

EUGENE WATER & ELECTRIC BOARD
SPECIAL BOARD MEETING
EWEB BOARD ROOM
FEBRUARY 19, 2013
6:00 P.M.

Commissioners Present: John Simpson, President; John Brown, Vice President; Dick Helgeson, James Manning, and Steve Mital. Commissioner Mital participated via speaker phone.

Others Present: Roger Gray, Debra Smith, Erin Erben, Todd Simmons, Felicity Fahy, Sue Fahey, Cathy Bloom, Mark Freeman, Sheila Crawford, Steve Newcomb, Dave Churchman, Brad Taylor, Mel Damewood, Jeannine Parisi, Kevin Biersdorff, Lena Kostopulos, Tom Williams, and Taryn Johnson of the EWEB staff; Vicki Maxon, recorder.

President Simpson convened the Special Board Meeting of the Eugene Water & Electric Board (EWEB) at 6:00 p.m.

It was moved by Vice President Brown, seconded by Commissioner Manning, that EWEB indemnify Roger Gray, Tom Buckhouse and Jeremiah Hunt as the parties involved in current litigation or litigation likely to be filed. The motion passed unanimously (5-0).

President Simpson adjourned the Special Board Meeting at 6:05 p.m.

Assistant Secretary

President

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a contract with **Williams Land Improvement** for **Electric Utility Right of Way Clearing/Mowing services**.

Board Meeting Date: April 2, 2013
Project Name/Contract#: ROW Mowing/Clearing / ITB 009-2013
Primary Contact: Todd Simmons Ext. 7373
Secondary Contact: Debra Smith Ext. 7196
Purchasing Contact: Tracy Davis Ext. 7468

Action Requested:	
<input checked="" type="checkbox"/>	Contract Award
<input type="checkbox"/>	Contract Renewal
<input type="checkbox"/>	Contract Increase
<input type="checkbox"/>	Other

Contract Amount:
Original Contract Amount: \$250,000 over 5 years (estimate)
Additional \$ Previously Approved: \$ N/A
Invoices over last approval: \$ N/A
Percentage over last approval: N/A %
Amount this Request: \$250,000 over 5 years (estimate)
Resulting Cumulative Total: **\$250,000 over 5 years (estimate)**

Funding Source:	
<input checked="" type="checkbox"/>	Budget
<input type="checkbox"/>	Reserves
<input type="checkbox"/>	New Revenue
<input type="checkbox"/>	Bonding
<input type="checkbox"/>	Other

Contracting Method:
Method of Solicitation: Formal Invitation to Bid (ITB)
If applicable, basis for exemption: N/A
Term of Agreement: April 3, 2013 – April 2, 2014
Option to Renew? Yes, up to 5 years total
Approval for purchases “as needed” for the life of the contract Yes

Form of Contract:	
<input type="checkbox"/>	Single Purchase
<input type="checkbox"/>	Services
<input type="checkbox"/>	Personal Services
<input type="checkbox"/>	Construction
<input type="checkbox"/>	IGA
<input checked="" type="checkbox"/>	Price Agreement
<input type="checkbox"/>	Other

NARRATIVE:

The Board is being asked to approve a contract with **Williams Land Improvement** for **Electric Utility Right of Way Clearing/Mowing services**.

Electric Operations requires the services of a qualified Right of Way mowing and tree topping/falling contractor to maintain EWEB’s electric Right of Ways. In March 2013, staff issued a formal invitation to bid to establish a five-year price agreement for the services. Two bids were received and evaluated; Williams Land Improvement of Cottage Grove was determined to be the lowest responsive/responsible bidder.

This contract, if approved, will be for one year with an option, at EWEB’s discretion, to renew for four additional one-year periods (total potential contract term: five years). The services will be provided on an “as needed” basis to responsibly maintain EWEB’s Right of Ways. Exact service amounts are unknown and no guarantee has been made for any specific annual quantity of work. Staff estimates the total contract amount to be \$250,000 over five years, based on historical data. The Board’s approval would be based on services “as needed” and not on any specific, fixed annual dollar amount.

ACTION REQUESTED:

Management requests Board approve a contract with **Williams Land Improvement** for **Electric Utility Right of Way Clearing/Mowing services**. Funds for these services were budgeted for 2013 and will be budgeted annually.

SIGNATURES:

Project Coordinator: _____

LT Manager: _____

Purchasing Manager: _____

Assistant 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 **Westates Flagman Inc.** for **traffic control and flagging services for general maintenance work.**

Board Meeting Date: April 2, 2013
Project Name/Contract#: Traffic Control & Flagging Svcs for EWEB's maint & tree work / Contract #002-2013
Primary Contact: Todd Simmons Ext. 7373
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: \$700,000
Additional \$ Previously Approved: \$ N/A
Invoices over last approval: \$ N/A
Percentage over last approval: 0%
Amount this Request: \$700,000
Resulting Cumulative Total: \$700,000

Funding Source:

Budget
 Reserves
 New Revenue
 Bonding
 Other

Contracting Method:

Method of Solicitation: Formal Request for Proposals (RFP)
If applicable, basis for exemption: N/A
Term of Agreement: April 3, 2013 thru April 2, 2014
Option to Renew? Yes, renews annually up to 5 years total.
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 **Westates Flagman Inc.** for **traffic control and flagging services for maintenance work.**

In January 2013, staff issued a formal request for proposals for traffic control and flagging services to be utilized during EWEB's maintenance work, tree pruning and removal work that are NOT subject to Bureau of Labor and Industries (BOLI) prevailing wage rates. Two bids were received and evaluated; and Westates Flagman Inc. of Springfield, Oregon was determined to be the highest ranked proposer.

The exact amount of services needed is unknown and no guarantee has been made for any specific annual quantity of work. Flagging Services will be requested on an "as needed" basis. The exact amount of services may vary; however, historical procurement data indicates annual services will be approximately \$140,000 per year, \$700,000 over 5 year contract. Therefore, this approval is requested based on "need" and not on any specific dollar amount.

ACTION REQUESTED:

The Board is being asked to approve a new contract with **Westates Flagman Inc.** for **traffic control and flagging services for maintenance work, tree pruning and removal work that is NOT subject to BOLI prevailing wage rates.** Funds for these services were budgeted for 2013 and will be budgeted annually.

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 an increase to **Services Contract 2279** with **Roto-Rooter Plumbing & Drain Service** for **Phase II of the Water Heater Pilot program**.

Board Meeting Date: April 2, 2013
Project Name/Contract#: Plumbing Contractor-Water Heater Pilot/SC 2279
Primary Contact: Erin Erben Ext. 7615
Secondary Contact: Roger Gray Ext. 7130
Purchasing Contact: Tracy Davis Ext. 7468

Action Requested:

Contract Award
 Contract Renewal
 Contract Increase
 Other

Contract Amount:

Original Contract Amount: \$19,630
Additional \$ Previously Approved: \$ N/A
Invoices over last approval: \$ N/A
Percentage over last approval: N/A %
Amount this Request: \$3,500
Resulting Cumulative Total: \$23,130

Funding Source:

Budget
 Reserves
 New Revenue
 Bonding
 Other

Contracting Method:

Method of Solicitation: Informal Request for Quotes
If applicable, basis for exemption: N/A
Term of Agreement: April 5, 2012 – December 31, 2013
Option to Renew? Yes, for 6 additional months, if needed
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 an increase to **Services Contract 2279** with **Roto-Rooter Plumbing & Drain Service** for **Phase II of the Water Heater Pilot program**.

EWEB's Water Heater Management Study (WHMS) began in 2010 and Phase II is fully deployed. The information gathered from this Study provides our customers an opportunity to learn more about demand response, as it supports their core interest in keeping rate increases to a minimum and allows them to exercise some control over their monthly electric bill.

At this time, 38 residential water heaters in our service area are being monitored and controlled to test thermal storage and load shifting capabilities. As this Study is considered a research & development pilot project, there are inevitable circumstances that occur and require specific, technical expertise to maintain equipment performance. Roto-Rooter was the installation contractor and has continued to demonstrate excellence in technical performance and customer service throughout the Study.

The project team is requesting this contract dollar extension to address equipment failures or technical issues not covered explicitly by product warranties for the duration of 2013.

ACTION REQUESTED:

Management requests Board approve an increase to **Services Contract 2279** with **Roto-Rooter Plumbing & Drain Service** for **Phase II of the Water Heater Pilot program**. Funds for these services were budgeted for 2013.

