

EUGENE WATER & ELECTRIC BOARD  
REGULAR SESSION  
EWEB BOARD ROOM  
APRIL 16, 2013  
5:30 P.M.

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

Others Present: Roger Gray, Debra Smith, Sibyl Geiselman, Jason Heuser, Roger Kline, Erin Erben, Steve Newcomb, Dave Churchman, Tom Williams, Wendi Schultz-Kerns, Kathy Grey, Frank Lawson, Mark Freeman, Sue Fahey, Matt Sayre, Kevin Biersdorff, Jeannine Parisi, Tim Odell, Julie Bivens, Will Price, Lisa, Atkin, Dan Morehouse, Lori Price, Anne Kah, and Taryn Johnson of the EWEB staff; Vicki Maxon, recorder.

President Simpson convened the Regular Session of the Eugene Water & Electric Board (EWEB) at 5:43 p.m.

**AGENDA CHECK**

President Simpson stated that item #4 has been pulled from the agenda.

**ITEMS FROM BOARD MEMBERS**

Commissioner Helgeson appreciated staff for the clarity of the backgrounder provided for tonight's meeting.

He stated that he continues to attend the McKenzie Watershed Council meetings and recently heard an interesting presentation from Metro Wastewater Management Commission (MWMC) staff on their plans to deal with issues regarding discharge in the Willamette River, which included a component for water waste. He added that if Board or staff wanted follow-up on this, he would be happy to connect them with the person who gave the presentation.

Commissioner Mital noted that on Saturday, April 20, EWEB and other community partners will be celebrating Earth Day at the EWEB plaza, and that the winner of this year's Green Power grant will be announced at 3:00 p.m.

President Simpson stated that he presented energy efficiency awards to the MWMC via representatives of the Eugene and Springfield City Councils, for significant energy savings at their water treatment plant.

President Simpson stated that he sits on the Lane Council of Governments (LCOG) Board, executive committee and budget committee, and that LCOG's budget is now up for approval. He said that when LCOG's new director came into her position, there was a \$1.3 million budget shortage, and that after "turning over every rock," she has now lowered this

shortage to \$45,000. He said this is a fantastic testament to her capability as a leader, and that he is proud to be a part of that organization.

## **PUBLIC INPUT**

**Tim Bennett** is a resident of the Friendly Neighborhood, and a retired Safety & Occupational Health professional with the federal government. He presented the following testimony:

“Unlike the residents who live around the reservoir, my water source is the reservoir. Only people who live 90 feet below the reservoir get their water from it. Those who live in proximity of the reservoir get their water from the water tower next to the reservoir. The safety of their water is not at risk. Theirs is strictly a recreational use, and I hope the Board will weigh their input accordingly.

As a safety professional, I used risk management as a tool to come up with the safest way of doing things. One of the early steps in the process is to eliminate known risk, if possible, and mitigate ones you can't. You cannot eliminate all the contaminants to the water, but you can eliminate one source of contaminant by closing off the reservoir, thus protecting the safety of drinking water that thousands of residents and schools use. Why would you want to increase the risk to our drinking water for someone's recreation?

There are parks close by that residents can use, such as Washington Park four blocks away, Adams Elementary School seven blocks away, Friendly Park six blocks away, Frances Willard Elementary School three blocks away, and a suede park that the locals call Madison Meadows, three blocks away.

The Federal Safe Drinking Water Act's strategy is to strengthen public health protection from contaminants in drinking water. As a safety professional, I've dealt with situations where contaminants have been within legal ranges but still made workers sick because of the workers' sensitivity. Older residents and children can be more sensitive to contaminants than other individuals. If the water ever became tainted with bacteria, the proximity of four elementary schools would cause a large number of children to be exposed.

Just this past weekend, vandals tore the gate off the reservoir. Don't wait for them to do more damage. Please secure the reservoir now.”

**Bob Cassidy** told the Board that he is very impressed with the way the new Board is functioning, and he told them that this Board feels much better to him than when he sat on the Board. Regarding a portion of his testimony at a previous Board meeting, he confirmed that what he meant to say was that he wants to the Board to think about the advantage of borrowing money when rates are low and repaying it at a lesser amount. He closed by saying that he is very interested in the Board addressing the sale of real property, and that the City Council is also looking at selling assets.

**Amanda Wiebush** is a resident of the Whiteaker neighborhood and a graduate student at the University of Oregon, who supports a carbon tax. She said she understands EWEB's support for immediate action on climate change, and she believes a carbon tax is the best solution to achieving this goal. She noted that a carbon tax could influence an increase in the price of fossil fuels in order to make the price of renewable energy look better in comparison; and that Eugene has a high level of fossil fuel emissions. She believes that moving toward an electrified transportation system would also create more use for EWEB's green power. She asked the Board to do some research on how to make the tax revenue neutral so it doesn't harm customers who need to pay their bills, and she added that by placing the tax, it would account for external costs which are getting high with the increased risk from storms and floods. She urged the Board to support the carbon tax.

**Manly Norris** is a graduate student at the U of O studying leadership in sustainability, who supports climate change legislation. He said that many Oregon corporations have already urged Congress to combat climate change, and that he appreciates that EWEB has sustainable policies and practices in the course of their business and that they are prepared. He believes that EWEB making a public announcement in support of a carbon tax will add a powerful voice in Salem to ask for change that couldn't come any sooner.

**Jerry Olton** thanked EWEB for keeping College Hill Reservoir open so far, as it is a wonderful resource for all of Eugene and even for people from other countries who visit here—a place to go to observe the sky and watch the sunset. He realizes that EWEB has had trouble with public access and leaking joints, but he doesn't believe the two are connected. He stated that Oregon health authorities mandate that the leaks have to be sealed, but if they are sealed in a manner that doesn't make them vulnerable to casual visitors, there is no reason to close the reservoir. He noted that he met with EWEB staff on April 9 and was very encouraged, as EWEB staff seems willing to work with the neighborhoods, and vice versa, to keep graffiti and litter to a minimum and to prevent residents from gathering there on the 4<sup>th</sup> of July. He again thanked EWEB for keeping the reservoir open and working with the neighborhoods, and invited everyone to a star party being held at the reservoir on Friday, April 19.

**Gordon Levitt** lives in South Eugene and is a law student at the University of Oregon. He urged EWEB to support the carbon pricing mechanism, and he noted that this pricing has already been adopted in California, British Columbia, and in other countries. He believes that pricing carbon is an opportunity to reshape Oregon's future, and will assist in protecting consumers and create a revenue stream. He added that there is a moral and likely legal obligation to take steps to slow and halt carbon emissions, especially when Oregon has a distinguished history of environmental leadership, and when Governor Kitzhaber has already signaled his commitment.

**Gwen Buckley** lives in the West Jefferson neighborhood and is a graduate student at the University of Oregon. She urged EWEB to publicly support greenhouse gas emission pricing, as it discourages behavior which causes climate change. She noted that British Columbia's carbon tax incentives decreased the consumption of refined petroleum products by 13.1% between 2008 and 2011, and the consumption of gasoline by 4%, and by 3% in the rest of Canada. She added

that the Northwest Economic Research Center has estimated that a carbon tax in Oregon started in 2013 would generate an average annual increase of approximately \$1.1 billion in revenue, and by 2025, emissions would be 12% below the baseline forecast, and the tax would generate revenue of approximately \$2.1 billion.

Tom Bowerman is an EWEB commercial customer using 100% green power. He is in support of a carbon tax, which is less susceptible to meddling and misuse with cap and trade. He presented a graph to the Board of five jurisdictions in the U.S. and other countries and asked them to look at the lack of correlation between income per capita and carbon emissions. He believes that in spite of the pushback from some people, and possibly the Oregon Legislature, a carbon tax will not kill the economy. He also presented a graph regarding the myths and facts regarding the carbon tax in British Columbia, which is similar to what he would like to see Oregon do, as well as to participate in a consortium of west coast jurisdictions in order to address regional problems. He commended EWEB for their recent staff presentation regarding the carbon tax, and he urged the Board to not just think about a carbon tax, but to support it, now.

Commissioner Manning thanked everyone for their testimony. He said that the Board hears their concerns and that their concerns are important to them, and that the Board will do the best they can to satisfy some of their requests.

Commissioner Mital thanked everyone for their testimony. Regarding College Hill Reservoir, he stated that it is pretty clear that there are many sides to this coin, and that from his interactions with staff he has found that they are willing to work to find a solution that can hopefully benefit all parties. He also gave “three cheers” to the University of Oregon graduate students who testified regarding the carbon tax, as he believes they “hit it on the head.” Lastly, he told the audience that he believes they will find that General Manager Gray is willing to stick his neck out pretty far in support of the carbon tax.

Commissioner Helgeson thanked the public for their testimony regarding College Hill Reservoir, and echoed Commissioner Mital’s comments regarding the reservoir and staff’s focus on that issue. He said that he looks forward to considering and discussing staff’s recommendations, as the Board is not interested in taking inappropriate risks around drinking water.

Commissioner Helgeson also thanked those who testified in support of the carbon tax. He said that he agrees with the efficacy of pricing carbon, and he noted that EWEB has a very low carbon footprint due to their investment decisions in renewable resources over the years that almost exclusively do not use carbon-based fuels. He said that those types of investments are typically higher cost and that customers are paying somewhat higher rates to rely on those portfolios, but that implanting a pricing structure also rewards customers for those investments in ways that are not available in the current marketplace.

In response to Mr. Cassidy’s testimony, he reiterated that EWEB will be taking advantage of low interest rates in order to minimize the impact on rates.

President Simpson stated that tonight was one of the best public input presentations he has ever heard during his two terms of service on the Board, and that it was thrilling to hear people bring solutions, ideas, and balanced perspectives to the Board rather than a litany of complaints, which can become burdensome at times. He thanked everyone for their testimony and encouraged them to return often to give further testimony on any subject they wish.

President Simpson then stated that, at the risk of being politically on the wrong side of the fence, he is leaning toward closing College Hill Reservoir, as he went through this same process four or five years ago and a lot of promises were made by community members and neighbors of the reservoir to work on ways to police and clean up the area, and nothing ever came of it, and he was very disappointed. He said he is hoping that there will indeed be true collaboration and cooperation from those that have a vested interest in a workable solution, and that he will be open, and will be watching that very closely. He added that he is open to some type of reservation system, if it is workable.

He then presented the following position piece regarding a carbon tax:

“I feel it’s high time to enact a carbon tax to ‘level the playing field’ in the renewable energy market. All of these disjointed hacks we’ve seen, such as the renewable energy standards, renewable energy credits, and carbon offsets, to name a few, had their place in a political environment that wasn’t ready to embrace an equitable mechanism to address climate change at the source of the problem. But, frankly, we’ve reached a threshold, and it’s time for society to act. If the nation isn’t ready, then we should lead the way in the tradition that Oregonians are so well-known for, and for which I am proud.

I mean, seriously, it wrenches my gut to think about polar bears being stranded on blocks of melting ice, only to die of starvation and loneliness because of the preventable, selfish behavior of short-sided and greedy, or just plain ignorant, people.

I recommend a rising tax be levied on fossil fuels at the source across all industry sectors, and 100% of the proceeds be redistributed back to taxpayers. This would result in equity between higher-priced “green energy” resources and traditional resources which are not renewable.

I even think a cap-and-trade policy is a hack. This is what Obama favors—an economy-wide limit on greenhouse gas emissions that will be lowered over time and that allows polluters to trade emission permits on a carbon market.

Carbon taxes raise the price of carbon-intensive fuels and thereby encourage a low-carbon lifestyle. Such a tax would be extremely beneficial to the citizens of Eugene because it would raise the cost of power on the wholesale market, and would once again allow EWEB to make more money selling surplus power. This additional revenue would put a stop to the insidious downsizing we’ve seen in the past couple of years, and would help keep future rate increases in check.

A carbon tax would bring more stability to the market, and would have a damping effect on the very, very volatile prices we see now. Business leaders need to know energy prices when they decide whether to invest in more energy-efficient products, and the reduced volatility would make planning efforts much more predictable.

Our staff is right, greenhouse gas emissions are contributing to global climate change. And I will add that the citizens of Eugene are dedicated to ensuring that this runaway situation is reversed.

I hope my fellow Commissioners will stand behind me in recommending that EWEB assume a leadership role in the development of this policy so that future generations can prosper. Frankly, I don't want to celebrate my 90<sup>th</sup> birthday knowing that polar bears went extinct on my watch, due to inaction which could have been easily reversed."

## **INTEGRATED ELECTRIC RESOURCE PLAN (IERP) UPDATE**

Erin Erben, Power Resources & Strategic Planning Manager, reviewed the agenda for tonight's presentation. She noted that this is the annual update that is provided to the Board in order to check in to see if staff is on the right path.

