

EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
APRIL 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, Karen Lee, Cathy Bloom, Sue Fahey, Susan Eicher, Todd Simmons, Mel Damewood, Roger Kline, Laurie Elliott, Brad Taylor, Mark Freeman, Matt Sayre, Wally McCullough, Dawne Howard, Mike McCann, Joe Harwood, Lena Kostopulos, Sheila Crawford, Patty Boyle, Wendi Schultz-Kerns, Steve Mangan, Frank Lawson, Dave Churchman, Kathy Grey, Sibyl Geiselman, Jeannine Parisi, Mark Oberle, Mark Maguire, Mark Zinniker, Will Price, Joe Harwood, Steve Newcomb, and Taryn Johnson of the EWEB staff; Vicki Maxon, recorder.

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

AGENDA CHECK

There were no items.

PUBLIC INPUT

Mike Hatton is a professional energy efficiency consultant. He said that the recent Register-Guard article and General Manager Gray's op-ed piece regarding the reduction in energy conservation programs and services cut him to his soul. He asked the Board to understand that there are external environmental factors regarding how customers use energy, and he wondered how EWEB will respond to changes in regulatory values. He also asked the Board, in light of the fact that there may continue to be a long-term period of economic turbulence, what EWEB's long-term plan is if economic recovery does not happen soon. Regarding the demonstrated energy demand elasticity seen in the last few years, he stated that EWEB can choose to use less and not spend a lot of capital up front to do that. And finally, he stated that he believes EWEB is sending mixed market messages, with a third cycle downward in energy conservation. He reminded the Board that Eugene is known as the green city of the United States and the best city for parks and outdoors, and is internationally known for their leadership in energy conservation.

Kathy Ging gave the following testimony:

"This was not the testimony I had planned - I wanted to discuss research into fiber optics since I had sent the Board several emails in one day last month about Chattanooga, TN, researching this option for 10 years before adopting it for smart meters and other information

highway deliveries. But due to the news about EWEB's suspension of conservation and solar water heater incentives in the last few days, I changed the topic.

Conservation is still, like in the 70s, our major new energy source. I am concerned, like many EWEB ratepayer-owners, about many of the paths EWEB has taken in recent years.

It is not just that EWEB has experienced foundation shaking from decreased revenues and morale loss from layoffs and employees quitting due to being unhappy, insecure, or at odds with management direction--some of them were out of synch with divergent directions the utility has taken.

Under new guidance in recent years, EWEB steering during an economic downturn was not a task for the faint-hearted. Roger Gray has stood up to the task. But regarding some other directions EWEB has chosen or almost selected is where discomfiture increases. We were not going to have citizen committee involvement for the Integrated Electric Resource Plan (IERP) until citizen ratepayers and I expended considerable time and pressure on the EWEB Board to reverse its tentative decision so that finally they did include citizen involvement--standard protocol in three prior IERPs.

It is the fact that the solar contractors were not even informed recently about suspension of zero-interest loans and other incentives. EWEB's decades of working with solar contractors, plumbers and electricians are at stake for solar water heating, a demand reduction energy efficiency measure--this learning curve could go down the tubes, as could infrastructure of companies currently geared up to weatherize and install solar DHW.

Conservation contractors were informed about the cutbacks. But, "oh, we forgot," EWEB staff told a solar contractor inquiring why they were not informed.

Also questionable is the timing of the conservation incentive suspension hitting the press at spring break with no public forum or interaction invited. This has been a public relations nightmare.

It is the way the \$26 million potential Sensus/Landis & Gyr 1300-plus page contract was submitted to the Board on March 5, 2013 as an awkwardly orchestrated platypus, leaving gaps and confusion in minds of Board members whose approval vote split 3-2 for the tentative contract--itself an anomalous practice in the utility business, according to reliable sources.

As a result of our increasing concerns, a group of EWEB ratepayer owners may write a rough draft white paper leaving lots of blanks, because answers are not easily found as to exactly who is guiding new policies and future directions of Oregon's largest publicly owned utility, once heralded for its pace-setting conservation and renewable energy programs.