SIGNATURES:

Project Coordinator: _____

LT Manager: _____

General Manager: _____

Purchasing 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 **Overton Safety Training, Inc.** for **mobile and articulating boom crane operation certification training.**

Board Meeting Date: April 2, 2013

Project Name/Contract#: Crane Operation Certification Training

Contract 010-2013

Primary Contact: Lena Kostopulos Ext. 7466

Secondary Contact: Roger Gray Ext. 7130

Purchasing Contact: Cheryl Golbek Ext. 7389

Action Requested:

Contract Award
 Contract Renewal
 Contract Increase
 Other

Contract Amount:

Original Contract Amount: \$40,000

Additional \$ Previously Approved: \$ N/A

Invoices over last approval: \$ N/A

Percentage over last approval: 0%

Amount this Request: \$40,000

Resulting Cumulative Total: \$40,000

Funding Source:

Budget
 Reserves
 New Revenue
 Bonding
 Other

Contracting Method:

Method of Solicitation: Informal Request for Proposals (IRFP)

If applicable, basis for exemption: N/A

Term of Agreement: April 3, 2013 thru June 30, 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 **Overton Safety Training, Inc.** for **mobile and articulating boom crane operation certification training.**

Due to changes in federal code requirements, EWEB mobile crane operators must be National Commission for the Certification of Crane Operators (NCCCO) certified for Mobile Crane and Articulated Boom Crane by an accredited examiner by January 1, 2014. NCCCO programs meet required federal OSHA regulations and American National Standard ASME B30. If approved, this contract will provide onsite NCCCO mobile and articulated boom crane operation certification training and NCCCO certification for 20 staff.

In February 2013, an Informal Request for Proposal (IRFP) was sent to three training companies providing these services. Two responses were received and Overton Safety Training of Beaverton, Oregon was the highest ranked proposer.

ACTION REQUESTED:

Management requests Board approve a new contract with **Overton Safety Training, Inc.** for **mobile and articulating boom crane operation certification training.** Funds for these services were budgeted for 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 new contract with **Oregon Electric Group** for **commercial electrical services**.

Board Meeting Date: April 2, 2013
Project Name/Contract#: Commercial Electrical Services / Contract 003-2013
Primary Contact: Todd Simmons Ext. 7373
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: \$500,000
Additional \$ Previously Approved: \$ N/A
Invoices over last approval: \$ N/A
Percentage over last approval: 0%
Amount this Request: \$500,000
Resulting Cumulative Total: \$500,000

Funding Source:

Budget
 Reserves
 New Revenue
 Bonding
 Other

Contracting Method:

Method of Solicitation: Formal Request for Proposals (RFP)
If applicable, basis for exemption: N/A
Term of Agreement: April 3, 2013 thru April 2, 2014
Option to Renew? Yes, annual renewal for up to 5 years total
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 **Oregon Electric Group** for **commercial electrical services**.

On occasion, EWEB has need for electrical services at our facilities (Headquarters, Roosevelt Operations Center, Hayden Bridge, and upriver facilities and housing). Electrical services required are comprehensive, from low voltage wiring to high voltage commercial projects such as UPS systems, backup generators, wiring of our electrical EV charging stations, data center wiring, and major and minor construction remodel wiring.

In January 2013, staff issued a formal request for proposals for commercial electrical installation and repair services at various EWEB facilities. Two bids were received and evaluated; and Oregon Electric Group of Springfield, Oregon was determined to be the highest ranked proposer.

The exact amount of services needed is unknown and no guarantee has been made for any specific quantity of work. Electrical services will be requested on an "as needed" basis. Historical procurement data indicates annual services could be approximately \$100,000 per year; \$500,000 over 5 year contract. Therefore, this approval is requested based on "need" and not on any specific dollar amount.

ACTION REQUESTED:

Management requests Board approve a new contract with **Oregon Electric Group** for **commercial electrical services**. Funds for these services were budgeted for 2013 and will be budgeted annually.

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 **Findlay Engineering, Inc.** to provide consulting services for the **FERC Part 12 Dam Safety Inspection Report at the Carmen-Smith Project.**

Board Meeting Date: April 2, 2013
Project Name/Contract#: PSC 2314
Primary Contact: Mel Damewood Ext. 7145
Secondary Contact: Debra Smith Ext. 7196
Purchasing Contact: Ramie Alkire Ext. 7413

Action Requested:

Contract Award
 Contract Renewal
 Contract Increase
 Other

Contract Amount:

Original Contract Amount: \$28,000
Additional \$ Previously Approved: \$ N/A
Invoices over last approval: \$ N/A
Percentage over last approval: N/A %
Amount this Request: \$28,000
Resulting Cumulative Total: \$28,000

Funding Source:

Budget
 Reserves
 New Revenue
 Bonding
 Other

Contracting Method:

Method of Solicitation: N/A
If applicable, basis for exemption: EWEB Rule 6-0270 (Personal Services)
Term of Agreement: April 3, 2013 to April 15, 2014
Option to Renew? Yes
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 contract with **Findlay Engineering Inc.** to provide consulting services for the **FERC Part 12 Dam Safety Inspection Report at the Carmen-Smith Project.**

The Federal Energy Regulatory Commission (FERC) requires each hydrogeneration owner of potentially hazardous projects to conduct a Part 12D Dam Safety Inspection every five (5) years. This inspection must be completed by an independent consultant who is approved by the FERC. The Part 12D Dam Safety Inspection Report for the Carmen-Smith Project is scheduled to take place over the course of 2013. If approved, Findlay Engineering, Inc. will conduct a thorough review of the Carmen-Smith Project supporting technical and design documents, associated FERC required Plans and Programs necessary to maintain the project and other project related documents. A physical inspection and Potential Failure Modes Analysis review will take place during the annual FERC Dam Safety Inspection mid-summer. Lastly, the consultant will draft inspection results into the "Part 12D Dam Safety Inspection Report" for EWEB review and submittal to the FERC.

Six informal proposals were submitted in 2012 with Findlay Engineering, Inc. being both the most qualified and low bid. Findlay Engineering is not on the MSA list and thus requires Board approval. After review of the qualifications, and reference consideration EWEB has decided to utilize the experienced firm. Findlay is a known approved FERC independent consultant, therefore response from the FERC for IC approval is a formality and work on this project can begin as soon as the contract is approved.

ACTION REQUESTED:

Management requests Board approve a new contract with **Findlay Engineering Inc.** to provide consulting services for the **FERC Part 12 Dam Safety Inspection Report at the Carmen-Smith Project.** Funds for these services were budgeted for 2013, and will be budgeted for 2014.

SIGNATURES:

Project Coordinator: _____

Manager: _____

Assistant General Manager: _____

Purchasing Manager: _____

General Manager: _____

Board Approval Date: _____

Secretary/Assistant Secretary verification: _____

EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
MARCH 5, 2013
7:30 P.M.

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

Others Present: Roger Gray, Debra Smith, Cathy Bloom, Sue Fahey, Todd Simmons, Erin Erben, Mel Damewood, Steve Newcomb, Mike McCann, Harvey Hall, Sheila Crawford, Megan Capper, Michelle Martin, Adam Rue, Kathy Grey, Wendi Schultz-Kerns, Matt Sayre, Edward Yan, Roger Kline, Mark Freeman, Karen Lee, Lena Kostopulos, Frank Lawson, Lance Robertson, Deborah Hart, Patty Boyle, Susan Eicher, Anne Kah, Brad Taylor, Jeannine Parisi, Greg Armstead, and Taryn Johnson of the EWEB staff; Vicki Maxon, recorder.

President Simpson convened the Regular Session of the Eugene Water & Electric Board (EWEB) at 7:35 p.m.

AGENDA CHECK

President Simpson noted a slight change to tonight's agenda structure that has not yet been posted to the EWEB website.

PUBLIC INPUT

Peter Reppe gave the following testimony:

"I live in the Amazon neighborhood. I am speaking to you as a private person, but am drawing on my insights from many interactions with EWEB, both on a personal level and on a professional level as a commercial buildings energy efficiency consultant.

My hope here is to provide some helpful thoughts related to your efforts to improve EWEB's economic and psychological well-being. The latter is referring to the public's unhappiness with the rate increases and the concurrent sneak attack on the feed-in tariff for ratepayer-owned renewables, not to mention the lingering job insecurity within.

EWEB seems to be caught between the current business model, selling a commodity, and the trend AND need to consume less of that commodity.

Examples of that conflict that I have noticed:

1) Oversubscription to generation capacity, but existing policies that are still supporting new renewables.

2) A successful, yet aging, demand side management program (albeit on sabbatical currently), but a strong need to boost revenue.

3) Financial support provided by EWEB to certain third party energy efficiency programs, but that support paid out of EWEB's marketing budget.

