a five-year period for work at Hayden Bridge and \$19,000 for the Willamette River second source testing over the next three-year period for a total of \$149,000 over the next 5 year period. However, this is a requirements contract; the exact total amount of this contract is based on need and not on any specific dollar amount. Purchases of services will fall within the budgeted amount approved annually by the Board.

ACTION REQUESTED:

Management requests Board approve a contract with **Neilson Research Corporation** for **Water Quality Analytical Testing Services**. Funds for these services were budgeted for 2013 and will be budgeted annually.

Water Quality Analytical Testing Services Board Consent Request

SIGNATURES:

Project Coordinator: _____

Manager: _____

Assistant General 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 Intergovernmental Agreement (IGA) with **USDA Forest Service, Willamette National Forest** for management of the Carmen-Smith recreation complexes.

Board Meeting Date: February 5, 2013

Project Name/Contract#: Carmen-Smith Recreation Complex Maintenance IGA #13848

Primary Contact: Roger Kline Ext. 7484

Secondary Contact: Debra Smith Ext. 7196

Purchasing Contact: Cheryl Golbek Ext. 7389

Action Requested:

Contract Award
 Contract Renewal
 Contract Increase
 Other

Contract Amount:

Original Contract Amount: \$30,000

Additional \$ Previously Approved: \$ N/A

Invoices over last approval: \$ N/A

Percentage over last approval: 0%

Amount this Request: \$30,000

Resulting Cumulative Total: \$30,000

Funding Source:

Budget
 Reserves
 New Revenue
 Bonding
 Other

Contracting Method:

Method of Solicitation: Exemption

If applicable, basis for exemption: EWEB Rule 6-0110 (1) (a)

Term of Agreement: February 6, 2013 through December 31, 2013

Option to Renew? No

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

Form of Contract:

Single Purchase
 Services
 Personal Services
 Construction
 IGA
 Price Agreement
 Other

NARRATIVE:

The Board is being asked to approve a new Intergovernmental Agreement (IGA) with **USDA Forest Service, Willamette National Forest** for management of the Carmen-Smith recreation complexes.

Since 1993, EWEB has entered into intergovernmental agreements with the USDA Forest Service for the administration, supervision, and maintenance of the Carmen-Smith recreation complexes located on lands administered by the Forest Service. The funding for the work meets Article 31 of the FERC current license for the Carmen-Smith Hydroelectric Project. Because of the facilities' location, use of the Forest Service for these services is both appropriate and preserves the landowner's obligations as the responsible party.

In the past, each agreement has had a term of 5 years. However, with issuance of the new license, the campgrounds will be closed during construction, and rebuilt after construction. Approximate duration of closures is approximately 3-5 years. Also, the new license will require a new agreement for management of recreational facilities. Therefore, in 2013, EWEB requested that the existing agreement have an annual renewal (rather than 5 years) due to the uncertainty of new license issuance. The amount for 2013 is \$30,000.

ACTION REQUESTED:

Management requests Board approve a new Intergovernmental Agreement (IGA) with **USDA Forest Service, Willamette National Forest** for management of the Carmen-Smith recreation complexes. Funds for these services were budgeted for 2013.

SIGNATURES:

Project Coordinator: Roger Kline – see signature below

Manager: _____

Assistant General Manager: _____

Purchasing Manager: _____

General Manager: _____

Board Approval Date: _____

Secretary/Assistant Secretary verification: _____

**RESOLUTION NO. 1301
FEBRUARY 2013**

**EUGENE WATER & ELECTRIC BOARD
BOARD APPOINTMENTS, BOARD COMMITTEES, ADVISORY
COMMITTEES AND OUTSIDE LIAISONS**

WHEREAS, Board Policy GP12 provides for the use of committees, outside appointments and liaisons to staff work as a means of gathering and disseminating information, representing the Board and providing preliminary input to Board decisions; and

WHEREAS, Board Policy GP12 further states that all committees, outside appointments and liaisons be created by resolution and that all appointments to said committees, outside appointments and liaisons be made via resolution; and

WHEREAS, the Board met on January 2, 2013 and discussed potential appointments to current and existing committees, outside organizations and internal project teams; and

WHEREAS, the majority of the current and existing committees, outside appointments and liaisons were first established by resolution on October 3, 2006.