Concerning press about the conservation suspension: I talked to the RG reporter who wrote the March 30th article, asking if she knew where the directive came from for conservation

program cutbacks and whether EWEB Board had been consulted. She did not know the answer, having not asked the question.

This is a major concern to the public--after 30 years of successful conservation programs, why are we choosing to cutback now? In the March 30 front page RG article EWEB's Lance Robertson stated, "EWEB will be back," but the program may be changed to emphasize "demand management," which uses meters that allow customers to shift their use of electricity away from peak hours, so EWEB doesn't have to pay the most expensive price to supply it.

Conservation programs will be back, too, he said. "We still want to provide that option to customers, and it's still a value of the utility," Robertson said. "It is a way for customers to mitigate the added cost of when we have a rate increase--or just to be more efficient in terms of energy use. That's a good thing."

Concerned about the future of our neighborhood-owned/publicly owned utility, I ask any members of the public or staff to write to me at Kathy@KathyGing.com with your concerns and thoughts about EWEB's past, present and future. Your name can remain anonymous. I have already received offers to help write the document."

James Walton is a senior at the University of Oregon, working with the nonprofit organization Focus Nation in Portland, which empowers students to bring new energy discussions to the community. His student group was awarded an EWEB grant for the SCORE program, which has educated 140 students in energy conservation and has influenced approximately 200 tenants. Students training to be energy auditors have performed 130 hours of labor and have been inspired to pursue careers in energy conservation. He thanked EWEB for their financial backing and added that the Score program will continue with partial funding from the City of Eugene.

Commissioner Mital thanked Mr. Hatton for his testimony. He stated that there are many customers who concerned about the drawback in funding for energy conservation, but there is a more complicated picture that hasn't had time to be aired, and that will be forthcoming. With EWEB moving into demand management and with potential legislation at stake, he asked Mr. Hatton to give EWEB time, as they have been a leader in energy conservation for 30 years and he doesn't believe that will change.

Commissioner Helgeson agreed with Commissioner Mital's comments. He stated that the suspension of programs actually came as a surprise to him as he doesn't believe there was adequate opportunity for the Board to discuss it, and he regrets that, and wishes the Board would have looked at it more closely. He said that he will be looking at what EWEB can do as soon as possible in order to "get back on the radar" regarding EWEB's commitments and to contemplate transition options.

Vice President Brown stated that there are guidelines in EWEB's Integrated Energy Resource Plan (IERP) regarding conservation programs and goals, and that EWEB is still a leader in every category for energy conservation compared to other utilities. He reminded the

audience that EWEB is facing large financial challenges and a lot of issues in the community. He echoed what Commissioner Mital said, that EWEB is giving up on energy conservation programs, just ratcheting back.

President Simpson echoed the other Commissioners' comments and said he had nothing to add.

Commissioner Manning agreed with the other Commissioners' comments, and reiterated that there is more to the story than what was in the Register-Guard article, and he added that EWEB is not backing away from energy conservation programs and services, but refocusing on existing resources.

CONSENT CALENDAR

MINUTES

1. a. February 19, 2013 - Special Board Meeting
- b. February 19, 2013 - Work Session
- c. March 5, 2013 - Executive Session
- d. March 5, 2013 - Work Session
- e. March 5, 2013 - Regular Session

CONTRACTS

2. Findlay Engineering, Inc. – to provide consulting services for the FERC Part 12D Dam Safety Inspection Report at the Carmen-Smith Project, as required by FERC every five years - Engineering Department - \$28,000. Contact person is Mel Damewood.

3. Oregon Electric Group - for commercial electrical services needed on occasion at EWEB facilities (Headquarters, Roosevelt Operations Center, Hayden Bridge and upriver facilities and housing). Electric services required are comprehensive, from low voltage wiring to high voltage commercial projects - Electric Operations - \$500,000. Contact person is Todd Simmons.

4. Overton Safety Training, Inc. - for mobile and articulating boom crane operation certification training to meet the federal code requirements by January 1, 2014 - Human Resources - \$40,000. Contact person is Lena Kostopulos.

5. Roto-Rooter Plumbing & Drain Services - for Services contract 2279, Phase II of the Water Heater Pilot Program - Power Resources and Strategic Planning - \$3,500 (total \$ 23,130). Contact person is Erin Erben.