I'd therefore like to suggest to you to seriously think outside the standard business box, and develop more creative ways to balance these two opposing forces than just raising rates.

For example, consider adding energy services to EWEB's portfolio. Such a service could be illuminated parking lots or illuminated city streets. Similar to an ESCO, EWEB would receive a fixed price per year for this service, but now has a strong incentive to provide that service as efficiently as possible.

I'd like to suggest inviting leading think tanks into this process, such as Rocky Mountain Institute.

Would you not rather put yourself and EWEB staff to work in this creative fashion, instead of developing ever more complex, time-consuming ways of tracking indicators, etc.?

I am sure that there are no slam dunks here, but this approach might be one of the more promising tools to help EWEB emerge from this tricky situation and perhaps evolve from a position of stalemate to one of leadership again.

Thank you."

Regarding proposed rate increases, **Bob Cassidy** said he went back and looked at his 2010-2012 EWEB bills and that even though his bill went up approximately \$6 per month, his electricity usage went down. He reiterated that what customers are really saying is that they can't manage their bills, as they are mismanaging their money and living from paycheck to paycheck. He mentioned a local credit union partnership with Neighborhood Economic Development Corporation (NEDCO) that teaches people how to manage their money. Lastly, he reminded the Board that their job is to make sure EWEB is running well.

Kathy Ging requested that the Board not approve the \$26 million contract with Sensus, USA for replacement of water and electric meters. She gave the following testimony:

"Initially it was a movement of a local medical doctor, a man with two advanced degrees (one from MIT) and others with Ph.D. degrees, in addition to average ratepayers and myself, who alerted the public to increasing controversial issues surrounding smart meters. At that time, many EWEB AMI staff were not cognizant of the adverse effects of smart meter beacon signals, radio frequencies and microwaves.

"EWEB still will not permit alerts from the international medical community on its website, such as: <http://AAEMonline.org/>.

The American Academy of Environmental Medicine issued warnings about smart meters in 2012, but EWEB ignored them.

While many older meters may need to be replaced, there has not been significant scientific material provided to the public or interactive discussion, especially with a new EWEB Board, that Sensus, USA meters do not radiate beacon signals that could be harmful not only to 3-5% of the population that has advanced electro hypersensitivity, but also the 30% with moderate sensitivity.

A local physician had withdrawn his initial support of Sensus meters as an alternative to the Elster Rex 2 used in EWEB's pilot after more research into the transmissions. It was too similar to the mesh net that the public and many EWEB staff ultimately eschewed. A study group of local medical professionals has been meeting for over a year and will have a report prepared in a couple of weeks. Why did EWEB not wait for that report when in April 2012 the EWEB Board had requested specifically that this local research be considered?

Please note that I am not authorized to speak on their behalf but am bringing to your attention the concerns of the EWEB Board last year that now are apparently being overlooked by EWEB staff and board.

It was the understanding of EWEB ratepayer/owners that EWEB did not have the money to move forward with smart meters and it would be at least two years before that would occur, allowing more discussion.

At the 2012 Far West Neighbors meeting, a smart meter panel presentation audience included 11 EWEB staff and board members or candidates. One resident had asked EWEB eight years earlier when EWEB wanted to install an AMR meter, what transmission signals would occur, and EWEB did not know. Eight years later at the panel when EWEB AMI staff were asked the same question –they again responded, 'I will get back to you.'

Yet here EWEB is launching a five-year contract with Sensus. I remind you that at the April 2012 EWEB meeting the 15 people who spoke either opposed smart meters and/or advocated that EWEB do a lot more research and solicit public input before proceeding.

At the April 2012 EWEB Board meeting/work session, former Commissioner Rich Cunningham mentioned twice that he wanted to make sure that EWEB staff solicited and received input from local medical professionals before recommending a smart meter buildout. Having had heart issues, he was concerned about possibly adverse effects on his own health from smart meters.

Also in April, EWEB's Lance Robertson stated that they would be looking into the cyber security issues growing around concerns with smart meters and the smart grid. Nothing was brought up about that in the EWEB information on line.

In the last 10 months I have heard from persons nationwide regarding effects that they have felt from smart meter installation. One story I share is the California woman who had worked as a software developer and was married to a software developer who was also a physicist. She emphasized that she had never heard of the word electro hypersensitivity until she and her husband, after retiring, moved into an apartment building with smart meters located about 40 feet from her bedroom.

She experienced many adverse health effects, and subsequently she and her husband spent most of their retirement income trying to mitigate her health effects and trying to find a safe place for her to live. Her condition is so severe now that she suffers even with electric lights on in the house at night and has to use flashlights.

I hope that this does not end up happening in Eugene.”

Matt Nelson is an EWEB ratepayer. He expressed dismay that EWEB is entering into a contract with Sensus, USA for AMI meters. He said that as a working parent, he can't adjust his schedule for when certain rates are available. He feels it penalizes people who work set hours of the day and he asked the Board to halt this project, as it is bad for the ratepayers. He noted that a former Sensus employee had filed a lawsuit against them that goes into detail about faulty meters, fraud, etc., and lists a lot of claims that he feels the Board should be aware of if they are considering entering into a contract with Sensus, and he has provided General Manager Gray with a copy of that information.

Marian Trope is a Springfield Utility Board (SUB) customer. She asked if EWEB is going to make it clear why they want to join into the smart meter program in its infancy. She wondered where the logic, studies and rationale are from a scientific, logistical and financial viewpoint and if that information will be made available. She noted that she knows there have been discussions between EWEB and SUB. Lastly, she feels EWEB is putting the cart before the horse without giving ratepayers a full explanation of what EWEB feels the end gain of the process is.

Vice President Brown thanked everyone for their testimony and said that staff will be able to respond to their inquiries. He told Mr. Cassidy that EWEB already has a program in place with NEDCO to give customers credit on their EWEB bill if they take a class on how to manage their money.

Commissioner Helgeson thanked everyone for their testimony, and thanked Mr. Reppe for the previous opportunity to see his photovoltaic installation, which was useful to him. Regarding the AMI project, he said he will await tonight's agenda item before further comment.

Commissioner Mital stated that as a new Commissioner, he also has questions regarding AMI. He thanked everyone for their testimony, and said he believes there are two sides to the AMI story, and that they will be fully aired in upcoming staff presentations. He thanked Mr. Cassidy for his comments and said staff will be making a presentation tonight regarding a class for customers on how to manage their money.

Commissioner Manning thanked everyone for their testimony, and reminded them that EWEB Commissioners are also ratepayers, and these issues impact them as well.

President Simpson thanked everyone for their testimony. He agreed with Mr. Cassidy that a rate increase does not necessarily directly cause a bill increase. He gave a personal example of switching from a 70% efficient natural gas heater to a 100% efficient space heater, and then to a 600% efficient heat pump system, so that now he pays roughly 10 cents for 1 KW but gets 6 KW of heat, i.e., his electric bill is bigger but he's not using as much natural gas. He noted that one of the biggest problems which Mr. Cassidy had tried to address as an EWEB Commissioner is that rental units are poorly insulated and there is no incentive for the landlord to insulate, update, or install a heat pump. He said that EWEB is working hard to bridge that gap. He also asked staff to respond to Ms. Trope's comments regarding AMI.

Regarding Ms. Trope's comments, General Manager Gray stated that he can't speak on behalf of SUB, but as of approximately one year ago when he had discussed it with them, they were not interested in AMI.

APPROVAL OF CONSENT CALENDAR

MINUTES

1. a. January 3, 2013 - Regular Session
- b. February 2, 2013 - Work Session
- c. February 2, 2013 - Regular Session
- d. February 19, 2013 - Executive Session

CONTRACTS

2. Altec Industries, Inc. - for the purchase of four insulated over-centered aerial man lifts used by the Electric Division Line Crews - Generation & Fleet Services - \$862,000 (over two years). Contact person is Roger Kline.

3. Axelrod, LLC – to provide Environmental Consulting Services for investigation and clean-up of the former Eugene Manufactured Gas Plant (MGP), - Environmental Services - \$200,000 (over two years, total \$824,000). Contact person is Steve Newcomb.

4. Brattain International Trucks, Inc. - for the purchase of chassis - Generation & Fleet Services - \$725,000 (over two years). Contact person is Roger Kline.

5. Carte International - for five three-phase network transformers - Engineering Department - \$150,000. Contact person is Mel Damewood.

6. Envirosched – for confidential document destruction (on-site shredding) services – Electric Operations - \$26,000 (through January 2015, total \$55,700 over five years). Contact person is Todd Simmons.