Sibyl Geiselman, Energy Resource Analyst, reviewed the 2011 IERP recommendations:

1. Pursue conservation to meet all forecast load growth
2. Partner with customers to avoid new peaking power plants
3. Continue to rely on and expand regional partnerships
4. Pursue new large load strategy, if needed (market and conservation)
5. Review progress and key assumptions annually

Using overheads, Ms. Geiselman then reviewed the assumptions that drive resource planning decisions, various power price forecast updates, EWEB gross load and peak load forecasts, and load resource balance forecasts. She noted that load forecasts have changed significantly since the IERP analysis because of recent conservation acquisition and other drivers such as unemployment, system rates, changes in population growth forecast, weather fluctuations, and changes in industrial loads.

Using overheads, Ms. Erben briefly reviewed the context of EWEB's demand response, conservation and energy efficiency programs. She reviewed load forecasts for 2010-2013 under Strategy 1 (meet all load growth with conservation), and reviewed the end of year status of EWEB's residential research and development pilot programs (Strategy 2, partner with customers to avoid new peaking power plants). She noted that staff will be giving quarterly updates to the Board regarding these pilot programs.

Ms. Erben then reviewed the next steps for the demand side and resource portfolios:

Demand Side:

- Establish first-year peak acquisition target
- Assess trade-off of energy and peak savings from demand side management (DSM) program suite and being to track peak benefits
- Modify DSM program offerings

Supply Side:

- NLSL policy presented to Board
- Establish reserve margin
- Refine peak forecast methodology
- Continue to evaluate asset sale opportunities with an eye on portfolio impacts and implications

Commissioners Manning and Helgeson thanked staff for an excellent presentation. Commissioner Helgeson said that he is supportive of the pilot program work. He added that he has continued interest about hearing about insight or scenarios regarding how the capacity market develops and how it impinges on the resource portfolios in different ways, whether that be wind, peak (cold weather) or other circumstances.

President Simpson stated that he's very confident that EWEB is headed in the right direction.

In response to a question from President Simpson, Ms. Geiselman replied that EWEB is "energy long" but not "capacity long" at the current time.

General Manager Gray added that the region is in a similar situation as EWEB's, i.e., running out of capacity for energy, and that is why staff is looking at demand side programs.

Regarding a question from President Simpson about EWEB's peak load forecast without future conservation, Ms. Geiselman noted that Eugene has a slightly higher than regional average rate of interest in electric vehicles and hybrids, and that staff researched scenarios for what that might look like for energy demand, and found that there would be a very small contribution based on current trends.

President Simpson asked if this would be an electric demand problem or a distribution problem. Ms. Geiselman replied that EWEB has a robust distribution system and that it can handle peak loads quite well. General Manager Gray added that even though EWEB's distribution system is robust, electric vehicles in clusters would cause localized problems, and the pricing of electricity becomes critical when those vehicles would be charged between midnight and 4:00 a.m.

President Simpson wondered if there is any opportunity to partner with a utility that has an opposite profile (portfolio) to EWEB's. Ms. Geiselman replied that generally the region has a similar portfolio to EWEB's, and that historically that was one of the values of accessing the California market, as they have a different profile.

Ms. Erben noted that her staff provides a quarterly report to the organization and that her staff could provide the Board with that as well. The Board voiced the desire to receive a quarterly report.

### **EWEB PROPOSED POLICY POSITION ON GREENHOUSE EMISSION PRICING (CARBON TAX)**

General Manager Gray told the Board that EWEB is putting themselves out on a limb by taking this position and that it will not be without controversy, as some of EWEB's fellow utilities may not like what EWEB is saying. He said that staff has not reached a decision regarding carbon tax vs. carbon pricing, that he would like to have academic research done as opposed to advocacy, and that studying this is time well-spent. He noted that currently the study is focused on the carbon tax, and staff recommends to at least consider other options. He added that the cap and trade system might benefit the state of Oregon.

He then presented management's proposed policy position on greenhouse gas emission pricing:

- Global climate change is a real problem that needs to be addressed through comprehensive policy. If not on a national level, then let's start on a state level and work with other states and provinces.
- Indirect and incomplete approaches used today are not particularly efficient or effective. EWEB favors a more direct and comprehensive approach to pricing greenhouse gas emissions and carbon.
- Cap and trade or carbon taxes are two possible carbon pricing mechanisms. EWEB believes that any approach must apply across all sectors of our economy to be efficient and effective.
- EWEB favors a work and study group approach that engages stakeholders to develop fair, efficient and effective solutions for policy-makers to consider.
- EWEB welcomes being part of such an approach.

Jason Heuser, Legislative Representative, stated that there is already a carbon price of sorts in State policies (indirectly), but it is a somewhat clumsy and one-size-fits-all approach. He noted that those types of policies have impeded the decision-making of EWEB's Board, and once this is addressed, it will leave direction and decision-making in the hands of the Board.

President Simpson stated that he believes a huge majority of the Eugene community will support EWEB in this position statement.

Commissioner Mital agreed with President Simpson. He asked for more detail about the risk to EWEB in taking this position.

General Manager Gray stated that management tries to position EWEB to have a good reputation in the region so it can play a role, and that EWEB has an excellent reputation for



being moderate, not extreme. He said that this position statement may be viewed as EWEB going toward the left, which is a potential risk, but he believes it is a risk worth taking. He noted that some utilities have already gone in this direction, and that if EWEB is going to stake its reputation on something, he can't think of something more important to do that with.

President Simpson agreed that EWEB has a long legacy of being up front on issues. Ms. Erben added that EWEB is aligned with other utilities on many issues, so when EWEB steps out of line, those decisions need to be made very deliberately.

Commissioner Mital wondered in what specific ways EWEB would be marginalized. Mr. Heuser replied that some may feel that the state of Oregon is no longer on a level playing field.

Commissioner Helgeson stated that there are a lot of politics in Oregon relative to utilities and that EWEB works with some who have carbon in their portfolios, and that EWEB doesn't have the impact of this distributed evenly across the state which favors them politically. He added that EWEB has to be sensitive to that, but also smart about how they engage politically and how they position themselves to be allied with others.

Commissioner Mital wondered if this could affect EWEB's access to the Bonneville Power Administration (BPA). General Manager Gray replied that it would not.

General Manager Gray reminded the Board that even though they received friendly supportive testimony this evening, that won't be uniform around the state, and that there will be people who won't be happy with EWEB's policy position who will want it across the economy, not just utilities.

Mr. Heuser noted that staff will develop a robust outreach plan to reach out to stakeholders in order to explain where EWEB is coming from, and to explain more about the reasons that EWEB took this position.

President Simpson noted that one way to make it more robust is to leverage the marketing component and advertising values through public relations, and that he believes EWEB can get out in front of this so it doesn't undermine them.

Commissioner Manning voiced his support for this approach though he understands there will be sensitivity issues for some. He said that he believes EWEB should "lead, follow, or get out of the way," and that the winds of change will not be deterred, and that the risk is low and benefits are big.

Commissioner Helgeson stated that, aside from EWEB being aligned with appropriate values, it has been in "entrenchment mode" for a while because of financial constraints, and that he likes to get out there and mix it up so that customers realize that the Board remembers those values and that there's things that can be done.

He voiced his support, at least from a mechanical perspective, for the carbon tax structure and for something kept simple in concept, but voiced concern about what the market does to convert price signals, etc. He said that paying a carbon tax as part of the cost of energy is compelling because consumption then reflects the externality that is being talked about. He added that the notion of revenue neutrality in distributing the tax back on a per-taxpayer or individual basis has some logic, as everyone is impacted by what happens in the airshed, so those who invest in non-carbon-based resources get net benefit. He noted that the problem will become when people figure out that there are winners and losers in that equation.

President Simpson asked if there will be a budget established in order to move this forward. General Manager Gray replied that this will be part of the normal course of business. He explained that it will result in expenditures in some areas, i.e., more trips to Salem and Portland, and expenses for Commissioner advocacy, but that for 2013 and 2014 the contingency fund would be used for things that come up, though most costs are fixed and would be minor expenditures, so the contingency fund may not be used. He added that staff does have a rollout plan and that they have tested the waters with potential allies and non-allies, and it has gone fairly well so far.

Commissioner Helgeson asked who the natural allies are and how that strategy will be cultivated. General Manager Gray replied that EWEB's natural allies are other utilities, and that several businesses have signed a pact for support (as was mentioned in public testimony this evening). He identified Oregon Environmental Council, the City of Eugene, City of Portland, and Multnomah County as others.

Mr. Heuser added that six or seven governments have already adopted policy. General Manager Gray noted that he has spoken with the Governor's energy advisor and, depending on Board action tonight, she will possibly set up a meeting. He reiterated that others may agree on ends but maybe not on means, and that there will be others who are strongly opposed.

Mr. Heuser added that there will also be people who say that carbon pricing only makes sense at a federal level, and one thing to discuss is what Oregon will want to do in Washington, D.C. regarding their course of action (i.e., the 2015 legislative session). He said that there will be a process to design a rational carbon price for Oregon and that there will be multiple decision points for the Board along the way. He noted that tonight's discussion shouldn't be taken as pre-approval as there will be future opportunities to discuss this matter.

Commissioner Mital stated that he hopes that General Manager Gray is willing to commit to this, and he asked that at the May Board meeting, Mr. Heuser let the Board know what he needs from them to empower him to do that, i.e., whether or not the Board wants to voice general support for the position and to start work with potential allies, and for the Commissioners to begin advocacy and for staff to begin working on the process.

President Simpson stated he believes there is clear Board consensus even though Vice President Brown is not present tonight. Commissioner Mital stated that he believes it is

important to know Vice President Brown's position in order to get feedback from all five Commissioners.

General Manager Gray stated that the Board can be updated at the May Board meeting or off line, and that Vice President Brown had previously indicated to him that he is concerned about the tax aspects from a political standpoint, though he supports the concept around carbon.

## **2013 STRATEGIC PLAN UPDATE, 2013 OPERATING PLAN DASHBOARD REPORT**

Vice President Brown arrived shortly after this agenda item began.

With the use of overheads, Ms. Erben reviewed the items that were included in the 2011 Strategic Plan that the Board had previously adopted. She then reviewed the 2012 and 2013 updates that were done for the Water and Electric Utilities, listing realities and priorities for each, their impact on current strategies, and the strategic plan conceptual model for each. She noted that in the 2013 update, risk management has been added as a new dimension of the electric utility strategy, i.e., making a conscious choice around the risks and benefits of decisions.

Lance Robertson, Public Affairs Manager, spoke to the community engagement portion of the Strategic Plan update. He stated that the 2013 update is a great opportunity to bring customers into the conversation, and that later this week the Board will receive a plan for how they can contribute to an expanded budget and rates discussion.

Debra Smith, Assistant General Manager, discussed the 2013 organizational dashboard and mapping of Board strategies that the Board had received in their background. She noted that this will be a high-level organizational view and detail including comments, which will be recapped quarterly. She reviewed how the previously identified Board priorities from the 2011 Strategic Plan map to the current dashboard. These are:

- Second source
- Infrastructure reliability and cost balancing
- Customer service
- Power resource planning and cost strategy
- Financial strategies
- Rate structure strategies
- Be a high-performing Board

Ms. Smith then reviewed the process for the update of the plan and monitoring/reporting of the dashboard items. She noted that staff's recommendation would be to identify only red and yellow lights (in reference to dashboard indicators) and a deterioration in trend.

President Simpson stated that the dashboard work is in line with what he has envisioned, and he thanked Ms. Smith for prompting he and his fellow Commissioners to be a better Board.

Commissioner Mital wondered if hearing only about the red and yellow lights would cause the Board to focus on the bad. Ms. Smith replied that staff wants to highlight areas that the Board should be concerned about, but there will be an opportunity to see good news as well, i.e., capital project progress, information technology project progress, etc.

Commissioner Helgeson echoed Commissioner Mital's concern about only focusing on only red and yellow lights, as it is also nice to have something to celebrate, but he added that goals should not be set so low that the lights are always green.

Commissioner Mital reminded the Board that one of his biggest issues is to find ways for low-income customers to receive assistance because of rate increases, changes in rate design, etc. He asked Ms. Smith where that concern will appear in the dashboard.

Ms. Smith replied that it appears in two places---the \$500,000 whole house retrofit program as part of energy/efficiency delivery, and in the limited income assistance program, which is part of the customer service dashboard.

Commissioner Manning asked if EWEB conducts in-house surveys when customers come to EWEB to pay their bills. Mr. Robertson replied that in-house surveys are not done, but staff would like to begin to implement transactional surveys. He gave the example of the new electronic bill pay program which 20,000 customers have now signed up for, and a survey that would loop back to some of them to ask how the sign-up process went, did they like how it was done, etc. He added that EWEB doesn't have a lot of information about how what our customers think about certain services, and that staff needs to find ways to take advantage of some of those opportunities for feedback.

Commissioner Manning wondered how many customers, from low-income to those who have the proper resources, physically come in to EWEB to pay their bill, as he believes that would be a good survey sample.