NOW, THEREFORE, BE IT RESOLVED that the Eugene Water & Electric Board appoints the stipulated individuals to those committees, appointments and liaisons for the year 2013 or as otherwise indicated.

Lane Council of Governments (LCOG) – Provides coordination among Lane County governmental agencies. Term of organization is ongoing, term of appointment is annual, and John Simpson is primary appointee with James Manning as alternate.

McKenzie Watershed Management Council - Fosters better stewardship of the McKenzie Watershed resources through voluntary partnerships and collaboration. Term of organization is ongoing. Term of appointment is annual, and Dick Helgeson is primary appointee with John Brown as alternate.

Other Post Employment Benefits (OPEB) – A Commissioner is not a voting member of the Section 115 Trust that has been set up to oversee EWEB contributions to the trust, the investment of funds, and measurement of the unfunded liabilities of the retiree medical plan. Term of appointment is ongoing and James Manning is the appointee.

Northwest Public Power Association (NWPPA) – NWPPA is an organization in the Western U.S. and Canada. They provide training and education, public information, communication, federal legislative coordination, surveys, data and networking opportunities and products and services for the utility industry. John Brown is appointee.

Changes in these assignments may be made at the direction of the Board.
Dated this February 5, 2013.

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

President

I, DEBRA J. SMITH, 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 February 5, 2013 Regular Board Meeting.

Assistant Secretary



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
FROM: Tina McAlexander, Customer Service Supervisor and
Mark Freeman, Customer Service and Energy Management Manager
DATE: January 28, 2013
SUBJECT: Board Policy SD4, Public Use of Meeting Rooms Policy

Issue

EWEB staff has conducted a review of Board Policy SD4 and updated the policy to better align with the current utility and community needs for meeting space.

Background

The existing Board Policy allows community organizations, public bodies and any recognized non-profit, non-discriminatory organization with open membership to reserve select meeting rooms in the North Headquarters Building during evening hours and weekends only. The restrictive availability was established at a time when meeting space was in high demand by EWEB staff.

Discussion

Subsequent to the transition of staff to the Roosevelt Operations Center, EWEB has experienced less frequent demand for large meeting space. As a service to the community, management recommends a less stringent Board Policy to govern the public's use of the meeting rooms in the North Headquarters Building. Management proposes to allow reservations from eligible groups Monday through Friday, during business hours, when the rooms are not required for utility purposes.

Recommendation

Management recommends approval of the revised Board Policy SD4 as attached herein.

Requested Board Action

Approve revised Board Policy SD4.

Policy Number: SD4
Policy Type: Strategic Direction
Policy Title: Public Use of Meeting Rooms Policy
Date Approved: February 5, 2013

As a service to the community, the Eugene Water & Electric Board makes the meeting rooms in the North Headquarters Building available to community organizations, public bodies, and any recognized non-profit, non-discriminatory organization with open membership.

The rooms are available during evening hours and weekends, when not required for utility purposes, and are free of charge with the following exceptions:

Meeting Rooms: A trash disposal and cleanup fee is charged if food is to be served.

Furthermore, two rooms are available Monday through Friday, during business hours, when not required for utility purposes. The meeting organizer must have an EWEB sponsor who will complete the meeting room application and also be available for the needs of the group during the meeting. Reservations which occur during business hours will be approved on a first-come, first-served basis and will not be accepted more than 30 days in advance.

Groups using the facilities will be subject to the following guidelines:

No admission fee can be charged.

No commercial activities that result in monetary gain or that will invite public participation are allowed.

No alcoholic beverages are allowed.

No smoking is allowed.

Rooms are available on a first-come, first-served basis.

Source: Board