6. Westates Flagman, Inc. - for traffic control and flagging services for general maintenance work, tree pruning and removal work that are NOT subject to Bureau of Labor and Industries (BOLI) prevailing wage rates – Electric Operations - \$700,000. Contact person is Todd Simmons.

7. Williams Land Improvement - for Electric Utility Right of Way Clearing/Mowing and Tree Topping/Falling Services to maintain EWEB's Right of Ways - Electric Operations - \$250,000 (over five years). Contact person is Todd Simmons.

RESOLUTION

8. Resolution No. 1304 - Rate Adjustments for Dark Fiber Leases, Contact Person is Dean Ahlsten.

APPROVAL OF CONSENT CALENDAR

Vice President Brown pulled item #6.

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

ITEM REMOVED FROM CONSENT CALENDAR

Vice President Brown asked for confirmation that the Westates Flagman contract is not a Bureau of Labor & Industries (BOLI) contract. General Manager Gray replied that it is not. He explained that that this contract is for maintenance and support for tree trimming efforts, as it is less expensive to outsource this service, and that the portion that was in-sourced is the BOLI portion. Todd Simmons, Electric Operations Manager, further explained that EWEB has two contracts with Westate Flagman, one for capital improvement, and this one only for maintenance, almost exclusively for tree trimming.

Commissioner Helgeson asked for clarification of the protocol for pulling items from the Consent Calendar. General Manager Gray confirmed that prior to a Board meeting, Commissioners may ask questions about a consent calendar item via e-mail or phone, and if the answer is satisfactory to them, the item does not need to be pulled at the meeting. General Manager Gray apologized for the lack of clarity around the protocol for this.

It was then moved by Vice President Brown, seconded by Commissioner Helgeson, to approve item #6. The motion was approved unanimously (5-0).

2013 FIVE-YEAR ELECTRIC AND WATER CAPITAL IMPROVEMENT PLAN (CIP) UPDATE AND 2013 BUDGET AMENDMENTS (BAM) #2, 3, 4 AND 5

Mel Damewood, Water Engineering Manager introduced Wally McCullough, Water Engineering Supervisor and Frank Lawson, Systems Engineering Supervisor.

Using overheads, Mr. Damewood presented the annual update on the Five-Year Electric Capital Improvement Plan (CIP) and the proposed budget amendments, and reviewed the carry-over items that were not completed by year-end 2012. He noted that his presentation will be a

higher-level view since the Board had already received a backgrounder, and that following his presentation, the Board will be asked to approve the budget amendments.

Mr. Damewood then described type 1, 2 and 3 capital improvement projects and gave examples of each, and reviewed the electric capital planning process. He noted that during staff's capital project re-prioritization process, the emphasis was on not compromising safety and reliability.

Using overheads, Mr. McCullough reviewed the water capital planning process, the targets for capital budget reductions, the proposed reductions or deferments, the process for reducing capital expenditures, and what impacts occur by adjusting capital spending.

Using overheads, Mr. Lawson reviewed the electric capital planning process, the resulting capital priorities, some examples of those priorities, and what impacts occur by adjusting capital spending.

Mr. Damewood then reviewed the next steps in the process, which will include Board questions and discussions during the next few months, further adjustments to the CIP by staff, and finally, presentation of the draft 2014-2018 CIP to the Board at the July financial work session.

Commissioner Manning thanked staff for their excellent presentation and commended them for an innovative approach to saving money.

President Simpson agreed, and thanked staff for a thoughtful and diligent focus on prioritizing projects and finding the balance in order to save money or, in some cases, spend more money to insure reliability.

Vice President Brown asked why the downtown underground electric distribution network rebuild project has been pushed back when he had heard earlier that it was being moved up.

Mr. Damewood replied that the fire that occurred was as a result of a failure of the secondary system and not a transformer. He explained that staff has studied options for the downtown network, whether to replace it as is or rebuild it as not a full redundant downtown network, as it may save millions of dollars to take a different approach. He said that a consultant is looking at reliability impacts vs. cost, and that staff will report back to the Board on the findings. He noted that it is a matter of how much capacity crews have to do the work, as a \$15 million project done by EWEB crews can't be fit in within a two-year time period.