Ms. Smith replied that the majority of customers who come in to pay their bill do so because they need to make payment arrangements or are required to pay their bill in person for a variety of reasons.

President Simpson asked if customer feedback is captured in an unsolicited manner. Wendi Schultz-Kerns, Cash Accounting Supervisor, replied that customer comment cards are provided at each customer service desk and window for both commendations and complaints.

President Simpson asked if customer service representatives have an opportunity to meet as a group to share stories and whether that information is conveyed up the chain to Roger and the leadership team. Ms. Smith replied that the customer service representatives are a very tight group and they have a large number of ways in which they share information with their supervisors and with Mark Freeman, their manager.

Commissioner Helgeson stated that he realizes that many customers view EWEB as a faceless bureaucrat who doesn't care, and maybe that view will never be able to be fully

overcome. He said that in his experience, when EWEB's Board and staff listen and are responsive on a personal level, and are right-minded and trying to balance all the right things, the customers who have direct experience with that come away impressed, and that he believes that is who EWEB truly is.

President Simpson stated that he has seen many customer comments that praise staff for going out of their way to assist them.

Commissioner Manning asked if previous Commissioners have ever greeted customers in the lobby. Mr. Robertson replied that twice a year EWEB has a customer appreciation week, and that would provide an opportunity to sign up for a two-hour shift, hand out cookies and punch, and greet customers.

Commissioner Manning stated that he fully supports that because the Board is committed to going before their constituents to let them know what they're doing. He asked Mr. Robertson to let the Board know when there is an opportunity to interact with customers.

Ms. Smith said that it would be a great for the Board to interact with customers, as she believes it would be a great experience. She noted that kudos from the Board mean a lot to the customer service employees, and she gave the example of a compliment from Commissioner Mital that had been passed on to them by Mr. Freeman. She invited the Board to sit with a customer service representative to observe the customer call experience.

President Simpson stated that this discussion gives him an idea to set up a "Meet Your Commissioner" type event in the lobby.

The Board thanked staff for an excellent presentation.

## **PROPERTY DECLARATION AND ASSET SALES, LEASE UPDATE, AND DECLARATION OF SURPLUS OPTIONS DISCUSSION**

General Manager Gray noted that this agenda item will consist of general discussion and Board direction along with a few specific requests.

General Manager Gray asked if the Board is in favor of listing the West 3<sup>rd</sup> Avenue property. The Board was unanimously in favor of this.

Commissioner Mital asked if the West 3<sup>rd</sup> property is anticipated to be sold for a profit or a loss. Kevin Biersdorff, Principal Project Manager, replied that the market has improved a bit but maybe not in that sector. A discussion followed regarding testing the market. Vice President Brown suggested that the property be marketed with a threshold established at which offers would be taken. He reminded staff that EWEB isn't obligated to accept an offer.

Regarding other surplus property sales (various small parcels), Commissioner Mital asked about the parcel near Hayden Bridge Filtration Plant. Tim O'Dell, Right of Way

Associate, replied that he received a strong offer on this property this morning that is within 5% of the appraised value with no broker fee and a short close.

Commissioner Helgeson inquired about many of the surplus properties being on the water side, i.e., they wouldn't assist with electric capital. He noted that some come with encumbrances in terms of City interest or potential future reservoir sites. He said that he assumes that staff is looking for those properties that might do EWEB the most good on the electric side and involve the least amount of terms of rights of refusal or public process around whatever issues are involved.

A brief discussion followed.

Vice President Brown asked if the Willagillespie property is being considered for sale. Steve Newcomb, Environmental Manager, replied that staff hasn't looked at this property in much detail but that it is definitely part of the concept.

General Manager Gray added that Mr. Newcomb is looking at all reservoir sites to determine whether or not EWEB will need them in the future and identify any opportunities to dispose of or trade them. He noted that some may create potential property trades between interested parties.

Commissioner Helgeson asked that staff be mindful that the market is down and that those buyers with cash are looking for good value in order to either flip or develop properties. He added that he hopes that EWEB will position themselves to "obtain or capture," and he doesn't want to be in a hurry or have fire sales.

General Manager Gray assured the Board that this is not a fire sale situation and that staff isn't over-dependent on sales or leases, and that they are mindful of the market.

Mr. Biersdorff stated that May 15 is the first City Council meeting date at which deliberation regarding the riverfront property will take place, and then approximately a month from that time a second session will be held. He noted that staff can engage with the City Council regarding the schedule, and that a public hearing will be held on June 17 with action, prior to the Council's break on August 1.

President Simpson asked if the Board can participate in those meetings. Jeannine Parisi, Community and Local Government Outreach Coordinator, replied that they can, especially in a public hearing type situation.

Vice President Brown asked if the EWEB/City Council annual meeting has been scheduled yet. Ms. Parisi replied that it has not, and that the Board might want to wait until after the election to decide on the meeting topics. She added that it might be helpful for the new Commissioners to meet with the City Council, but that probably wouldn't be until July or so, as her counterpart at the City of Eugene is currently working in Salem.

Commissioner Manning agreed that it would be good to wait until after the election.

Mr. Biersdorff stated that the Request for Proposal is now out to hire a real estate consultant to assist with disposition of the riverfront property, and that it has received a lot of very positive interest. Mr. Biersdorff briefly reviewed the tasks that the consultant will perform.

Mr. Biersdorff noted that there has been some interest in the north headquarters building, the south headquarters building second floor, and the former warehouse building. A discussion followed regarding the timing of property disposition and also about disposition or lease of the former warehouse building.

President Simpson stated that he doesn't support leasing the former warehouse building at this time.

Vice President Brown stated that he wouldn't be opposed to doing a Request for Proposal and a real market test on whether or not the former warehouse building should be retained. He noted that EWEB wouldn't be obligated to sign a lease.

President Simpson voiced his support for a discussion around Vice President Brown's suggestion. Commissioner Helgeson agreed. Commissioner Mital stated he would like to follow Vice President Brown's lead, as he appreciates his expertise. Commissioner Manning agreed with Commissioner Mital.

General Manager Gray stated that his recommendation is to hire the consultant, as the Memorandum of Understanding (MOU) with the City of Eugene and the issue of public access need to be addressed. He added that the quick process of the commercial market is preferred over a slower process. He asked the Board for their feedback on the riverfront property, particularly how public access should be implemented, though there is currently no staff recommendation for this.

Vice President Brown briefly explained the issue around public access for the riverfront property, and noted that if EWEB declares open access to the public and it is privately owned, then they can enforce no camping, keeping it clean, etc. He said he believes it would be better for EWEB to maintain the riverfront property as the City doesn't have the funds to do so. He recommended public access be crafted similar to Oakway Center, which is open to the public from 7:00 a.m. until midnight.

A brief discussion ensued regarding EWEB's initial obligations and how those would transfer to a new property owner.

President Simpson voiced full support for Vice President Brown's recommendation regarding public access and EWEB maintaining the riverfront property.

Commissioner Mital wondered if there is a counter argument to this recommendation. General Manager Gray replied that the MOU requires the concept of public access in different

aspects, and that whoever makes an investment in the riverfront property will want it maintained properly, though it will be an expensive open space to maintain. He said that he has trouble visualizing a traditional “city park” path as, again, that would be expensive for EWEB to maintain.

Ms. Parisi stated that the land use code doesn’t require any particular ownership and that it is neutral regarding whether that transfers to another public entity or is privately maintained. She explained that this speaks more to the City’s interest in the 27 acres confined to merely the riverfront park strip just between the bike path and the riverfront, and that that the City Council has endorsed that as soon as EWEB declares surplus, they will release the riverfront property with the exception of that strip. She added that EWEB and the City need to have a conversation about how that would work, and that EWEB’s real estate consultant will be very helpful in that regard, i.e., he/she might recommend that EWEB have a developer on board who would partner with the City regarding maintenance.

Commissioner Manning voiced his support for Vice President Brown’s expertise and suggestions regarding public access, and also voiced support for what the Board has already embraced. He asked staff to let the Board know what they can do to help speed up this process and move forward.

Commissioner Helgeson agreed with going ahead with the hiring of a consultant for the above-mentioned issues as well as the timing of the declaration of surplus property. He agreed with Commissioner Manning regarding moving forward as quickly as possible, but cautioned that the reality is that it will take a while, particularly if the Board wants to stay true to the vision of the Riverfront Master Plan.

President Simpson stated that he would like to take the most conservative approach possible, and that if General Manager Gray recommends hiring the consultant, he supports that.

Ms. Parisi reminded the Board that there won’t be a direct way to advocate for City Council support until the public hearing is held, and that the Council has indicated multiple meeting processes over the summer, but that it may be possible for the time frame to be shortened.

Ms. Parisi told the Board that she is meeting with three people tomorrow to do video shoots along the river which will portray different walks of life. The video will then be linked with a voiceover and released to social media to get people excited about the riverfront project and to gain even more support. She said that she anticipates that it will be complete by the end of April and will also be used as pre-marketing material, so it has a dual purpose.

Vice President Brown asked when the asbestos removal from the steam plant will be complete. Mr. Newcomb replied that it will be complete by September or October 2013.

Vice President Brown asked if the Board should anticipate a recommendation for the sale of the headquarters building with EWEB leasing it back. General Manager Gray replied that,



given the code structure, EWEB has the ability to do that, and that he believes all options should be considered, however a potential lease of the second floor of the south headquarters building would be a possible encumbrance.

Mr. Biersdorff encouraged the Board to hire the consultant and get him on board in order to assist with the above-mentioned tasks, and he noted that all previous charrettes and other material that were prepared as part of the Riverfront Master Plan are available to share with the consultant.

General Manager Gray reminded the Board that real estate transactions can be discussed in Executive Session.

General Manager Gray then summarized tonight's discussion and feedback from the Board:

- Proceed with possible lease of headquarters north building and south building second floor
- Okay to test market for former warehouse building but review economics vs. potential sale (with assistance from consultant)
- Lease interest RFIs coming in on Monday, April 22
- Okay to proceed with sale of West 3<sup>rd</sup> but test market and no fire sales – will use a broker there as well
- Other surplus property sales will come to Board for declaration – will use broker and at least have an appraisal if appropriate for advice
- City Council meeting dates for riverfront upcoming – address stretched out schedule in interaction with City Councilors
- Get consultant advice for how to surplus riverfront – big bang or parcels, and test the market
- Open space/public access and MOU – advice from consultant and from interested parties on what they would like to see – future Board discussion

## **CORRESPONDENCE AND BOARD AGENDAS**

General Manager Gray stated that he will further clarify with the Board what agenda items will be handled in the abbreviated Board meeting vs. the first meeting of each month, as he wants to test it in real time. He reiterated that the outcome of the recent Board retreat was to eventually have one Board meeting per month unless there is a compelling reason to have a second meeting, and that it may be possible to get to one meeting per month as a general goal.

He noted that one exception is the Board's traditional upriver Board meeting which is typically dedicated to upriver issues which is held in September and is currently scheduled for September 17. He added that another possible exception are the October Board meetings, as it would be hard to squeeze the agenda for those two meetings into one agenda.

President Simpson asked if the Board is required to have two public hearings for rate increases. Sue Fahey, Fiscal Service Supervisor, replied that the BPA passthrough can be done as an automatic passthrough, but the rate hearings in November and December will require two public hearings.

General Manager Gray reiterated his previous recommendation that when budget and rates are discussed at a meeting, the discussion will be referred to as a hearing.

General Manager Gray announced that EWEB recently received the safety award for large utilities (those working one million hours or more per year) from Northwest Public Power Association (NWPPA) for the third year in a row. He noted that there are many good things happening in terms of EWEB receiving recognition from the outside.

Commissioner Manning asked Mr. Robertson if there will be a press release prepared about this award. Mr. Robertson replied that there will be. President Simpson requested that a piece also be written for the Intercom employee newsletter.

Commissioner Manning thanked Commissioner Mital for his response to the awards that staff has been receiving, and said that he is setting a great example for the other Commissioners to emulate. President Simpson said that he had the opportunity to personally thank an employee and had taken another one out to lunch this week.

Commissioner Helgeson wished that there was a way to more formally acknowledge staff.

Vice President Brown recalled a past instance where a meter reader had saved a blind woman from an attack by a pit bull and had received an award for his actions, and the Board was present when the award was presented.

General Manager Gray stated that there are several ways to recognize staff directly, whether it be to have them come to a Board meeting or to invite the Board to a presentation during the work day where various staff and departments are recognized, and that he would like to use as many ways as possible to do so.

President Simpson adjourned the Regular Session at 9:00 p.m.

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Assistant Secretary

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President

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

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

Others Present: Roger Gray, Debra Smith, Mark Freeman, Lena Kostopulos, Karl Morgenstern, Steve Newcomb, Sue Fahey, Cathy Bloom, Susan Eicher, Sheila Crawford, Tom Ossowski, Joe Harwood, Dave Churchman, Jonathan Hart, Gail Murray, Frank Lawson, Matt Sayre, Erin Erben, Wendi Schultz-Kerns, Mike Logan, Sheila Crawford, Mike McCann, Tom Williams, Anne Kah, Alan Fraser, Quentin Furrow, Jeannine Parisi and Taryn Johnson of the EWEB staff; Vicki Maxon, recorder.