7. Kendall Ford - for the purchase of 15 light duty vehicles - Generation & Fleet Services - \$396,000. Contact person is Roger Kline.

8. Mesa Technical Associates – for Station Class Battery Banks and Racks on an as needed basis - Engineering Department - \$111,000 (over five years). Contact person is Mel Damewood.

9. Scelzi Enterprises, Inc. – for the purchase of three service bodies for EWEB’s fleet of utility trucks - Generation & Fleet Services - \$135,000. Contact person is Roger Kline.

10. Schweitzer Engineering Laboratories - for the purchase of Substation Automation Equipment – Engineering Department - \$925,000 (over five years). Contact person is Mel Damewood.

RESOLUTIONS

11. Resolution No. 1302 - System Development Charge Revision, Contact Cathy Bloom.

12. Resolution No. 1303 - Budget and Rates Advisory Committee, Contact Cathy Bloom.

President Simpson pulled item #12.

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

President Simpson explained that item #12 (Resolution #1303) was pulled because during tonight’s Work Session, the Board committed to doing customer surveys and recalibrate their approach to public input, and to call most every budget meeting a hearing, to also include workshops, extended public testimony, etc. for budgetary items, in order to increase public participation. He added that the Board does wish to go forward with the budget and rates advisory committee and desires further discussion, but there is not enough time to do so before the 2014 budget process, though the committee will be exposed to the 2014 budget process from the gallery, and will then assist Board and staff with the 2015 budget.

It was moved by President Simpson, seconded by Vice President Brown, to table Resolution #1303. The motion passed unanimously (5-0).

General Manager Gray stated that he will find agenda time for a work session in the next two months or so in order to discuss the budget and rates advisory committee in more detail, and so that the committee can be present in the gallery in approximately October 2013.

President Simpson proposed a maximum of a 60-day hold time for this agenda item. The Board agreed.

ADVANCED METERING INFRASTRUCTURE (AMI) CONTRACT WITH SENSUS, USA

Greg Armstead, Information Technology Project Manager, introduced EWEB's new Information Services Manager, Matt Sayre.

Mr. Armstead told the Board that staff is asking for approval for the following reasons:

- 1) To replace aging water meters under more favorable terms and conditions.
- 2) The time of use pilot program requires interval meters that EWEB could potentially use for AMI.
- 3) Staff feels it is important to test between one and 400 meters that may potentially be purchased in order to do in-house quality control.

Mr. Armstead noted that staff is not asking for approval of the AMI project, as ultimately it will have to be approved as a separate project and is not a capital budget item.

Commissioner Manning stated that he supports General Manager Gray and all that he does, but in light of the document that Mr. Nelson has presented to General Manager Gray and the Board, he is concerned about the lawsuit that has been brought against Sensus, USA and is not fully comfortable with approving the contract at this time.

Commissioner Helgeson stated that he has gone back and looked at previous Board discussion and recommendations, including General Manager Gray's recommendation to defer the AMI project for a variety of reasons. He wondered if there is anything in the contract that limits authorization or full implementation of the project. He voiced concern about the expenditure for this project over multiple years, and added that he has a process concern, and that he is more concerned about the timing of the project than if it is done or not. He said he feels it is imprudent to approve this without a financing strategy in place, and without knowing EWEB's financial plan, as he isn't certain it would contribute to the improvement of EWEB's financial picture. Regarding long run strategic benefit, he added that he doesn't feel like it's clear how and when the capacity market will emerge and make it cost-effective to do advance metering applications, though he believes they will ultimately be important. In closing, he voiced the desire for the new Commissioners to have more conversation about the project.

President Simpson asked how this contract would be more advantageous at this time. General Manager Gray replied that the water meters in this contract are an improvement over the current contract, and that they would be AMI-ready, should the AMI project be ultimately approved. Brad Taylor, Water Operations Manager, added that the cost savings for the water utility would be \$200,000 over the next two years.

General Manager Gray reiterated that the AMI project has not been approved, nor has the capital budget, but that elements of those are in place. He reiterated that these meters are being purchased to replace aging ones, as interval meters are required for the time of use pilot. He

added that if the Board approves the final project plan, internal quality control will have been achieved on a few hundred meters instead of 90,000.

President Simpson asked if these meters can still be used even if the Board chooses not to go forward with the AMI project. Mr. Taylor said that they can, and he added that these meters can be read through the normal meter reading technique.

Ms. Smith further explained the timing and the need for replacement of the aging meters. She added that she thinks of this contract more as a requirements contract, with no obligation to buy the meters (just the ability to), and that it includes no Board authorization or staff requirement to buy any more than the stated amount.

General Manager Gray added that if a time of use pilot is being done, an AMI meter may as well be used in order to get more experience with it.

Commissioner Mital asked about supplier technology risk. Mr. Armstead replied that staff put enough controls in the contract that there wouldn't be a lot of risk if the company went out of business, and that the only loss would be replacement of the meters.

Commissioner Helgeson stated that compared to a normal requirements contract, this contract appears to make a good faith assumption that staff is moving forward and holding pricing that is advantageous by signing a contract that is much broader than normal simply to meet near-term requirements. He asked if there is an alternative that allows staff to do what is needed in the near term.

General Manager Gray replied that the existing contract could be used to replace the water meters but the cost would be more, and for electric meters, staff could negotiate and pay retail price. He reiterated that there is nothing in this contract that obligates EWEB to go beyond the initial number of meters purchased and that EWEB has broad out rights. He added that he believes Sensus is giving EWEB a favorable price because they think EWEB may buy more meters at some point but, again, even if the meters perform, there is still no obligation.

Vice President Brown stated that he also has concerns about the company, and that he wants to be sure that entering into this contract in no way obligates EWEB for the AMI project if these meters are replaced. He asked that the record show that he is not committing to the AMI project, not committing to spending \$26 million, and that EWEB is only obligated to buying the interval water meters, and enough electric meters to do the quality control testing.

Erin Erben, Manager of Power Resources & Strategy Planning, noted that the time of use pilot requires up to 400 meters but that quality control testing could be done with more than 400.

President Simpson asked how the data for the time of use pilot will be obtained. Ms. Erben replied that the meters will be read the same way they are for billing purposes.

Commissioner Manning stated that he fully supports General Manager Gray's position and that he supports the meters being replaced, but that when he read the document that was forwarded to the Board and General Manager Gray regarding the pending lawsuit against Sensus, it troubled him. He added that he has done a lot of research on ethics, and it is against his principles to go into business with a company that is already involved in litigation, and that he can't support this contract. He recommended that EWEB pursue other businesses that offer this same type of service.

Commissioner Mital stated that he is fairly supportive of the limited scope of the contract but that he is concerned about public perception and understanding.

President Simpson stated that he is comfortable with the risk profile, and that he is comfortable with accommodating metering changes that already had to be made, and the changes that are necessary for the time of use pilot. He reiterated that if by entering into this contract, the Board is not authorizing the \$26 million expenditure, he supports staff's recommendation.

It was then moved by Commissioner Helgeson, seconded by President Simpson, to approve the contract with Sensus, USA. The motion passed 3-2 (Manning and Helgeson voted no).

INTERGOVERNMENTAL AGREEMENT FOR LIMITED INCOME WHOLE HOUSE EFFICIENCY SERVICES

Mark Freeman, Customer Services & EMS Manager, stated that staff is asking for approval of a five-year intergovernmental agreement with the Housing and Community Services Agency (HACSA) of Lane County to provide whole house retrofit services for eligible limited income households in EWEB's electric service territory. This program will target EWEB owner-occupied customers whose income is defined as 60% below the State of Oregon median income guidelines, and an impact and participant evaluation will be conducted to determine the effectiveness of the program concept. Continued funding for the program will be dependent on the success of the pilot.

It was moved by Commissioner Manning, seconded by Commissioner Helgeson, to approve the five-year intergovernmental agreement with HACSA.

For the record, Vice President Brown stated a potential conflict of interest, as he is currently representing a property owner who is selling property to HACSA. The motion passed 4-0 (Brown abstained).

CUSTOMER CARE PROGRAMS: INTERGOVERNMENTAL AGREEMENT NO. 13-0001 LANE COUNTY HSD

Mr. Freeman recalled that EWEB contracts with Lane County Human Services Division (HSD) to administer EWEB's Customer Care programs. As the current contract with HSD expires on March 31, 2013, staff is requesting approval of a new five-year intergovernmental

agreement with Lane County HSD for their coordination and execution of the programs currently available to EWEB customers.

It was moved by President Simpson, seconded by Commissioner Mital, to approve the five-year intergovernmental agreement with Lane County HSD. The motion passed unanimously (5-0).