A brief discussion ensued. Mr. Simmons stated that EWEB has put together an underground distribution network inspection team, and he feels like there is time to make the proper decisions on issues such as this.

General Manager Gray stated that he agrees that the underground network rebuild remains a high priority and that, along with forming the underground inspection team, other risks have been mitigated, including the steam line that used to be there. He added that the design is still being debated and that he feels comfortable with what staff is doing. Mr. Damewood added that there will be \$4 million worth of underground cable replacement done this year as well.

Commissioner Helgeson stated that he appreciates how far the capital planning process has come, and also the effort to better quantify risks and balances based on certain criteria.

Mr. Damewood briefly reviewed how dashboard and performance standards will be prepared.

Commissioner Mital thanked staff for an excellent presentation. He said he is interested in learning more about what the Board's role is in this process and that he looks forward to more detailed information on dashboard and performance standards.

Mr. Lawson briefly reviewed the approach for performance/reliability metrics (SAIFI [System Average Interruption Frequency Index] vs. SAIDI [System Average Interruption Duration Index] measures) and stated that the Board can help provide direction on how much risk to take in that area.

A brief discussion ensued regarding "adjusting the dials" for the above metrics and the service implications, rate cost implications, etc., of those adjustments.

It was moved by Vice President Brown, seconded by Commissioner Mital, to approve Electric Budget Amendments #2 and #3 and Water Budget Amendments #4 and #5. The motion was approved unanimously (5-0).

ITEMS FROM BOARD MEMBERS

President Simpson stated that he had sent e-mails to the Board on March 16 regarding the final results of the poll regarding local banking institutions. He asked the Board if they wanted staff to pursue this process.

Commissioner Mital thanked President Simpson for the experimental process of compiling the results of the poll, and he wondered how staff will go about answering all the questions that were compiled.

Vice President Brown stated that he doesn't want to pursue the process, because if the Board goes ahead with outsourcing some of EWEB's banking, they will have to open up many other services for outsourcing, and he doesn't believe that would be a wise expenditure of staff time.

President Simpson stated that he also doesn't want to pursue the process, and added that he believes the polling process was adequate, even though he believes staff could easily condense the questions that were compiled.

Commissioner Helgeson stated that his interest in this item was not to drill down regarding public concern, but to engage parameters on how EWEB conducts that part of their business. He added that he sees it as an opportunity for the new Commissioners to better understand what EWEB's banking relationships are, the regulatory parameters, etc., but that he is indifferent on how the Board approaches it.

Commissioner Manning agreed that it was an excellent exercise and an informative process, but stated that he is not in favor of moving ahead any further, as staff is already stretched as far as they can be. He added that he believes the Board did what they could to consider the request.

Commissioner Mital stated that he's seen a number of people attend and testify at Board meetings and has also read the newspaper and heard conversations expressing concern about a perceived shift in EWEB values, and it seems to him that there's a handful of low-cost or no-cost things that staff could do to change that. He added that in his opinion, it's the same group of people who feel that way, and he'd like to make an effort in that regard.

Vice President Brown recalled that when the printing of the EWEB bills was outsourced to Los Angeles, a local printing company questioned why that was done. He reiterated that if the Board addresses a small segment of the community's requests, then they will have to open it up to address others' requests, and he doesn't believe that is part of EWEB's mission. He added that the Board has to make a business decision and conserve as many people as they can, and spend as little money as they can.

General Manager Gray stated that Cathy Bloom, Financial Services Manager, has the schedule to look at EWEB's various financial services, some time in the next quarter. He recalled that previous Boards have desired transparency in all processes, and he suggested that staff bring the Board a backgrounder on what, if anything, the Board can do on adopting policies regarding various preferences, i.e., what is the definition of "local," etc., and then legal opinions can be obtained. He noted that if the Board adopts a local preference, it can become tit for tat, and may end up penalizing EWEB's own competitive businesses, and he voiced the desire to pursue this as a general issue as opposed to just a specific banking issue.