President Simpson convened the Regular Session of the Eugene Water & Electric Board (EWEB) at 5:30 p.m.

**AGENDA CHECK**

There were no items.

President Simpson stated that the Board agendas have been modified so as to start regular Board meetings at 5:30 p.m. instead of 7:30 p.m. when there is no work session being held.

**ITEMS FROM BOARD MEMBERS**

Commissioner Mital stated that this is Assistant General Manager Debra Smith's last Board meeting, as she has been hired as the general manager of Central Lincoln PUD in Newport, Oregon. He told Ms. Smith that he is sorry that he was only present for six months of her 17-year tenure, and he thanked her for her incredible knowledge and energy, and for her service to EWEB.

Vice President Brown echoed Commissioner Mital's sentiments and wished Ms. Smith the best, and thanked her for her service. He added that he knows she will do a great job in her new position and that Central Lincoln PUD is fortunate to have her.

President Simpson wished Ms. Smith the best. He thanked her for her 17 years of service, for helping him with both of his campaigns for the EWEB Board, and for explaining so many issues to the Board. He recalled that she kicked off EWEB's telecommunications campaign approximately 15 years ago and over the years has worked her way up to assistant general manager, and that he knows she will take her spirit to new futures and horizons.

President Simpson reported that he had attended the Lane Council of Governments (LCOG) Budget Committee meeting, and that an amended budget was approved that reduced a \$1 million shortfall down to \$35,000, which is a fantastic accomplishment for Brenda Wilson, LCOG's director.

President Simpson recalled a recent editorial in the Register-Guard regarding the proposed City fee in which the Board was blamed for causing a disservice to the City for not saying whether they would or would not be "doing anything", and that he had spoken to many people in the community who did not agree with what was written.

Commissioner Mital introduced Jeff Nelson, general manager of Springfield Utility Board (SUB), and thanked him for attending tonight's meeting. He added that he believes SUB and EWEB can start to spend more time together and think of some ways to collaborate.

Commissioner Manning thanked Ms. Smith, congratulated her on her new opportunity, and said he has learned quite a bit from her in a short time. He added that he knows the type of leadership she will take from EWEB to her new position, and that EWEB will have a big void to fill. He thanked her for her service.

## **PUBLIC INPUT**

**Jack Dresser** addressed the Board regarding smart meters and said that the issue of security is quite crucial. He said that studies have shown that smart grids are impossible to secure from hackers, which could disrupt the entire grid. He read a couple of lines from a 2010 article which he provided to the Board. He added that if Eugene is tied in with regional and national grids, the cyber security necessary to protect the grid is very expensive, and most utilities are saying they can't afford it. He also referred to an article in the Wall Street Journal by David Shaw which emphasized catastrophic consequences, and out of 544 information technology professionals interviewed, 70% said it was impossible. He also recalled the potential medical risks. In closing, he said it is part of the fiduciary responsibility of the Board to study this carefully.

**Debra Smith** appreciated the Board's kind words. She stated that EWEB has given her tremendous opportunities over the years and that she has had a great career at EWEB. She recalled that six or seven years ago former general manager Randy Berggren did a reorganization, and she became the director of Employee, Customer & Community Services, a position created because of the key hires of the public affairs manager and human resources manager. The idea behind that was that EWEB stakeholders of all sorts want the same thing from EWEB—to be dealt with fairly, respected and listened to, treated with kindness, and spoken to with honesty, and that she believes that people can hear difficult things if they are treated that way. She said her experience has been that though she has made mistakes and taken risks in terms of the work she wanted to do and conversations she has had, she has stuck with those principles, and when she moved away from those and wanted a "do-over," she cleaned up her mess and continued on. She noted that EWEB has been incredibly giving and tolerant of her, and that since General Manager Gray has been general manager, she has found less need for do-

over than 5-7 years ago. She reminded the Board that when looking at their scorecard and when going through the struggles around public engagement and customer engagement, that's how customers want to be treated.

**Damond Morris** is a participant in Solarize Eugene. He stated that his EWEB bill is anything but transparent, and noted that the customer generation portion of his bill says zero even though he generated 80 KW, and that under the delivery charge and other charges portion, there is no indication whatsoever of how his generation is quantified on his bill. He asked EWEB to fix this, as he is very frustrated with the tremendous amount of transparency issues. He noted that the opportunity to fix this will come from EWEB's Information Technology (IT) Department, and that after he spent 1-1/2 hours talking to the Customer Service Department, the IT Department has a solution and a proposal that they will be taking to Mark Freeman, Customer Service/Energy Management Services Manager. He said that he has encouraged Mr. Freeman to contact KUBRA (the company who designs EWEB's bills) to ask them to make his solar panel generation amount more transparent.

**Barbara Nugent** has been an EWEB customer for many years. She said she believes that the citizens of Eugene are entitled to see a detailed summary of EWEB's cost calculations that resulted in the \$20 million cost for smart metering. She noted that EWEB has said they are running a dollar deficit with analog, but that it seems customers will pay more for impulse, and that it will cost a lot more for the equipment, training, etc. She also wondered why EWEB would persist with wireless technology at this time when Eugene is one of eight Oregon cities that has already received a broadband planning grant. She believes there are documented problems for the community even if EWEB moves to mesh technology and goes milder, and that it seems that it's a huge waste of money for a very short-term solution when money is scarce.

**Joseph LaFleur** is a resident of the lower McKenzie River, and a registered geologist. He stated that the profuse amount of swallows which had always been present on the lower McKenzie disappeared when the microwave tower changed from 3G to 4G. He has also noticed that the bird and water fowl population at Walterville Pond and Leaburg Lake has decreased. He recalled that Leaburg Lake resident June Tolliver has claimed that EWEB installed a microwave tower that affected her personally and also disturbed wildlife, and eventually it drove her from her home. He asked EWEB to research whether or not the microwave installation is the culprit, and he provided the Board with a CD of photos of various vacant reservoir sites.

**Greg Giesy** is the chair of a new committee to keep College Hill Reservoir open, and he helped build an ADA path to the reservoir. His committee is going ahead with a reservoir watch group, and has 13 people signed up so far who aren't committee members, which is more than halfway toward enough people so that each person only has to check it once a month. He noted that the reservoir has been checked since April 16 with no dog or dog waste reported, and that a person has been assigned to pick up dog waste on the grass, and also debris. He said he believes the signs EWEB has posted have solved that problem, and he also believes that the issue can be solved by having residents check to make sure there are no other problems. He noted that his group had suggested a neighborhood watch in the past but it wasn't followed through on, and that the reality is that his group had suggested over 20 things they could do, but the ADA path

was the only thing EWEB had approved, and that the labor cost for his group to build the path was \$15,000. He urged the Board to agree to keep College Hill Reservoir open.

**Athena Temaya** has been a Eugene resident and EWEB customer for almost 20 years. She worked as a registered nurse for 27 years and has a B.S degree from the University of Oregon. She is concerned about the continual increase of electromagnetic (EMG) frequencies including cell phones and wireless internet, and is also concerned about the safety of wireless smart meters. She noted that there has been a dramatic increase in brain tumors in children who use cell phones, and that there are no safety studies on the long-term effects of EMG frequencies on the environment. She suggested that EWEB make a wise and safe decision and implement wired smart meters (i.e., the fiber optic option).

**Kathy Ging** gave the following testimony:

“EWEB staff remarked in the 90s when I asked them to lunch at Oregon Electric Station, suggesting they consider adding information to water and electric services, that bureaucracies need catalysts!

Is now an opportune time to explore whether fiber optics may be a preferred alternative to wireless smart meters for Oregon’s largest publicly owned utility, all things considered?

EWEB installed fiber optics in substations but for a couple of reasons did not install the last mile. Staff reported in April 2012 that fiber optics would cost only \$30-50 million more than AMI Alternative 1A. (See Figure 3.1 of the AMI Business Case 4.5.12: Fiber optics is only \$30-50 million more than Alternative 1A, pp. 27-29 posted at [EWEB.org](http://EWEB.org) 4.17.12 Work Session)

After a decade of planning, four years ago, EPB, Chattanooga, Tennessee’s publicly owned electric utility, had every home and business, 600 square miles, connected to the most powerful communication fiber optic network in the nation, speeds 200 times that of average U.S. households. One article mentioned that the technology had caught up. They now charge new customers less than Comcast for phone, internet and cable bundles. By the way, their foray with Comcast did not cost much, they informed me in a conversation with their corporate department.

Fiber optic installation attracted 6,000 new jobs to Chattanooga, many by start-up businesses, and the community found \$120 million to develop its waterfront.

Since EWEB is not able to use its rate base to finance fiber optics, I think one avenue may be Citizens Bonds, allowed in the Oregon Constitution, but to my knowledge not yet utilized. (Public entities, not citizens, authorize them, and denominations could be as small as \$500, similar to the mini-bonds that financed EWEB’s headquarters.) Also, the FCC has a Lifeline program and EWEB has bonding capability; wealthy investors or philanthropists might be tapped--financing can be researched. Google has installed fiber optics in Kansas City and is planning for Austin next.

A month after Chattanooga's EPB fiber optics install was complete, the most violent storm of its history with 160 mile per hour winds tested them, and 75% of its customers, 126,000 homes and businesses, lost power. Due to new fiber optics, power restoration was done in record-setting time as they isolated outages.

Should EWEB consider taking the lead in fiber optics? An EWEB Commissioner agrees that he, like myself, pays more for telecomm services than to EWEB, even in winter.

I don't think EWEB has adequately considered the enormous costs of IT and tech switching that would be entailed in the Sensus/Landis+Gyr contract now being considered, nor repeated costs of meter replacement or legal liability issues for the inevitable litigation from those with medically sensitive conditions not allowing them to be exposed to wireless smart meters. Courts will say: you were warned.

Instead of adding microwaves, should EWEB create a citizen, staff and Board committee to strategize about fiber optics? More citizens say YES!

The time is ripe – DO NOT approve or revise the Sensus+ contract until this committee is formed and matriculates a proposal.

Eugene received one of eight Oregon planning grants for extending broadband. A policy paper will be submitted to Eugene City Council this summer. Should EWEB wait for that paper's release?

Should EWEB consider combining with the other five publicly owned utilities that serve Lane County to install fiber optics? An ad hoc committee could make recommendations for EWEB Board and staff to consider.

EWEB's Board role is to make policy decisions and chart direction. Seriously reconsider the fiber optics option, or might ratepayers launch a petition drive?

It is thought by many that fiber optics will be inevitable within +/- 20 years—should EWEB waste money on problematic wireless smart meters?

NOTE: Families for Safe Meters will have information on its website soon about a public meeting on smart meters on Wednesday, May 22 at the Unitarian Church, 13<sup>th</sup> & Chambers, Eugene, 6:30 p.m., and Monday, June 10 (tentative date) at Cozmic, downtown Eugene, 6:00 p.m.

The new 90-minute film Take Back Your Power will not be able to be viewed until the DVD is released. See the trailer at [www.takebackyourpower.net](http://www.takebackyourpower.net).

Vice President Brown thanked everyone for their testimony. Regarding smart meters, he stated that staff continues to do research and will continue to do more, and that the Board is far from making a decision. Regarding the lack of birds upriver, he stated that he has seen Ms.

Tolliver's statistics, but that he himself has seen thousands of swallows upriver in various locations, so the sightings (or lack of) may depend on time of day or other factors. Regarding College Hill Reservoir, he stated that EWEB's primary mission is to run a safe utility, and that EWEB spent \$800,000 years ago dealing with a similar problem. He added that dialogue with the community will happen, but his first priority will be preserving clean water, and because EWEB is currently strapped for money, he's not sure he can justify reopening the reservoir.

President Simpson thanked everyone for their testimony. He reiterated his appreciation for Ms. Smith's contributions to employee training, morale and diversity, and told her she has quite a skill for that and that she should be very proud. He said he believes it is a brilliant idea to add fiber optic to homes to transport data, and that he can't personally say the cost is prohibitive. He acknowledged the comment about customers paying more for their internet and cable bills than for their utilities, and stated that if the community wants to step forward and pony up money for last-mile fiber, he believes it would be an amazing roll-out and would do a lot of good. He noted that the hurdle would be who would provide the front money, as the community hasn't shown him that they are willing to open their pocketbooks these days.

Regarding the lack of birds upriver, President Simpson appreciated Mr. LaFleur's observations. He stated that he realizes that observation is one thing but conducting scientifically repeatable experiments is another, and that even if the lack of birds was related to technology, there are thousands of radio signals traversing the air at all times, even from out of state. He said he believes that if society discovers that radio signals are harmful to people, there will be a big turnaround.