BACKGROUNDER/WHITE PAPER ON EWEB RATE-MAKING PRINCIPLES

Ms. Erben recalled that tonight's presentation continues the discussion from the February 19, 2013 Board meeting. She gave an overview of tonight's presentation, which will include policy level discussion and guidance from the Board on proposed EWEB ratemaking principles and objectives; approval of ratemaking principles and objectives (in concept) to guide future work in rate design; and specific direction on negotiated contract pricing principles and the use of rate design to provide low-income customer bill relief.

Ms. Erben briefly reviewed each of the proposed ratemaking principles staff would like to adopt:

- Sufficiency
- Affordability
- Efficiency
- Cost-Basis
- Equity
- Gradualism

She noted that the low-income piece (affordability and efficiency) will be the two principles that will be tested with the Board at tonight's meeting.

President Simpson asked if "affordability" refers to the average customer or the majority of customers. Ms. Erben replied that the CPI is the benchmark that staff has used, as BPA pass-throughs can't be controlled. She added that affordability would apply to the average customer, and that the Board can set parameters around what they can tolerate in terms of swings and what can protect certain classes of customers. General Manager Gray then gave some examples of adjusting these principles and how they affect and interact with each other.

With the use of overheads, Ms. Erben then reviewed the proposed rate design objectives, tiered rates and the balance between policy objectives and cost recovery, and conservation and efficient price signals.

Regarding new large load contract pricing, management recommended the following:

- Offering a very large new customer (>10 MW) a one-time option of selecting either portfolio pricing or market-based pricing, recognizing that a customer may not go back and forth between the two.

- Market-based pricing would include an allocation of any RPS obligation and/or provisions for potential future RPS obligation.
- Such an approach would be applicable only to the Very Large General Service customer class, but could be applicable to both new load and the large expansion of existing load.

Using overheads, Ms. Erben then reviewed negotiated retail rate contract options, the RPS compliance cost allocation, and a summary of class-specific rate design objectives.

Staff/management then requested Board approval of the proposed ratemaking principles and objectives to guide future ratemaking proposals and decisions with the following caveats:

- Management is not recommending sweeping changes to comply with these principles and objectives, but rather a commitment to gradualism that incorporates any modifications in balance with other objectives. Most urgently, management would like to see a continued emphasis on improving fixed cost recovery in rates for both utilities.
- As a way to benefit all EWEB customers, management recommends offering a prospective new large load (>10 MW) an option of either portfolio or market-based pricing (including RPS compliance costs), provided that it is a one-time option for that customer to choose.
- Management recommends against using rate design changes to standard tariffs as a way to buffer low-income customers from rate increases, but rather that the Board allow management additional time to present what it believes are more effective options to the Board in the near future.

Vice President Brown stated that he is all for using resources to support economic development.

President Simpson stated that it would be nice to be able to negotiate a deal if a customer balks at the price, and that it might subsidize residences, possibly even for low-income customers. He added that even though it would be a subsidy, it is sort of a win/win in a way.

Ms. Erben clarified that only the generation piece would be discounted, so the customer would still pay, and staff would either propose to have them pay average portfolio cost or pay market-based price, but they would still be paying a piece of the renewable portfolio and, either way, they would contribute toward the economic investment.

Commissioner Helgeson stated that he sees this as a really great match for EWEB's current conditions. He said that in his experience, usually electric prices are not a factor in location decisions unless industry has a cost of doing business of more than 10% of their cost structure, but he added that this gets leveraged very highly when trying to recruit new customers and that they will look for every advantage.

He also stated that his focus would be equity (is it appropriate for certain customers to have a choice?) and enforceability (with possible turnover in management and ownership).

Regarding enforceability, General Manager Gray reminded the Board that customers would not be able to “tariff hop” (flip-flop back and forth between market and co-op pricing).

Ms. Erben reminded the Board that staff is asking for endorsement of the principles, but not the specific tariff.

Commissioner Mital voiced his support.

President Simpson stated that he has no objections, and recommended approval.

It was moved by President Simpson, seconded by Commissioner Manning, to approve the proposed ratemaking principles and objectives.

Commissioner Helgeson stated that if there are negotiated deals, he wants to be sure they are brought before the Board in order to weigh the equity and enforceability issues and, as part of the equity piece, to show the benefits that the customer will bring to the community.

General Manager Gray assured the Board that they are approving no specific contracts this evening, and that those will be brought back to the Board for approval.

The motion passed unanimously (5-0).

President Simpson thanked Ms. Erben for an excellent presentation.

ITEMS FROM BOARD MEMBERS

Commissioner Mital gave kudos to the power marketing staff for the \$750,000 in new contracts that have been brought in with no additional cost.

He also commended staff for their sustainability policy.

Regarding the contract with Sensus, USA, Commissioner Helgeson asked staff to furnish the Board with some information about provisions in the contract that limit EWEB’s obligation to go to the full \$26 million cost, and to clarify the decision point and means by which the project will be approved for implementation. General Manager Gray replied that he will send a follow-up e-mail to the Board.

Vice President Brown stated that he had been made aware of a customer who had converted to gas heat who called to complain that his bill was huge, and that this was a result of a meter reading error, and the customer was refunded \$150. He wondered what would have happened if the customer wouldn’t have caught the mistake and called to complain, as this mistake bumped the customer into another tier. He reiterated that this was a huge mistake and he would appreciate staff follow-up on this issue.

Vice President Brown then stated that he will be leaving tomorrow morning for Sacramento, California for the Northwest Public Power Association (NWPPA) Board of Trustees meeting. He said that he doesn't know if he can continue to attend these meetings four weeks per year as it is really beginning to tax his business, and his personal time. He added that he would be willing to go to the next meeting in Bellevue, Washington in May, but that if there is someone who would like to take his place on the NWPPA Board, he would be fine with that.

General Manager Gray replied that EWEB cannot designate a replacement automatically, but that he will request that the Board of Trustees consider Vice President Brown's request. General Manager Gray noted that he himself cannot take Vice President Brown's place because it is a Board position.

Commissioner Helgeson voiced interest in taking Vice President Brown's place, possibly in trade for his current position on the Watershed Council.

President Simpson and Commissioner Mital agreed that would be reasonable.

President Simpson listed the following items:

- Attended the Lane Council of Governments (LCOG) appreciation awards dinner on February 28, and was nominated for and has been elected to the LCOG Executive Committee.
- The banking questions summary has been delayed for two weeks in order to ask if the Board wants to assign it to staff for research
- Received a complaint that one of the North Building meeting rooms had been double booked - he wondered if EWEB wants to continue to offer this service
- Will be going to Washington, D.C. next week to the American Public Power Association meeting with EWEB's lobbyist Jason Heuser. There is a plan in force to align lobbying efforts, and will probably combine meetings with the other utilities that are present.

Lastly, President Simpson gave the following summary of yesterday's meeting with the Mayor and Assistant City Manager:

"I met with the Mayor, Assistant City Manager, Sarah Medary; General Manager Gray and Jeannine Parisi, Community and Local Government Outreach Coordinator, yesterday to discuss the proposed City service fee. Jon Ruiz, City Manager, was sick and not able to attend. We talked about some of the political, technical and business issues such as 'skunk at the picnic,' footprint, enforcement, line item confusion, bill re-design, timing of the Board's vote, and the difficulty of separating opinions about the fee from the mechanics of fee collection. The Mayor acknowledged the sticky issues involving the service fee, and requested that our Board wait until after the election to decide yay or nay on whether EWEB will provide billing services.

Overall, it was a good conversation. It gave us an opportunity to raise some of the technical and business concerns with the Mayor and City staff that they may have not thought about yet.

EWEB is developing a list of the business and policy concerns and will forward the list to the City in written form. At this time the City has limited resources to address each of these concerns, so right now they will be collected and pondered, but no formal research will be done by City staff until the people vote yes on the fee.

If that happens, the mayor herself will come before the EWEB Board to formally request that we consider serving as the billing agency. The Mayor and Assistant City Manager did not consider a yes vote of the people to necessarily translate into an automatic yes vote by the EWEB Board.

We requested that the City provide more formal communication to the EWEB Board as a courtesy and to help air some of the issues so that there are no surprises in the future about political or business barriers.”

CORRESPONDENCE AND BOARD AGENDAS

General Manager Gray reminded the Board that Debra Smith, Assistant General Manager, will be speaking to the City Club on Friday, March 8, regarding the Riverfront Master Plan. He noted that the Planning Commission has delayed action regarding the Riverfront Master Plan until March 11.