The Board supported General Manager Gray's suggestion. President Simpson confirmed that there will be no backgrounder regarding banking services, but that staff will continue to pursue this as a general issue. He asked the Board to let him know if any of them would like to address this again in the future.

President Simpson noted that he e-mailed a summary of his legislative trip to Washington, D.C., to the Board on March 16.

Regarding the Carmen-Smith emergency budget item discussed earlier, Vice President Brown asked whether or not, if a \$1 million emergency item is needed, that would be double-dipping, since there is already staff time in the budget.

General Manager Gray replied that a portion of that budget item was for construction, a portion of it was for an outside engineering contract, and a portion of it was for internal staff time, i.e., it was a capital-for-capital tradeoff for internal labor, as fish ladder construction was bumped up and other items were deferred.

Commissioner Helgeson stated that having just returned from California, he wanted to acknowledge how blessed EWEB is to have such a great water resource.

Commissioner Helgeson then acknowledged that EWEB is going through some difficult times and difficult decisions, and that he is proud of the process, and also that somewhere, despite tough decisions, there are values and principles that EWEB stands for and represents that will tend to look in the short term like they're being walked away from. He said that he believes EWEB ought to look for opportunities to remind the public of those values, and remind themselves that they need to keep those values in mind and have them available so they can be resurrected and continue to be demonstrated. He hoped that EWEB will continue to look for ways to preserve the values and principles that are important to them.

Commissioner Mital stated that he is now caught up on the American Public Power Association webinars, and that, for the most part, he found them useful. From one of them, he recalled the top five things Boards ought to focus on in order to be successful, and he noted two that stood out: setting strategic direction, and monitoring performance. He noted the proactive work that staff does on the Board's behalf so that the Board can set strategic direction in a better way, and also the performance metrics that General Manager Gray has taken on. He gave kudos to staff for their great work.

Commissioner Mital acknowledged the article General Manager Gray had written for the Eugene Daily News regarding updating EWEB values, noting the specific mention of affordability and sensitivity to low-income customers, and he thanked staff for keeping that issue front and center.

Commissioner Manning thanked staff for a very educational Board meeting and their well-done presentations, and said that he learned a lot this evening. Regarding the financial institution poll discussed earlier, he reiterated that while he supports the effort, he believes it would take a lot more probing and that there would not be an easy answer, and that he isn't sure staff has the time or resources to take that on.

Commissioner Manning noted that he attended his first Other Post Employment Benefits (OPEB) meeting on March 25 and attended the APPA webinar on March 28, and found them both very interesting. He commended staff for their excellent work and General Manager Gray for his leadership, and said that it is a pleasure to serve on the EWEB Board and that he continues to learn and grow.

General Manager Gray thanked Commissioner Manning for the compliments. He agreed that the alignment issue Commissioner Helgeson spoke of is an important one. Regarding the letter in the Eugene Daily news, he agreed that these are tough times and that EWEB needs to focus on its values. Though he did not mention it in that article, he said EWEB needs to be proud of their five-year contract with Housing and Community Services Agency (HACSA) to attempt to reach the low-income community, both renters and homeowners, as those customers haven't been able to participate in conservation programs previously. He added that he would like to find a way to bridge the tenant/landlord gap, as it is a tough one to tackle. He assured the Board, staff and audience that EWEB is not walking away from conservation, and he reminded them that EWEB's IERP spoke to efficiency and demand response. He said that even with retaining Carmen-Smith, EWEB will be facing the acquisition of peaking plants, and that demand response is critical, and he considers that as conservation.

CORRESPONDENCE AND BOARD AGENDAS

There was no correspondence other than the carbon tax policy paper the Board received previously.

General Manager Gray noted that there are currently three bills regarding carbon that are before the Legislature which EWEB needs to take a leadership role on, and these can either be discussed individually or at a Board meeting.

He reminded the Board that the Board retreat is this Saturday, April 6, and that the retreat facilitator has sent some pre-retreat work for both him and the Board to complete.

Commissioner Helgeson reminded the Board that he will be absent from the May 7 Board meeting.

President Simpson adjourned the Regular Session at 9:15 p.m.

Assistant Secretary

President