Regarding College Hill Reservoir, President Simpson reiterated that public dialogue will be reopened and that hopefully it will produce a win/win solution, and that he will go to the site and see what the gate looks like. He added that it is possible that a partnership can be forged where clear expectations are set forth with the neighborhood residents and a written agreement can be crafted regarding obligations and responsibilities. He noted that the Board appreciates tonight's ideas and solutions instead of only hearing complaints.

Regarding the lack of solar generation information on customer bills, President Simpson agreed that the bills don't have sufficient detail to show how much power customers are producing. He noted that the proposed City service fee is also driving potential review of EWEB's bill structure and format, and that he has a personal interest in sitting on the bill redesign committee, and that he believes there will be improvement in EWEB's bill design in the next couple of years if the budget allows.

President Simpson asked Ms. Nugent if she has read EWEB's business case for smart metering, and he asked Taryn Johnson, Executive Assistant to General Manager/Board, to forward Ms. Nugent a copy of it. He stated that there has been a great deal of review regarding the installation cost of meter bases and long-term return on investment, and that he is convinced it is a wise expenditure. He noted that he is not suggesting wi-fi vs. fiber or wire, and that installing smart metering is an avenue that modern utilities are using to manage power demand



and energy consumption in order to help keep rates in check. He asked Ms. Nugent to provide additional testimony if the business case is not adequate for her needs.

Commissioner Mital thanked everyone for their testimony. He thanked Mr. Giesy and his group of volunteers for their support to manage and maintain College Hill Reservoir, and noted that this item will be covered more fully at the June Board meeting. He also thanked Ms. Temaya for her compelling testimony.

Commissioner Mital also appreciated Ms. Smith's expert handling of a recent customer issue that he himself had witnessed.

Commissioner Manning thanked everyone for their testimony, and assured them that all information is valued and that the Board is here to serve and interact with the public. He added that he appreciates that customers are coming to the Board with possible ideas and solutions to consider that can be used to better guide their consideration of issues in the future.

## **APPROVAL OF CONSENT CALENDAR**

### **MINUTES**

- 1a. March 19, 2012 Work Session
- 1b. April 2, 2013 Work Session
- 1c. April 2, 2013 Regular Session
- 1d. April 16, 2013 Executive Session

### **CONTRACTS**

2. [Bridge Energy Group](#) – for the deployment of services-oriented architecture governance to support EWEB's integration center – Information Technology – \$130,000. Contact Person is Matt Sayre.
3. [Cascade Pacific Resource Conservation & Development \(CPRCD\)](#) – for administrative management services related to the Berggren Demonstration Farm – Environmental Service – \$80,000 (Total \$320,000). Contact person is Steve Newcomb.
4. [Fluid Market Strategies, Inc.](#) – a non-profit organization, for program marketing and fieldwork to complete Phase 2 of the Residential LED Pilot Program – Customer Service/EMS – \$47,000. Contact Person is Mark Freeman.
5. [Heitzberger Payne Advisors](#) – for deferred compensation benefits consulting services. [Human Resources](#) – \$50,000. Contact Person is Lena Kostopulos.
6. [Residential Certified Backflow Contractors](#) (see consent calendar document for list of contractors) – for residential backflow testing services. Water Operations – \$250,000. Contact Person is Brad Taylor.

7. [Stellar J Corporation](#) - to complete construction services for the Willamette 1325 Reservoir Replacement – Engineering Department – \$233,250 (Total \$1,105,920). Contact Person is Mel Damewood.
8. [Utility Integration Solutions, Inc.](#) – for Meter Data Management System RFP Advisory Service – Information Technology – \$63,000. Contact person is Greg Armstead.
9. [Wildish Building Company](#) – for pre-construction services for certain aquatic improvement projects at the Carmen-Smith Hydroelectric facility. Generation & Fleet Operations – \$120,000 (Total \$362,000). Contact person is Roger Kline.
10. [Willamette Valley Rehabilitation Center](#) – for [janitorial services](#) at the Hayden Bridge Water Filtration Plant Water Operations – \$206,000. Contact person is Brad Taylor.

#### **INTERGOVERNMENTAL AGREEMENT**

11. [Springfield Utility Board \(SUB\)](#) – for the Indefeasible Right of Use (IRU) Agreement for Dark Fiber Service – Engineering Department – \$34,000 (Total \$100,000 through 12/31/2013). Contact Person is Dean Ahlsten.

#### **BUDGET AMENDMENT**

12. [Budget Amendment #6](#) – Water Reservoir Additions – Contact Person is Mel Damewood.

#### **RESOLUTION**

13. [Resolution No. 1304](#) – Amended – Rate Adjustments for Dark Fiber Leases, Contact Person is Dean Ahlsten.

#### **OTHER**

14. [Board Policy SD 4, Public Use of Meeting Rooms Policy](#) – Contact Person is Mark Freeman.
15. [Correction to Large and Very Large General Service May 2013 Electric Rates](#) – Contact Person is Cathy Bloom.

President Simpson noted that Commissioner Helgeson is excused this evening because he is on vacation.

Vice President Brown pulled items #1c and #10. It was moved by President Simpson, seconded by Vice President Brown, to approve the remainder of the Consent Calendar. The motion passed unanimously (4-0).

Vice President Brown requested a correction to item #1c, the April 2 Regular Session minutes. The correction was approved unanimously (4-0).

Regarding item #10, Willamette Valley Rehabilitation Center janitorial services, Vice President Brown asked if this is the same company EWEB has used previously. Gail Murray, Purchasing Manager, said that it is. Vice President Brown asked how one can be sure that no other company would bid on this contract and charge less. He voiced concern that other local agencies have in-house janitorial staff and he questioned why EWEB continues to outsource these services.

Ms. Murray stated that all of Willamette Valley Rehabilitation Center's employees are local residents. She explained that the outsourcing is based on State law and that the State sets the price, and that there is no bidding done, and that with a public contract, EWEB is able to negotiate the price. She noted that the cost for this service has decreased considerably and that some services have been revised, and that this type of contract gives EWEB more leeway.

Roger Gray, General Manager, stated that EWEB did a comparative cost analysis for this service with School District 4J and the City of Eugene, and the conclusion was that it was more economic and offered more flexibility to outsource this service despite the fact that the State sets the price. He added that these are the kinds of things that Ms. Murray and EWEB's legislative representative Jason Heuser watch closely at the State level, for example, engineers and architects are currently trying to get the legislature to remove competition, and occasionally staff may ask the Board to go to Salem to testify.

It was moved by Vice President Brown, seconded by President Simpson, to approve item #10. The motion passed unanimously (4-0).

Regarding item #3 of the Consent Calendar, Commissioner Mital stated that he values the source water protection work being done up the McKenzie, and its complexities and long-term goals. He requested that the Board spend some time getting clear about how the Berggren Demonstration Farm enhances EWEB's water protection efforts, as he will have a difficult time supporting it going forward until he gets more clear about what EWEB's intentions are.

After a brief discussion, the Board requested a backgrounder regarding the Berggren Demonstration Farm, with possible Board discussion to follow if the Board sees fit.

## **BPA SLICE CONTRACT/SOFTWARE IMPLEMENTATION**

With the use of overheads, Dave Churchman, Trading & Power Operations Manager, and Jonathan Hart, Energy Resource Analyst II, reviewed the implementation process, its value to EWEB, and the staffing vs. systems decision for system management. They also reviewed the proposed TEA software, its capabilities, and the details of its hosting and support contract.

Given the budget and value concerns, it was determined that a staffing solution is not a good fit for EWEB. After 1-1/2 years of staff research to determine requirements and evaluate potential vendors, it was discovered that a custom build would be required unless the TEA software was chosen, and a custom build could easily take an additional year and would also

require expertise that is currently beyond staff capabilities. This resulted in the conclusion that the TEA software is the only viable solution available to EWEB at the current time.

Commissioner Manning stated that he believes this is a very innovative solution and that he likes the one-year opt-out. He asked for some additional information regarding the technological aspects.

Mr. Churchman reiterated that the value of the TEA system vs. other systems is its maximum flexibility over the river system for ramp-up, ramp-down of flow, etc., and the ability to use it during peak demand times and then back it down during times of lesser demand. Mr. Hart added that the TEA system is so clean that the Bonneville Power Administration (BPA) uses it for troubleshooting their system.

Mr. Churchman further described how the TEA software performs and how other agencies have used it.

General Manager Gray added that it also has an indirect benefit for regional customers, i.e., Clatskanie PUD is a wholesale customer but has a key relationship with EWEB, and this system will allow EWEB to retain Clatskanie as a valued customer.

Vice President Brown asked if EWEB would be insulated if the company went out of business. Mr. Hart replied that TEA will be EWEB's primary system but that EWEB's backup or gap solution would be used until EWEB goes live with TEA, and it would continue to be EWEB's backup solution if the company dissolved or if EWEB didn't have access. He added that BPA also provides a simplified backup solution. Mr. Churchman added that TEA has a robust hosting site that is used by many customers around the country.

General Manager Gray added that TEA is not a start-up, but is owned by a collaboration of municipal utilities across the country, and that EWEB has been approached about buying into the company but will not do so at this point.

Commissioner Mital wondered if there is a weakness with so many customers using the same software. Mr. Hart replied that a 17-year contract exists with BPA but that EWEB needs to be open to considering other alternatives. He explained that staff has been pursuing different avenues that would bring a final solution but the technical challenges are fairly great, and it is necessary to partner with friends in the business and work with other utilities to pursue an ultimate non-fee-based solution.

Mr. Churchman reiterated that he believes TEA is a competitive and exceptional product and that it puts EWEB in a good bargaining position with BPA, and allows EWEB more accountability. He noted that in the next few years EWEB will be able to shake out not only the TEA system but also the BPA system.

President Simpson thanked staff for the backgrounder and for the good work. He asked if EWEB has any band width and if EWEB is marketing its services at less than TEA can.

Commissioner Mital noted that EWEB likes to be a primary leader and that he thinks it's great for EWEB to be in that marketplace.

Regarding President Simpson's question, General Manager Gray replied that staff could produce a starboard report if the Board wishes.

It was moved by Vice President Brown, seconded by Commissioner Manning, to approve the BPA slice contract/software implementation. The motion was approved unanimously (4-0).

### **TERRY STREET AND GREENHILL ROAD PIPELINE – PACIFIC EXCAVATION**

General Manager Gray recalled that EWEB and the City of Veneta have an agreement for EWEB to supply water to the city limits of Veneta, which is at approximately the location of the Shell Station on Greenhill Road. The City of Veneta is close to being done with their portion of the work, and EWEB has bid out their work to the same company at significantly less than EWEB's engineering estimates.

Vice President Brown wondered how EWEB can justify this expense in the business sense. General Manager Gray replied that the City of Veneta is reimbursing most of the expense, as EWEB only pays for their part of the system, and that staff is comfortable with the interest rate being charged to the City of Veneta, with fixed costs spread out with sales.

It was moved by Vice President Brown, seconded by President Simpson, to approve this construction contract. The motion was approved unanimously (4-0).

### **15 kV INSULATED UNDERGROUND CONDUCTOR CONTRACT**

Frank Lawson, Systems Engineering Supervisor, introduced Tom Ossowski, Senior Engineer – Distribution Engineering. Mr. Lawson briefly reviewed the detailed backgrounder the Board received prior to the meeting. The contract was approved unanimously (4-0).

### **PRIMARY AND SECONDARY CONDUCTOR CONTRACT**

Mr. Lawson briefly reviewed the detailed backgrounder the Board received prior to the meeting. The contract was approved unanimously (4-0).

### **WORK ASSET MANAGEMENT PROJECT CONTRACT**

Cathy Bloom, Finance Manager, introduced Tom Unke, the owner's representative from Baker-Tilly, who assisted staff with vendor selection for the above contract.

Mr. Unke told the Board that, as owner's representative for EWEB, he and his staff spent the last two months identifying critical areas of risk to look at prior to executing the contract. He noted that this system will replace 17 applications (and 80 subprocesses) that involve 60 different

stakeholder groups at EWEB. He added that the decision the Board makes tonight will establish EWEB's work asset management (WAM) as one of the "best in class," and that after receiving broad support from most, if not all, stakeholder groups, he believes that EWEB is ready for changes that will establish better fiduciary processes.

Ms. Bloom and Sheila Crawford, Principal Project Manager, briefly explained how the WAM will optimize asset maintenance.

Vice President Brown asked how he will justify the cost of the WAM to customers. Ms. Crawford replied that, as one example, the 17 applications that will be replaced have maintenance fees of \$17,000 per year. The new system will net a 3-1/2 year payback with a 40% return, and redundancy will go away (i.e., staff can work on other things instead of just one system).

Mr. Unke noted that he is a certified public accountant by trade so he has knowledge of the fiduciary process. He explained what items the system will specifically track and that it will produce more accurate financial reporting relative to that, and that performance standards and techniques regarding, for example, what it costs to install a pole can be introduced, when EWEB's current system has little ability to do that.