Brad Taylor, Water Operations Manager, announced that yesterday EWEB received water rights to divert up to 20 million gallons per day (MGD) from the Willamette River, if necessary in an emergency situation. The Board and staff congratulated him on this great accomplishment.

President Simpson adjourned the Regular Session at 9:50 p.m.

Assistant Secretary

President

EUGENE WATER & ELECTRIC BOARD
WORK SESSION
EWEB BOARD ROOM
MARCH 5, 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, Cathy Bloom, Sue Fahey, Todd Simmons, Erin Erben, Mel Damewood, Steve Newcomb, Mike McCann, Harvey Hall, Sheila Crawford, Megan Capper, Michelle Martin, Adam Rue, Kathy Grey, Wendi Schultz-Kerns, Matt Sayre, Edward Yan, Roger Kline, Mark Freeman, Karen Lee, Lena Kostopulos, Frank Lawson, Lance Robertson, Deborah Hart, Patty Boyle, Susan Eicher, Anne Kah, Brad Taylor, Jeannine Parisi, Greg Armstead, and Taryn Johnson of the EWEB staff; Vicki Maxon, recorder.

President Simpson convened the Work Session of the Eugene Water & Electric Board (EWEB) at 5:38 p.m.

ELECTRIC UTILITY FINANCIAL STRATEGIES UPDATE

Cathy Bloom, Financial Services Manager, introduced EWEB's financial consultant, Jeb Spengler of SNW Securities, who has consulted for EWEB for approximately 15 years.

With the aid of overheads, Mr. Spengler presented a marketing and regional ratings update, EWEB electric ratings and medians, an analysis of EWEB's bond ratings, and a comparison of public power utilities' bond ratings between Standard & Poor's, Fitch, and Moody's.

He noted that the current rating agency focus is on liquidity, willingness to increase rates, environmental concerns, depressed wholesale market prices, and continued sluggish economic growth.

Mr. Spengler, Ms. Bloom and Sue Fahey, Fiscal Services Supervisor, then responded to questions and comments from the Board.

In response to a question from Commissioner Helgeson, Mr. Spengler noted that most utilities with generation have experienced lower bond ratings over the past couple of years due to the depressed market.

In regard to the possibility of EWEB's bond rating being lowered from AA to A, Ms. Bloom noted that there would be no changes in EWEB's bond contract, but access to the market and the cost for a credit line would be impacted. She added that the interest rate for new credit does not affect the existing bond rating at all, as it is sealed under contract.

Commissioner Mital asked why some utilities (investor-owned utilities, for example) choose to operate on a lower bond rating. Mr. Spengler replied that those utilities don't have as much cash on hand, they have less customers, and their service territory is less desirable.

Ms. Bloom stated that, historically, EWEB's financial policies were targeted for a AA bond rating, and she reiterated that it's really about access to credit, and that there would be a significant cost to maintain the AA rating when EWEB may not make use of it.

President Simpson asked how difficult it is to return to a AA rating after being lowered to A. Mr. Spengler replied that it is a slow process, and that the rating agencies look at two- to three-year trends, so it might take two or three years. He added that one strategy that might speed up that process would be to provide the rating agencies with frequent updates on EWEB's financial situation.

Commissioner Helgeson stated that he would favor a debt service coverage target in the range of 1.75. Ms. Bloom stated that the debt service target for 2012 was 1.93 and the budget that was adopted was for 1.61, so that would be below target for an A rating. She added that the goal in the long-term financial plan would be to move up from 1.75 and work over future years to keep it up, as it is safer to be in the 1.75 - 2.0 range.

Mr. Spengler added that the bond rate agencies look closely at financial forecasts, and that if they see a trend to work back up to 2.0, they look at that more favorably.

President Simpson stated that he is comfortable with a temporary decrease but not a long-term one. He asked whether or not this will need to be stated in a policy.

Ms. Bloom replied that she will present options and long-term projections at the March 19 Work Session, and that if Board policy changes to an A bond rating, the metrics will also need to be changed (i.e., 1.75-2.0), and that target reserves may also need to be revised. Mr. Spengler added that more credit is given for liquidity, and that EWEB may still fall into the AA category.

Commissioner Manning stated that he is skeptical about downgrading from AA to A because of the rating agencies' outlook, and that he would like to look at all the options more carefully and understand the process more fully.

Vice President Brown asked how EWEB could justify selling bonds for Carmen-Smith (a \$100 million project) and how the bond rating agencies view that. Mr. Spengler replied that the rating agencies look at debt more than they look at whether or not a project is economical. Ms. Bloom added that the agencies assume that EWEB will raise rates accordingly in order to keep the current metrics.

Roger Gray, General Manager, noted that at a 3-4 cents/kWhr range, Carmen-Smith would still be a solid investment. Debra Smith, Assistant General Manager, further explained

the cost scenario for Carmen-Smith and how the bond agencies view that. She noted that the bond agencies have been analyzing the Carmen-Smith project for some time.

Commissioner Mital stated that he is comfortable with an A rating. He reminded the Board that there are so many concerns on the table that are beyond EWEB's control, and that the only thing the Board can control is raising rates or reducing expenses.

Commissioner Helgeson reiterated that he would like to look at scenarios for a target of 1.75 debt service coverage.

Vice President Brown stated that he is comfortable with an A rating and that he would also be okay with the Carmen-Smith project not happening.

Mr. Spengler stated that he would prefer to continue to present EWEB's bond rating as AA and will work further with Ms. Bloom in order to do that.

Using a spreadsheet, Adam Rue, Senior Financial/Rates Analyst, reviewed how different financial scenarios would affect EWEB's long-term financial plan (i.e., how debt service coverage would change based on these proposed scenarios). His examples included delay of the Carmen-Smith project, reduction of O&M expenses, proposed rate increases, sale of assets, etc.

A brief discussion ensued regarding the Public Employees Retirement System (PERS) unfunded actuarial liability (UAL) and different ways to pay it down.

President Simpson asked Mr. Rue for a copy of the spreadsheet model so he could experiment with some financial scenarios on his own. He thanked Ms. Fahey and Mr. Rue for their work.

PUBLIC INVOLVEMENT IN BUDGET AND RATES PROCESS

General Manager Gray gave a brief recap of the discussion that was held at the February 19 Board meeting regarding three alternatives for public involvement in the budget and rates process, including a community budget and rates committee. He said that since that Board meeting, he has met with several of the Commissioners regarding how to form the committee and what the makeup of the committee should be.

In light of his meetings with several Commissioners, he said he would like to change the staff recommendation to alternative #3 (surveys) and alternative #2 (community meetings and more effective use of public hearings), which would result in more public participation. He noted that budget meetings could conceivably become budget hearings, with more public participation, restructuring of public testimony, and possibly a workshop format.

Regarding alternative #1 (a budget and rates advisory panel), he stated that there is not time to do it this year because of the amount of time it would take for the application process,

interviews of applicants, etc., and the fact that he wouldn't want to introduce the committee halfway through the 2014 budget process.

He noted that it would be best to choose the committee by the end of the 2013 calendar year (in order for them to begin their work in March 2014 for the 2015 budget), and that through other types of public outreach before then, staff may start to see some logical candidates come forward.

Commissioner Mital and President Simpson agreed with General Manager Gray's recommendation. Commissioner Mital added that it might be helpful to have the committee in place so that they could sit in on Board meetings in October 2013.

Vice President Brown stated he is concerned about getting the word out to the community about the budget process, let them know what is coming up, and why it is happening. He reiterated his statement from previous meetings that EWEB Board and staff need to get in front of the public much more than they currently are.

Commissioner Manning stated that he likes the idea of getting the committee in place by October so that they can get used to the budget process. He added that he himself would like to start speaking at some community meetings as soon as he can be scheduled.

Ms. Smith reminded General Manager Gray that EWEB has purchased clickers that will aid in audience participation during public meetings.

Commissioner Mital stated that he has a bias against website surveys because they produce skewed results, and that he wants all customers to have access to the same information. General Manager Gray agreed, saying that the surveys that are done will be statistically valid or controllable surveys.

As a result of delaying the budget and rates advisory panel process, General Manager Gray recommended that Resolution #1303 be tabled, and it was pulled from the Consent Calendar for tonight's Regular Session.

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

Assistant Secretary

President

EUGENE WATER & ELECTRIC BOARD
EXECUTIVE SESSION
EWEB BOARD ROOM
500 EAST 4TH AVENUE
MARCH 5, 2013
5:00 P.M.