Commissioner Mital voiced his general support. He wondered how staff can prevent subjecting small decisions to big systems. General Manager Gray replied that it will be important to design what assets EWEB wants to track, and he gave some examples. Mr. Unke further explained how those costs can be tracked.

Commissioner Mital asked how going from a people-based system to a robot-based system will change the culture. Mr. Unke replied that he wouldn't describe the system as robot-based, but that it will result in more effective work flow and less redundancy, and flexibility can be designed into the spreadsheets that are built.

Commissioner Manning asked if this is the best system available for the dollar, or just the least expensive. Ms. Crawford replied that the Oracle system is a bit stronger for EWEB's needs, and she added that there are systems that are more expensive that are not as good. She noted that this system will also allow EWEB to grow into the future. Mr. Unke added that this system is a well-respected and stable Tier 1 product and that it is used by some of EWEB's larger peers.

General Manager Gray clarified that the plan is to have all of EWEB's systems be able to communicate with each other, and that this system doesn't require EWEB to buy all the modules up front, so future purchase decisions can be made along the way.

It was moved by Vice President Brown, seconded by Commissioner Manning, to approve the contract with Five Point and the software license and support agreements with their software partners Oracle Utilities, Riva Modeling and GeoNexus. The motion passed unanimously (4-0).

President Simpson called for a 10-minute recess.

## **RESERVE FUND STATUS AND TRANSFERS – RESOLUTION #1305**

Ms. Bloom recalled that this is an annual approval process, and she reviewed the items that are being requested for approval. She noted that staff will be updating the financial policies next month after Board direction.

Vice President Brown asked for an update on the \$2 million economic development loan program. Tom Williams, Key Accounts Manager, replied that two projects (Ninkasi Brewing and Pacific Recycling) have been approved for \$500,000 each, so half of that reserve fund has been committed, and both companies have shown their ability to repay the loan within the five-year time frame.

Commissioner Mital asked for an explanation of the above loan program. Vice President Brown gave a brief explanation. Mr. Williams added that this program uses a matrix that includes triple bottom line analysis, looking at how many jobs the project will bring to the community, its sustainability aspects, etc. After being screened for qualification, they are passed before a credit committee for approval. He noted that this program is strictly for loans, not grants.

Commissioner Manning thanked Mr. Williams for the clarification. He stated that he knows that Ninkasi gives back to the community and that they are continuing to expand, even internationally.

Ms. Bloom further answered clarifying questions regarding the Board backgrounder.

It was moved by Vice President Brown, seconded by President Simpson, to approve Resolution #1305. The motion passed unanimously (4-0).

## **2013 FIRST QUARTER FINANCIAL REVIEW**

Using overheads, Susan Eicher, General Accounting and Treasury Supervisor, presented the first quarter financial review for the electric and water utilities, including net income, operating revenue, operating expenses, contribution margin, reserves and designated funds, capital budget, and payroll expenses.

She noted that some of EWEB's financial statements now have different names due to requirements from accounting standards, and that changes have been made in the way the budget is monitored so that variances can be tracked and researched much more closely.

Commissioner Mital asked if EWEB is educating customers that conserving isn't necessarily going to lower their bill, and he wondered how fixed costs and rate redesign that affect customer bills will be explained to customers. General Manager Gray acknowledged that staff needs to work on customer education regarding the different bill components. Joe

Harwood, External Communications Coordinator, briefly reviewed the customer education that has been done so far.

Commissioner Manning asked if social media is used to help get the word out to customers. Mr. Harwood replied that Facebook and Twitter are used daily, not only to publicize events, but to report outages and direct customers to EWEB's website when they have questions.

### **2013 FIRST QUARTER OPERATING PLAN DASHBOARD RESULTS**

General Manager Gray asked for feedback from the Board on how the dashboard result design is working for them. He noted that, as per the Board's request, the results will list positives as well as negatives.

He then reviewed the first quarter operating plan dashboard results and answered clarifying questions from the Board. He reminded them that many of the results will take time and that setting ambitious goals will result in yellow lights from time to time, and that some yellow lights are only temporary yellow lights.

He highlighted and expanded on the following dashboard results:

- Customer Service – concern about long customer lines in the lobby for bill payments and long waits in the telephone queue
- Carmen-Smith relicensing process
- Layoffs continue to be painful and affect morale and job security. Unionization efforts also contribute. This is a huge cultural issue that needs to be worked on.

President Simpson asked for an update on the Customer Service issues. Mark Freeman, Customer Service/Energy Management Services Manager, said that the new customer service representatives will complete their training by June and that part-time representatives may be hired for the usual high-traffic season from June to September, but that he is looking to be back to baseline by fourth quarter 2013.

President Simpson asked for a brief clarification of the project delivery and reliability results. General Manager Gray replied that he is comfortable with the current status as long as it doesn't cost money to maintain the green lights. He then recalled the proposed cost reductions and stated that they would result in minor degradation of reliability.

### **BOARD RETREAT FOLLOW-UP**

President Simpson recalled that the Board had discussed having an abbreviated Board meeting on the third Tuesday of the month. He recalled that the agenda check, Items from Board Members, and public input would be retained for that meeting but no consent calendar would be presented unless it contained an item that needed to be addressed right away. Action items would also be welcome for that meeting but Correspondence/Board Agendas would not be



included in that meeting, though they would be included in the Board run. Lastly, the 5:30 start time and the new agenda format are acceptable.

General Manager Gray stated that the new agenda format is working well from a staff perspective and also from his perspective. He noted that former Commissioner Bob Cassidy's feedback has been very positive, and that Mr. Cassidy believes Board discussions are richer.

Commissioner Mital asked for clarification of the difference between Items from Board Members and Correspondence/Board Agendas. General Manager Gray replied that Items from Board Members is the Board's opportunity to raise issues or make comments, and Correspondence/Board Agendas is where he will ask questions of the Board, as he assumes the Board has already read the correspondence, and will highlight any changes to the agenda (i.e., too many agenda items for one meeting) or point out key items.

President Simpson added that Correspondence/Board Agendas is also an opportunity for General Manager Gray to report out on awards and accomplishments.

President Simpson also recalled that the retreat had included a discussion about constraints around the amount of time taken for Board discussion and that they had discussed the possibility of a queue timer or time manager (a single indicator). He asked the Board if they wish to pursue this.

Vice President Brown briefly described a queue timer that is used by the Eugene City Council. President Simpson asked Ms. Johnson to do some research and show the Board what type of timer can be purchased for what price and to try to model it closely after the City Council's system.

President Brown stated that he would like to try out a system before one is purchased. President Simpson asked Ms. Johnson to arrange a time for him to meet with the City Council to view their system. Commissioner Manning wondered if it would be possible to do an actual test drive of their system. Ms. Johnson replied that there are also some free systems that can be tried out such as an internet site with a visual timer, but more complex systems become more expensive.

## **CORRESPONDENCE/BOARD AGENDAS**

General Manager Gray recalled that he is attempting to have only one Board meeting per month with a few exceptions. He noted that the July 2 meeting will be canceled due to the July 4 holiday, and the sole July meeting will be on July 16. He also recalled that the second meeting in September is traditionally held upriver, and he recommended retaining that meeting. Another possible exception would be the annual City of Eugene/EWEB joint meeting which the City is hosting this year.

General Manager Gray stated that staff will continue to work with the Register-Guard regarding their notice of Board meetings.

Regular Board Meeting

May 7, 2013

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President Simpson asked if the September meeting could be held on September 3. Ms. Johnson replied that the generation rates public hearing would conflict with that date.

President Brown stated that the Forest Service is taking comments until May 17 regarding the degradation of riverbanks along the McKenzie River due to public camping. He hoped that the Board will take a position on this.

General Manager Gray replied that the Board will need to take a position on this issue because there are problems with public camping on EWEB property as well, with no law enforcement present, and if the Board so directs, President Simpson can sign a letter to be sent.

The Board supported this recommendation, and President Simpson agreed to sign a letter.

President Simpson adjourned the Regular Session at 9:08 p.m.

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Assistant Secretary

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President

# EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve an increase to a contract with **Andrea Mason** for **Project Management services**.

Board Meeting Date: June 4, 2013  
Project Name/Contract#: PSC 2324  
Primary Contact: Matt Sayre Ext. 7721  
Secondary Contact: Roger Gray Ext. 7130  
Purchasing Contact: Ramie Alkire Ext. 7413

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

**Contract Amount:**  
Original Contract Amount: \$19,500.00  
Additional \$ Previously Approved: \$ n/a  
Invoices over last approval: \$ n/a  
Percentage over last approval: n/a %  
Amount this Request: \$40,000.00  
**Resulting Cumulative Total:** \$59,500.00

<b>Funding Source:</b>	
<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: Exempt  
If applicable, basis for exemption: Rule 6-0270: Class Exemption of  
Personal Services under \$150,000  
Term of Agreement: April 29, 2013 – July 31, 2013  
Option to Renew? No  
Approval for purchases "as needed" for the life of the contract No

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

## Narrative:

The Board is being asked to approve an increase to the contract with **Andrea Mason** for **Project Management services**.

In April 2013, EWEB staff contracted with Andrea Mason to provide Project Management services for the "Service Oriented Architecture" (SOA) project. Ms. Mason assists in the implementation of the SOA's project goals including the deployment of an Enterprise Service Bus and commensurate documentation. The original estimated cost of these services was under \$20,000 (the required Board approval threshold), but additional project management services are necessary for the SOA project which will cause the contract amount to cross the \$20,000 threshold. The SOA project phase formulation, adoption of SOA governance, and the recent loss of key employees requires additional project management services than what was originally envisioned

## ACTION REQUESTED:

Management requests Board approve an increase to the contract with **Andrea Mason** for **Project Management Services**. Funds for these services were budgeted for 2013.

**SIGNATURES:**

Project Coordinator: \_\_\_\_\_

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 **BTi Construction Company, LLC** for **commercial/industrial backflow assembly testing services**.

Board Meeting Date: June 4, 2013

Project Name/Contract#: Commercial/Industrial Backflow Testing Svcs/SC #2328

Primary Contact: Brad Taylor Ext. 7385

Secondary Contact: Roger Gray Ext. 7130

Purchasing Contact: Cheryl Golbek Ext. 7389

### Contract Amount:

Original Contract Amount: \$25,000

Additional \$ Previously Approved: \$ N/A

Invoices over last approval: \$ N/A

Percentage over last approval: 0%

Amount this Request: \$25,000

**Resulting Cumulative Total:** \$25,000

### Contracting Method:

Method of Solicitation: Request for Quote

If applicable, basis for exemption: N/A

Term of Agreement: June 5, 2013 thru June 4, 2015

Option to Renew? No.

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

### NARRATIVE:

The Board is being asked to approve a new contract with **BTi Construction Company, LLC** for **commercial/industrial backflow assembly testing services**.

The Oregon Human Services Administration, by law, requires Water Purveyors (EWEB) to annually assure that commercial/industrial customer backflow devices are operating properly (OAR 333-061-0070). EWEB meets this legal compliance through the use of certified Backflow Assembly Testers. EWEB offers this service to simplify the commercial/industrial customer's obligation to test their backflow device annually. A customer may request EWEB to coordinate with a certified contractor for the annual testing of their device. EWEB will then work with a certified contractor to inspect and test the device, pay the contractor for the work and bill the customer the actual cost plus EWEB administration cost. Alternatively, the customer has the option of obtaining the service directly and EWEB will continue to monitor and follow-up with the customer to ensure the annual testing is done.

In April 2013, EWEB requested quotes (RFQ) from qualified, certified commercial/industrial backflow assembly testers that agree to the Program terms as specified by EWEB. The RFQ allowed for award of multiple contracts. Two responses were received and evaluated. Two separate contracts will be awarded; BTi Construction Company, Inc. of Junction City, Oregon and Eugene Backflow Testing of Eugene, Oregon.

If approved, staff anticipates services will not exceed \$25,000 over the two-year contract period. However, the exact number of customers who will request this service is unknown and may vary. While staff has tried to estimate the potential need from 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 new contract with **BTi Construction Company, LLC** for **Commercial/Industrial Backflow Testing Services**. Funds for these services were budgeted for 2013 and will be budgeted annually.

### Action Requested:

Contract Award  
 Contract Renewal  
 Contract Increase  
 Other

### Funding Source:

Budget  
 Reserves  
 New Revenue  
 Bonding  
 Other

### Form of Contract:

Single Purchase  
 Services  
 Personal Services  
 Construction  
 IGA  
 Price Agreement  
 Other

**SIGNATURES:**

Project Coordinator: \_\_\_\_\_

LT 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 **ECONorthwest** for **Real Estate Development and Disposition Consulting Services**.

Board Meeting Date: June 4, 2013  
Project Name/Contract#: Riverfront Real Estate Consulting Services  
RFP 016-2013  
Primary Contact: Kevin Biersdorff Ext. 7739  
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: \$ \$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  
**Resulting Cumulative Total:** \$ \$250,000 over 5 years (estimate)

### Funding Source:

Budget  
 Reserves  
 New Revenue  
 Bonding  
 Other

### Contracting Method:

Method of Solicitation: Formal Request for Proposal  
If applicable, basis for exemption: N/A  
Term of Agreement: June 7, 2013 – June 6, 2015  
Option to Renew? Yes, for additional three years  
Approval for purchases "as needed" for the life of the contract Yes

### Form of Contract:

Single Purchase  
 Services  
 Personal Services  
 Construction  
 IGA  
 Price Agreement  
 Other

### NARRATIVE:

The Board is being asked to approve a new contract with **ECONorthwest** for **Real Estate Development and Disposition Consulting Services**.

Staff issued an RFP in April 2013 to qualified consultants to provide Riverfront real estate consulting services. Two proposals were received and evaluated: Leland Consulting Group of Portland; and ECONorthwest of Eugene. ECONorthwest was selected as the highest ranked proposer. A notice of Intent to Award was sent to ECONorthwest, pending Board approval.

ECONorthwest will work with the Board to clarify values and priorities in the creation of a disposition strategy, and with staff to formalize partnerships and marketing approach. ECONorthwest will also interface with prospective developers on EWEB's behalf and evaluate purchase offers with respect to risks, costs, and revenues.

### ACTION REQUESTED:

Management requests Board approve a new contract with **ECONorthwest** for **Real Estate Development and Disposition Consulting Services**. Funds for these services were budgeted for 2013 and will be budgeted annually as needed.

**SIGNATURES:**

Project Coordinator: \_\_\_\_\_

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 **Eugene Backflow Testing** for **commercial/industrial backflow assembly testing services**.

Board Meeting Date: June 4, 2013

Project Name/Contract#: Commercial/Industrial Backflow Testing Svcs/SC #2329

Primary Contact: Brad Taylor Ext. 7385

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: \$25,000

Additional \$ Previously Approved: \$ N/A

Invoices over last approval: \$ N/A

Percentage over last approval: 0%

Amount this Request: \$25,000

**Resulting Cumulative Total:** \$25,000

### Funding Source:

Budget  
 Reserves  
 New Revenue  
 Bonding  
 Other

### Contracting Method:

Method of Solicitation: Request for Quote

If applicable, basis for exemption: N/A

Term of Agreement: June 5, 2013 thru June 4, 2015

Option to Renew? No.

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

### Form of Contract:

Single Purchase  
 Services  
 Personal Services  
 Construction  
 IGA  
 Price Agreement  
 Other

### NARRATIVE:

The Board is being asked to approve a new contract with **Eugene Backflow Testing** for **commercial/industrial backflow assembly testing services**.

The Oregon Human Services Administration, by law, requires Water Purveyors (EWEB) to annually assure that commercial/industrial customer backflow devices are operating properly (OAR 333-061-0070). EWEB meets this legal compliance through the use of certified Backflow Assembly Testers. EWEB offers this service to simplify the commercial/industrial customer's obligation to test their backflow device annually. A customer may request EWEB to coordinate with a certified contractor for the annual testing of their device. EWEB will then work with a certified contractor to inspect and test the device, pay the contractor for the work and bill the customer the actual cost plus EWEB administration cost. Alternatively, the customer has the option of obtaining the service directly and EWEB will continue to monitor and follow-up with the customer to ensure the annual testing is done.

In April 2013, EWEB requested quotes (RFQ) from qualified, certified commercial/industrial backflow assembly testers that agree to the Program terms as specified by EWEB. The RFQ allowed for award of multiple contracts. Two responses were received and evaluated. Two separate contracts will be awarded; Eugene Backflow Testing of Eugene, Oregon and BTi Construction Company, Inc. of Junction City, Oregon.

If approved, staff anticipates services will not exceed \$25,000 over the two-year contract period. However, the exact number of customers who will request this service is unknown and may vary. While staff has tried to estimate the potential need from 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 new contract with **Eugene Backflow Testing** for **Commercial/Industrial Backflow Testing Services**. Funds for these services were budgeted for 2013 and will be budgeted annually.

**SIGNATURES:**

Project Coordinator: \_\_\_\_\_

LT Manager: \_\_\_\_\_

Purchasing Manager: \_\_\_\_\_

General Manager: \_\_\_\_\_

Board Approval Date: \_\_\_\_\_

Secretary/Assistant Secretary verification: \_\_\_\_\_

# EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a contract with **Habitat Contracting, LLC** for **Canal Vegetation Management Services**.

Board Meeting Date: June 4, 2013  
Project Name/Contract#: Canal Vegetation Management/018-2013  
Primary Contact: Steve Newcomb Ext. 7391  
Secondary Contact: Roger Gray Ext. 7130  
Purchasing Contact: Sarah Gorsegner Ext. 7348

<b>Action Requested:</b>	
<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: \$ \$300,000 over 5 years  
Additional \$ Previously Approved: \$ n/a  
Invoices over last approval: \$ n/a  
Percentage over last approval: n/a %  
Amount this Request: \$ \$300,000 over 5 years  
**Resulting Cumulative Total:** \$ \$300,000 over 5 years

<b>Funding Source:</b>	
<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: Invitation to Bid  
If applicable, basis for exemption: n/a  
Term of Agreement: 5 years, June 7, 2013-June 6, 2018  
Option to Renew? no  
Approval for purchases "as needed" for the life of the contract Yes

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

### Narrative:

EWEB is required to maintain vegetation to ground level along the Leaburg/Walterville canals a minimum of twice per year to comply with Federal Electric Reliability Corporation (FERC) requirements to maintain cleared canals. Work will primarily consist of weed-eating and chainsaw work along ten miles of steep canal banks. Additional work may include GIS mapping on select conditions.

In May 2013, staff issued a formal invitation to bid to establish a price agreement for the canal vegetation management services. The solicitation was reviewed by five companies. Three responses were received; Habitat Contracting, LLC of Eugene, Oregon was determined to be the lowest responsive and responsible bidder.

This contract, if approved, will be for five years. Staff estimates the total contract amount to be \$60,000 per year based on historical data, with a total contract value of \$300,000. Exact service requirements are unknown and no guarantee has been made for any specific annual quantity of work. 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 **Habitat Contracting, LLC** for **Canal Vegetation Management**. Funds for these services were budgeted for 2013 and will be budgeted annually.

**SIGNATURES:**

Project Coordinator: \_\_\_\_\_

Manager: \_\_\_\_\_

Purchasing Manager: \_\_\_\_\_

General Manager: \_\_\_\_\_

Board Approval Date: \_\_\_\_\_

Secretary/Assistant Secretary verification: \_\_\_\_\_

# EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a contract with **Habitat Contracting, LLC** for **Carmen Smith Transmission Line Vegetation Management Services**.

Board Meeting Date: June 4, 2013

Project Name/Contract#: Carmen Smith Transmission Line Vegetation Management/019-2013

Primary Contact: Steve Newcomb Ext. 7391

Secondary Contact: Roger Gray Ext. 7130

Purchasing Contact: Sarah Gorsegner Ext. 7348

### Action Requested:

Contract Award  
 Contract Renewal  
 Contract Increase  
 Other

### Contract Amount:

Original Contract Amount: \$ \$250,000 over 5 years

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

**Resulting Cumulative Total:** \$ \$250,000 over 5 years

### Funding Source:

Budget  
 Reserves  
 New Revenue  
 Bonding  
 Other

### Contracting Method:

Method of Solicitation: Invitation to Bid

If applicable, basis for exemption: n/a

Term of Agreement: 5 years, June 7, 2013-June 6, 2018

Option to Renew? no

Approval for purchases "as needed" for the life of the contract Yes

### Form of Contract:

Single Purchase  
 Services  
 Personal Services  
 Construction  
 IGA  
 Price Agreement  
 Other

### Narrative:

EWEB is required to maintain vegetation along the Carmen Smith Transmission Line Corridor to comply with Forest Service and Private Property Owners land use requirements and the Federal Electric Reliability Corporation (FERC) requirements to maintain the Transmission Line Corridor. Work will consist of weed-eating, chainsaw work, hand pulling, cutting, and the use of small hand and power tools along nineteen miles of corridor.

In May 2013, staff issued a formal invitation to bid to establish a price agreement for the transmission line corridor vegetation management services. The solicitation was reviewed by seven companies. One response was received; Habitat Contracting, LLC of Eugene, Oregon was determined to be the lowest responsive and responsible bidder. Habitat Contracting's price is fair, based on the other competitive processes completed during the same time period and the rural location.

This contract, if approved, will be for five years. Staff estimates the total contract amount to be \$50,000 per year based on historical data, with a total contract value of \$250,000. Exact service requirements are unknown and no guarantee has been made for any specific annual quantity of work. 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 **Habitat Contracting, LLC** for **Carmen Smith Transmission Line Vegetation Management**. Funds for these services were budgeted for 2013 and will be budgeted annually.

**SIGNATURES:**

Project Coordinator: \_\_\_\_\_

Manager: \_\_\_\_\_

Purchasing Manager: \_\_\_\_\_

General Manager: \_\_\_\_\_

Board Approval Date: \_\_\_\_\_

Secretary/Assistant Secretary verification: \_\_\_\_\_

## EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a contract with **Make it Happen, LLC** for **Ventyx Customer Information System Upgrade**.

Board Meeting Date: June 4, 2013

Project Name/Contract#: Ventyx Customer Information System Upgrade/2223

Primary Contact: Matt Sayer Ext. 7721

Secondary Contact: Roger Gray Ext. 7130

Purchasing Contact: Sarah Gorsegner Ext. 7348

### Action Requested:

Contract Award  
 Contract Renewal  
 Contract Increase  
 Other

### Contract Amount:

Original Contract Amount: \$100,000

Additional \$ Previously Approved: \$ n/a

Invoices over last approval: \$ n/a

Percentage over last approval: n/a %

Amount this Request: \$100,000

**Resulting Cumulative Total:** \$100,000

### Funding Source:

Budget  
 Reserves  
 New Revenue  
 Bonding  
 Other

### Contracting Method:

Method of Solicitation: Direct Negotiation

If applicable, basis for exemption: 6-0270

Term of Agreement: June 7, 2013-December 31, 2014

Option to Renew? No

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

### Form of Contract:

Single Purchase  
 Services  
 Personal Services  
 Construction  
 IGA  
 Price Agreement  
 Other

### Narrative:

EWEB's Customer Information System (CIS) hosts customer's account information and generates EWEB billing. The data reported from the Customer Information System is designed to support customer service, operational control, and decision making for utility service providers. EWEB requires an upgrade to the Ventyx Customer Information System to the newest release, version 4.3.2. The upgrade is required as the prior version is no longer supported. A Consultant is required to develop a project plan to effectively complete this upgrade and to manage and execute the plan in 2014 for this critical system.

EWEB has directly negotiated a contract with Make it Happen, LLC of Eugene, Oregon. Make it Happen staff are skilled in project implementation. The methodology used by Make it Happen will assist EWEB in keeping project staff on schedule and budget to effectively complete the upgrade. In the planning phase, the Contractor will develop a statement of work, determine cost and work schedules, and will plan, design and finalize architecture to replace hardware. In the execution phase, EWEB has the option to engage the Contractor to complete underlying software upgrades, replace hardware, migrate existing data, test and install the production environment, and provide post implementation support as needed.

The planning phase is budgeted at \$25,000 in 2013. The execution phase is budgeted at \$75,000 in 2014.

### ACTION REQUESTED:

Management requests Board approve a contract with **Make it Happen, LLC** for **Ventyx Customer Information System Upgrade**. Funds for this work were budgeted for 2013 and will be budgeted for 2014.





**SIGNATURES:**

Project Coordinator: \_\_\_\_\_

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 Woods Inc.** for Wetland Mitigation Maintenance at the Roosevelt Operations Center.

Board Meeting Date: June 4, 2013

Project Name/Contract#: ROC Wetland Mitigation Maintenance/ITB 021-2013

Primary Contact: Steve Newcomb Ext. 7391

Secondary Contact: Roger Gray Ext. 7130

Purchasing Contact: Ramie Alkire Ext. 7413

### Action Requested:

- Contract Award
- Contract Renewal
- Contract Increase
- Other

### Contract Amount:

Original Contract Amount: \$ 145,000 over five years

Additional \$ Previously Approved: \$ n/a

Invoices over last approval: \$ n/a

Percentage over last approval: n/a %

Amount this Request: \$ 145,000

**Resulting Cumulative Total:** \$ 145,000 over 5 years

### Funding Source:

- Budget
- Reserves
- New Revenue
- Bonding
- Other

### Contracting Method:

Method of Solicitation: Informal Bid (Intermediate Procurement)

If applicable, basis for exemption: n/a

Term of Agreement: June 5, 2013 through June 4, 2018

Option to Renew? No

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 Woods Inc.** for Wetland Mitigation Maintenance at the Roosevelt Operations Center.