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

Others Present: Larry Cable and Tom Grimm, of Cable Huston, General Manager Roger Gray, Assistant General Manager Debra Smith, Cathy Bloom and Taryn Johnson of EWEB Staff.

President Simpson called the Executive Session meeting of the EWEB Board of Directors to order pursuant to ORS 192.660(2)(h) at 5:00 p.m. to consult with counsel concerning the legal rights and duties of a public body with regard to current litigation or litigation likely to be filed.

President Simpson adjourned the Executive Session meeting at 5:30 p.m.

Assistant Secretary

President

EUGENE WATER & ELECTRIC BOARD
STRATEGIC PLANNING WORK SESSION
EWEB BOARD ROOM
FEBRUARY 19, 2013
6:15 P.M.

Commissioners Present: John Simpson, President; John Brown, Vice President; Dick Helgeson, James Manning, and Steve Mital. Commissioner Mital participated via speaker phone.

Others Present: Roger Gray, Debra Smith, Erin Erben, Todd Simmons, Felicity Fahy, Sue Fahey, Cathy Bloom, Mark Freeman, Sheila Crawford, Steve Newcomb, Dave Churchman, Brad Taylor, Mel Damewood, Jeannine Parisi, Kevin Biersdorff, Lena Kostopulos, Tom Williams, and Taryn Johnson of the EWEB staff; Vicki Maxon, recorder.

President Simpson convened the Work Session of the Eugene Water & Electric Board (EWEB) at 6:10 p.m.

General Manager Roger Gray recalled that this Work Session is being held to get further Board opinions and direction in order to sequence, align and prioritize long-range planning issues.

CONTEXTUAL OVERVIEW OF STRATEGIC PLANNING

General Manager Gray presented a contextual overview of EWEB's strategic planning process and reviewed the road map. Using overheads, he compared elements of the 2011 strategic plan to the 2012 strategic plan and emphasized that the approach for activities and focus areas of the 2012 plan is much different than in 2011, primarily due to affordability. He emphasized that for 2012, staff has recognized that it isn't affordable to attempt to do all things that they would like to do, and prioritizing and strategically planning activities that compete for both funds and staff support will be critical in managing work as we go forward.

General Manager Gray then reviewed why strategic planning is done and that strategic plans must be long-term and forward-looking. He noted that normally, the strategic planning process is to plan for every 3-5 years and then have an annual check-in, but that doesn't mean that there won't be a change in direction if major events occur or are forecast to occur (i.e., price collapse of the wholesale power market and a major recession).

He reminded the Board that they had previously agreed to refine the 2011 strategic plan rather than re-do it, and that the plan being discussed this evening is the 2011 plan with a 2012 update.

Using overheads, General Manager Gray then reviewed EWEB's operating capacity under current industry and financial conditions (ranging from 2007-2013), and emphasized the

volatility of the power market and no recovery in wholesale power prices, along with slow or no economic recovery, and hyper levels of uncertainty.

AFFORDABILITY OF STRATEGIC PLAN

General Manager Gray then addressed the affordability of the strategic plan. He asked the Board to visualize EWEB as a complex machine with four basic “dials” (or parts).

- Quality, reliability and scope of products (what EWEB does and how they do it)
- Financial health (debt coverage ratio and bond rating)
- Rate increases
- Risk (what risks does EWEB accept and what risks does it mitigate?)

He noted that the question is really what rate increases EWEB customers can afford and accept, and what should be done with the other three “dials.”

He then reviewed how projections from previous long-term financial plans have been affected by the collapse of the wholesale power market, the recession, and other factors, and how finally, EWEB ended up laying off some employees in 2012. He stated that there are still many hard decisions to be made, including cutting products, services and scope of what EWEB does; letting financial health slip (a decrease in debt coverage and bond rating); reducing capital investments and delaying projects and initiatives; and selling assets (e.g., real estate, generation, etc.).

Vice President Brown wondered, with his constituents currently complaining about the upcoming ballot measure, losing City services, and the proposed new City fees, how the Board can address a possible layoff of more employees vs. approving \$70,000 in energy education grants.

General Manager Gray replied that a top priority will be improving communication, including a possible customer survey. He noted that EWEB’s community budget committee process needs to get populated as soon as possible.

Vice President Brown stated that he would appreciate staff informing the Board on EWEB’s upcoming hard decisions so that they can communicate them consistently to their constituents, neighborhood groups, etc. He added that in the past he has been asked some questions he couldn’t answer because he didn’t have specific information.

President Simpson stated that he would like even more assistance than that, in the form of role playing, training, white boards, two-on-one discussions, etc.—i.e., basic public relations training for the Board.

General Manager Gray said he would be happy to provide that, and that staff could also accompany Commissioners to the neighborhood group meetings.

February 19, 2013

Work Session

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Commissioner Helgeson stated that he is supportive of the above public communication suggestions but also mindful of its constraints. He recalled that the Board doesn't always hear from the community as one voice, and that sometimes public opinion is difficult to manage because of their lives and circumstances. He said he would like to find the balance but that it may never be found due to different opinions and/or complaints about different issues.

Commissioner Mital voiced support for the community budget committee, and he wondered if staff can reserve some of the committee seats for technical experts who are also ratepayers, possibly EWEB retirees, current Springfield Utility Board (SUB) staff, etc. He added that he is far less supportive of community meetings, and that even though telephone surveys are the most expensive to do, he feels they would provide the best information in order to not shape opinions around a community perspective.

General Manager Gray agreed that whatever survey is done should be statistically valid and that the ideal candidates for the community budget committee would have diverse viewpoints, i.e., a homeowner, a business owner, etc. He noted that staff will need time to train the community budget committee regardless of their expertise (similar to the training that the Integrated Energy Resource Plan committee received), and that the application process is currently being crafted.

President Simpson stated that he is not prepared to make a recommendation tonight but that he supports what Commissioner Mital has said, and that he favors the community budget committee process over community meetings.

As Commissioner Manning was absent at the last Board meeting, he asked to be filled in later regarding the scope of the community budget committee.

General Manager Gray stated that it would be helpful to receive Board direction regarding the community budget committee at the March 5 meeting because they need to be on board through the 2014 budget process, which will last from May through September, and will need to be recruited and trained during the March/April time frame.

Vice President Brown stated that he wants to be sure the community budget committee represents a broad diversification of the community and not only people who have the time to volunteer. He noted that currently there are no members of any major local standing committee from Commissioner Manning's wards, and that almost 80 percent of the members of standing committees such as the Budget and Planning Commissions are from wards south of the river, mostly from southeast Eugene.

Commissioner Mital voiced his support for the community budget committee, but with short-term duration and limited independence in the beginning, and increasing amounts of authority to be granted over time.

President Simpson agreed, and said that he will allot 15 minutes on the agenda for this item at the March 5 Regular Board meeting so that each Board member can be polled between

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now and that meeting in order to see what pieces of the community budget committee process work for them and what pieces don't. The remainder of the Board agreed.

DISCUSSION OF COMMISSIONER TOP PRIORITIES

Sheila Crawford, Strategic Planning & Governance Coordinator, gave a brief review of the list of EWEB's Strengths, Weaknesses, Opportunities and Threats (SWOT) that each Commissioner identified at the January 2, 2013 Work Session. From that list, she asked each Commissioner to identify their top three or four priorities.

After each of the Commissioner's priorities were identified, a lengthy discussion ensued, which resulted in the order of some of the priorities being shifted or revised.

Commissioner Helgeson stated that he is comfortable with the general thrust and direction of the Strategic Plan, and that he is less concerned with the other priorities that have been identified until the financial strategies are addressed.

Commissioner Mital noted that his priority regarding rate structure is to insulate low-income customers from rate increases in whatever way that can be done—possibly by energy conservation support, welfare support, revising the rate tiers, etc., so that when the Board approves a rate increase, it can be more confident that it won't jeopardize certain segments of the community.

Commissioner Manning stated that in his opinion, a second source of water could possibly be combined with the Emergency Water Plan.

President Simpson stated that second source is not on his priority list and that he would be okay with delaying it for two years.

Commissioner Mital asked if lowering EWEB's bond rating from AA to A is a simple decision. General Manager Gray replied that generally it is, and that this is something the bond rating agencies determine. He added that EWEB's financial consultant and Cathy Bloom, Financial Services Manager, will address that in more detail at the March 5 Board meeting.

Commissioner Helgeson noted that financial strategies do not only include, for example, a decision about the bond rating but also how to handle surplus assets, power resources, etc., and knowing what all the elements are in order to support the strategies. General Manager Gray added that part of those strategies also includes how the Board chooses to finance items, for example, some utilities don't want to issue debt.

Vice President Brown stated that he wants to take another look at EWEB's rate structure and at least have a discussion.

Commissioner Mital reiterated that his main reason to do this would be to find a way to insulate low-income customers from future rate increases.

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Vice President Brown reminded the Board that some customers and businesses are moving to Springfield because of their lower rates, and that he wouldn't want to alienate the business class in favor of low-income customers.

Commissioner Helgeson agreed with Commissioner Mital's request to look at ways to insulate low-income customers from rate increases.

General Manager Gray then described his view of the Emergency Water Plan vs. second source water, and a brief discussion ensued.

Vice President Brown stated that he would still like to have a discussion regarding second source water (at least for the short term), i.e., a "Plan B" second source, which could include working with neighboring utilities.

After the above discussion and some re-shifting of Commissioners' priorities, Ms. Crawford stated that the top three priorities are: 1) Emergency Water Plan/second source; 2) financial strategies; and 3) low-income customer rate relief.

Commissioner Mital asked if it would be appropriate to narrow the second source discussion to include a broader collaboration with neighboring utilities. General Manager Gray replied that currently there is a two-pronged strategy for second source: 1) EWEB goes it alone (the most expensive); and 2) to collaborate with regional partners. He added that a possible third prong would be "second source light" (the smallest that can be accomplished that would cover essential operations for the community).

A lengthy discussion ensued regarding the possibility of collaboration with regional partners.

Erin Erben, Power Resources & Strategic Planning Manager, stated that the backgrounder for the March 5 meeting will cover many of the above issues, but that low-income rate relief would be a new priority that hasn't been addressed previously, so this would necessitate a re-prioritization of the work staff is currently doing.

General Manager Gray noted that EWEB's current energy conservation policies and programs benefit participating customers, but tenants, for example, are hurt by them and end up paying higher bills because their landlord hasn't participated in the energy conservation programs.

Mark Freeman, Energy Conservation and Customer Service Manager, stated that the backgrounder for the March 5 meeting also includes a customer education piece regarding the above.

A lengthy discussion ensued regarding how to prioritize the low-income rate relief issue, and that it may not be by adjusting the rate structure but instead with other tools (the Customer Care program, energy conservation measures, etc.).

The Board then agreed to ask staff to return to them with some options for low-income rate relief.

DISCUSSION OF ADDITIONAL AREAS OF IMPORTANCE

Ms. Crawford asked the Board to identify any additional areas of importance.

Vice President Brown asked for an update on the Riverfront Master Plan process.

Kevin Biersdorff, Principal Project Manager, gave the Board a brief update. He stated that City Council approval could occur as early as May and that when that occurs, EWEB needs to be ready as quickly as possible to move the identified parcels of land. He explained that because of complex financial considerations, high community expectations, the importance of market reach and timing, and many other factors, he intends to hire a real estate consultant through an RFP process. Mr. Biersdorff then listed some example tasks to include in the RFP and briefly reviewed the RFP process.

Vice President Brown asked who will assist in determining what land is surplus and who will set the price. Mr. Biersdorff replied that the real estate consultant will be responsible for this, and he added that EWEB may need to follow up with a marketing broker. Vice President Brown voiced concern about how to accurately gauge the bidders' ability to carry out these duties.

Commissioner Helgeson endorsed the hiring of a real estate consultant and agreed that EWEB needs to be positioned to move forward on the process, even though it may take a while. He voiced concern about the parcels of land being "cherry picked."

President Simpson asked how much money has been spent on the riverfront project so far. General Manager Gray replied that staff will do a Starboard report on that and will also include a report on the funds that have been set aside for disposition.

Vice President Brown voiced support for hiring the real estate consultant. He cautioned that the City Council will soon be discussing collapsing the riverfront urban renewal district, and that that would greatly affect the riverfront project.

Jeannine Parisi, Community and Local Government Outreach Coordinator, stated that individual conversations between the Board and City Councilors would be important, and that staff has already prepared some discussion items.

Commissioner Helgeson stated that he hopes the Board will have an opportunity to discuss the Bonneville Power Administration (BPA) passthrough strategy and the upcoming City of Eugene fee proposal. General Manager Gray replied that the BPA passthrough could be a part of the upcoming rate discussion.

Ms. Smith replied that information regarding the City fee proposal is forthcoming from staff.

Vice President Brown stated that he feels it is important for the Board to discuss the City fee proposal and take a stand early, before the election. General Manager Gray replied that he will follow up with the City Manager regarding a formal ask from the City.

A lengthy discussion ensued regarding the City fee proposal. President Simpson stated that there may be an opportunity for EWEB to participate in the wording of the ballot in order to make it clear that it is a City fee and that EWEB is merely the billing agent.

MANAGEMENT SUMMARY OF BOARD DISCUSSION, CONCLUSIONS AND NEXT STEPS

Ms. Bloom stated that the March 5 Work Session will consist of a financial initiatives discussion with EWEB's financial consultant, including EWEB's long-term financial plan, historical bond ratings, and the current bond market. She said that staff plans to present a simple model that will show the impacts of certain financial scenarios on debt ratio, i.e, sale of property or generation, and that they will also present financial options that would result in either a AA or A bond rating.

President Simpson asked staff to let the Board know how their choices can assist with putting together the budget.

Ms. Bloom also noted that at the March 19 meeting, staff will bring back scenarios on which financial options would result in what activities (i.e., cuts in service, etc.).

General Manager Gray added that staff will also present alternatives regarding what services would have to be cut in order to make rate increases more palatable, and he reminded the Board that the "status quo" rate increase is currently a high number.

President Simpson adjourned the Work Session at 8:50 p.m.

Assistant Secretary

President



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
FROM: Debra Smith, Assistant General Manager and Dean Ahlsten, Compliance Officer
DATE: March 21, 2013
RE: Rate Adjustment for Dark Fiber Leases

Issue Statement

At the March 19, 2013 Board Work Session, management gave an overview of EWEB's current "Telecommunications Asset Utilization" strategy which includes the leasing of excess fiber optic strands to public agencies, higher education institutions and medical service providers. At the April 2, 2013 Board meeting, management will request Board approval of a new Dark Fiber Lease Rate, specific to these three groups.

Background

The last time the Board authorized an adjustment to dark fiber lease rates was April 2004. Rate adjustments since that time have been written into multi-year contracts in accordance with annual City of Portland Consumer Price Index (CPI) increases. Because of the different timing of the execution of these agreements, EWEB is presently charging slightly different rates for the same service. Furthermore, CPI adjustments have not kept pace with the cost of operating the network.

Discussion

There are nine Dark Fiber customers affected by this rate adjustment: the City of Eugene, Lane County, Oregon Department of Transportation, Peacehealth, White Bird Clinic, Oregon Medical Group, LS Networks, the University of Oregon and Lane Community College. Staff has notified each customer of the pending adjustment. These services are billed on a quarterly basis to minimize administrative costs, as they are done manually.

Additionally, EWEB has two short-term (three and five year) Agreements in place with a commercial telecommunication service provider at a higher rate of \$43.20 per strand-mile per month. During the March 19 Work Session, the Board indicated a desire for further discussion on the basis of offering a rate that is not based solely upon cost of service principles.

Recommendation

Management recommends that the Board approve a rate adjustment that aligns lease fees for all public agencies, higher education institutions and medical service providers.

Requested Board Action

Approve Resolution No. 1304.

Please contact Debra Smith at 685-7196 or e-mail at debra.smith@eweb.org if you wish to discuss this material.

**RESOLUTION NO. 1304
APRIL 2013**

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

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

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

WHEREAS, EWEB has expanded its fiber optic network and has experienced increases in construction, operation and maintenance costs associated with the provision of Dark Fiber Leases;

WHEREAS, EWEB sets its Dark Fiber Lease rates based on a cost of service methodology;

WHEREAS, the most recent methodology study formed the basis for the 2013 Dark Fiber Lease Rates;

WHEREAS, EWEB leases Dark Fiber via “indefeasible Right of Use Agreements” (IRUs) or “Intergovernmental Agreements” (IGAs) that make provision for annual escalation based upon the City of Portland’s Consumer Price Index (CPI);

NOW, THEREFORE, BE IT RESOLVED that the Eugene Water & Electric Board hereby authorizes the General Manager to adjust the Dark Fiber Lease Rate for public agencies, higher education institutions and medical service providers to \$21.13 per strand-mile per month, adjusted annually thereafter based on the City of Portland CPI, beginning with bills rendered on or after April 1, 2013.

Dated this 2nd day of April 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 Resolution adopted by the Board at its April 2, 2013 Regular Board Meeting.

Assistant Secretary