The Roosevelt Operations Center (ROC) project wetland permits, Army Corps of Engineers (ACOE) and Department of State Lands (DSL) require EWEB to fully and successfully implement Wetland Mitigation, Compensatory Mitigation, and Restoration plans at the Roosevelt site. This implementation includes all practicable measures necessary to ensure the site's mitigation and restoration to the performance standards set forth in the respective plans. Responsibility to complete the required compensatory mitigation and restoration is not fulfilled until EWEB demonstrates mitigation success and receives written verification from ACOE and DSL. A measure of mitigation success includes the creation or enhancement of on-site wetlands. Developing wetlands involves maintaining native plants and clearing non-native plants which includes a variety of vegetation control practices including hand pulling, grubbing and the use of small hand and power tools as needed.

In May 2013, staff solicited informal bids for the wetland mitigation maintenance. One bid was received and evaluated. Oregon Woods Inc. was determined to be the lowest responsive/responsible bidder. If approved, Oregon Woods will provide the Wetland Mitigation Maintenance required at the ROC.

### ACTION REQUESTED:

Management requests Board approval of a new contract with **Oregon Woods Inc.** for Wetland Mitigation Maintenance at the Roosevelt Operations Center. Funds were budgeted for 2013 and will be budgeted annually.

**SIGNATURES:**

Project Coordinator: \_\_\_\_\_

Supervisor: \_\_\_\_\_

Purchasing Manager: \_\_\_\_\_

Division Director: \_\_\_\_\_

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 Woods Inc.** for **Vegetation Maintenance & Enhancement Services** along the Leaburg and Waltherville Properties.

Board Meeting Date: June 4, 2013  
Project Name/Contract#: Leaburg & Waltherville Property Vegetation  
Maintenance & Enhancement/ITB 023-2013  
Primary Contact: Steve Newcomb Ext. 7391  
Secondary Contact: Roger Gray Ext. 7130  
Purchasing Contact: Ramie Alkire Ext. 7413

<b>Action Requested:</b>	
<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: \$ 40,000.00  
Additional \$ Previously Approved: \$ n/a  
Invoices over last approval: \$ n/a  
Percentage over last approval: n/a %  
Amount this Request: \$ 40,000.00  
**Resulting Cumulative Total:** \$ 40,000.00

<b>Funding Source:</b>	
<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: Informal Bid (Intermediate Procurement)  
If applicable, basis for exemption: n/a  
Term of Agreement: June 5, 2013 – December 30, 2013  
Option to Renew? No  
Approval for purchases "as needed" for the life of the contract Yes

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

## NARRATIVE:

The Board is being asked to approve a new contract with **Oregon Woods Inc.** for **Vegetation Maintenance & Enhancement Services** along the Leaburg and Waltherville Properties.

EWEB requires **Vegetation Maintenance and Enhancement Services** along the Leaburg and Waltherville Properties along the McKenzie River. Federal Regulations require EWEB to maintain these areas.

In May 2013, staff solicited informal bids for the **vegetation maintenance and enhancement services**. Two bids were received and evaluated. **Oregon Woods Inc.** was determined to be the lowest responsive/responsible bidder. If approved, **Oregon Woods Inc.** will provide the **Vegetation Maintenance & Enhancement services** along the Leaburg and Waltherville Properties.

## ACTION REQUESTED:

Management requests Board approval of a new contract with **Oregon Woods Inc.** for **Vegetation Maintenance & Enhancement Services** along the Leaburg and Waltherville Properties. Funds were budgeted for 2013.

**SIGNATURES:**

Project Coordinator: \_\_\_\_\_

Supervisor: \_\_\_\_\_

Purchasing Manager: \_\_\_\_\_

Division Director: \_\_\_\_\_

General Manager: \_\_\_\_\_

Board Approval Date: \_\_\_\_\_

Secretary/Assistant Secretary verification: \_\_\_\_\_



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital  
FROM: Roger Gray, General Manager  
DATE: May 27, 2013  
SUBJECT: Appointment of Board Assistant Secretary, Treasurer and Assistant Treasurer  
OBJECTIVE: Board Action Approval of Resolution No. 1306

---

## **Issue**

EWEB bylaws Article V, Section 1 provides for the General Manager to designate an assistant secretary, treasurer and assistant treasurer.

Resolution No. 1306, is to make official previous positions held by Catherine D. Bloom, Treasurer and Susan Eicher, Assistant Treasurer. I also recommend Taryn M. Johnson, be appointed to Assistant Secretary to replace Debra J. Smith.

## **Requested Board Action**

Approval of Resolution No. 1306.

**RESOLUTION NO. 1306  
JUNE 2013**

**EUGENE WATER & ELECTRIC BOARD  
APPOINTMENT OF BOARD ASSISTANT SECRETARY, TREASURER AND ASSISTANT  
TREASURER**

WHEREAS, the Eugene Water & Electric Board bylaws Article V, Section 1 provides for the General Manager to designate an assistant secretary, treasurer and assistant treasurer.

WHEREAS, General Manager Roger Gray duly appoints Taryn Johnson to be Assistant-Secretary to the Eugene Water & Electric Board;

WHEREAS, General Manager Roger Gray duly appoints Catherine D. Bloom to be Treasurer to the Eugene Water & Electric Board;

WHEREAS, General Manager Roger Gray duly appoints Susan Eicher to be Assistant-Treasurer to the Eugene Water & Electric Board;

THEREFORE BE IT RESOLVED that the Eugene Water & Electric Board hereby authorizes General Manager Roger Gray to designate assistant secretary, treasurer and assistant treasurer to the Board of Commissioners.

Dated this 4th day of June 2013

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

\_\_\_\_\_  
President

I, ROGER GRAY, General Manager of Eugene Water & Electric Board, do hereby appoint Taryn Johnson as Assistant Secretary, Catherine D. Bloom as Treasurer and Susan Eicher as Assistant Treasurer of the Eugene Water & Electric Board per the Resolution No. 1306 adopted by the Board at its June 4, 2013 Regular Board Meeting.

\_\_\_\_\_  
General Manager



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital  
FROM: Cathy Bloom, Finance Manager  
DATE: May 24, 2013  
SUBJECT: Financial Policies Update  
OBJECTIVE: Approval of Financial Policies

---

## Issue

The Board provided direction on March 19, 2013 to change the financial target for the Electric Utility. The direction was to move the targeted financial rating from AA to A. Attached are updated Board financial policies reflecting the changes based on the Board's direction.

## Background

In 1990, following a period of financial uncertainty and public concern, the Board adopted a set of financial policies that provide high level guidance for EWEB's financial health and well being. Since that time, the policies have been reviewed by management annually and updated, as necessary, every three to five years. The last review took place June 2011. Based on the direction to change the targeted financial rating, and therefore, the associated financial targets and metrics, it is appropriate that the Board approve the attached updated policies document at this time.

## Discussion

The changes below to the financial targets and metrics are reflected within the attached Financial Policies. The policies have been updated based on 1) the change in the financial rating target from AA to A for the Electric Utility from the March 19<sup>th</sup> Board meeting, 2) Power Reserve Target approved at the May 7<sup>th</sup> Board meeting, 3) Capital Improvement Reserve increase based on the increase in depreciation expense, and 4) Working Cash Target increase to better achieve days cash targeted range.

The increase in the working cash targets below contribute to an overall total reserve target increase to \$58 million and \$13 million for the Electric and Water Utilities, respectively, as reflected on page 21 of the Financial Policies. The previous targets were \$53 million and \$10 million for the Electric and Water Utilities, respectively. The result is a "days cash" target of 100 days for the Electric Utility and 90 days for the Water Utility. As defined on pages 3 and 4 of the attached policies, the days cash target reflects the average daily cash requirements for operations and falls within the performance standard of 90 to 150 days.



Recommended changes to targets are as follows:

**Electric Utility**

	From	To
Debt Service Coverage Target	2.0 to 2.50	1.75 to 2.0
Power Reserve Target	\$19.8 million	\$13.2 million
Working Cash Target	\$15 million	\$24 million
Capital Improvement Reserve Target	\$15 million	\$18 million

**Water Utility**

	From	To
Working Cash Target	\$2.0 million	\$3.4 million

**Recommendation**

Management recommends approval of the attached financial policies that support the Board’s targeted level of financial performance. If you have any questions please contact Cathy Bloom.

**Requested Board Action**

Approval of the attached Financial Policies.



Eugene Water & Electric Board

*Rely on us.*

## *Financial Policies*

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## ***EWEB Financial Policies***

### **1.0 RESERVE POLICIES**

#### **1.1 Rate Sufficiency Policy**

Rates and charges will be adequate to provide revenues sufficient to maintain a degree of financial soundness over and above requirements for compliance with existing bond covenants.

#### **Discussion:**

EWEB bond resolutions contain a rate sufficiency covenant that is a standard provision in municipal utility bond contracts. The covenant requires that rates and charges be set at a level that is high enough to pay the costs of operating and maintaining the utilities. This rate sufficiency policy is a higher standard than that required by the standard rate covenant contained in the bond resolutions. The policy is intended to supplement the weaker financial performance standards set out as minimum requirements in the bond resolutions. The financial standard implied by this policy is that rates and charges will be maintained at a level consistent with an average credit rating of A for the Electric Utility and AA rating for the Water Utility.

Credit rating agencies evaluate creditworthiness by assessing an organization's ability to adequately address issues of strategic importance. Credit analysis includes the track record of performance as reflected in widely used ratios and statistics. These measurements are compared with other similarly situated utilities to determine relative financial strength within the industry. An example of such a statistic is "debt service coverage ratio" which shows how many times debt service can be paid from net operating revenues. Minimum legal debt service coverage requirements are 1.35 times debt service for issuing new debt. EWEB's long term target for debt service coverage ratio for the Electric Utility is 1.75 to 2.0 and the Water Utility is 2.00 to 2.50 times debt service.

Performance standards and actual 2012 results are as follows. Performance standards, where established, are based on review with our Financial Advisor and what they are observing in the financial markets and rating agency reviews of public utilities that own generating facilities.

## **EWEB Financial Policies**

	<b><u>Actual 2012</u></b>	<b><u>Performance Standard</u></b>
<b>Electric Utility</b>		
Working Capital Days Cash	105 days	90 to 149 days
Current Ratio	4.636x	3.250x
Debt Service Coverage	1.93x	1.75 to 2.0x
<b>Water Utility</b>		
Working Capital Days Cash	34 days	90 to 120 days
Current Ratio	1.65x	3.250x
Debt Service Coverage	2.78x	2.0 to 2.50

Working cash balances are based on the amount of cash needed to pay for ongoing operational expenditures during the year and maintain an amount of working capital to support the day's cash ratio sufficient to maintain higher than average credit rating. The target for working cash is \$24 million and \$3.4 million for the Electric and Water Utility, respectively.

The performance standards were obtained by Moody's scorecard information from "Rating Methodologies; US Public Power Electric Utilities with Generation Ownership Exposure" November 9, 2011 for the Electric Utility and HDR consultants review in 2012 for the Water Utility.

### **1.2 Rate Stability Policy**

Certain funds will be held in reserve for the purpose of mitigating the customer rate impact of unanticipated events.

#### **Discussion:**

It is the nature of budgets, financial projections, and other statements about the future to contain uncertainty. The intent of this policy is to set aside funds or other financial instruments to smooth out the financial impact on customers when assumptions about the future do not comport with actual events as they transpire.

The "Slice of System" Bonneville contract has effectively passed the risk of hydro-conditions onto Slice customers such as EWEB. However, the amount of actual power received under the Slice product will vary with the performance of the federal based system. In years of heavy water flow, EWEB may have rights to power that

## **EWEB Financial Policies**

may be in excess of their needs, and in poor water years EWEB would need to augment its share of Slice output with their own generation or market purchases.

Because this contract provides volatility in the amount of power received compared to what is needed to serve retail loads, the principal determinants of financial performance are the amount of power that is available for purchase or sale and the price of power in the market. This gives rise to large variation in the available funding for utility programs and operations from one year to the next.

To carry out this policy, a Power Reserve account has been established to smooth the effects of power availability, prices, and load variations. The desired balance corresponds to the hydro-generation availability assumption used in the budget. If “normal” or “average” generation is assumed, then a larger reserve account is needed than if a lower percentage of average generation is assumed. The target is reviewed and calculated annually as part of the annual budget process. Deposits and withdrawals from the reserve account are made on a monthly basis to reflect the extent to which actual power budget performance is deviating from budgeted performance expectations.

A Water Operating Reserve account is used in similar fashion to smooth out the revenue effects of wet/cool or dry/hot summers at the close of the year. In addition, Operating Reserve accounts and Self-Insurance Reserve accounts have been established to provide funding of unforeseen cost contingencies, and to fund the out-of-pocket liability costs of third party claims. These accounts are adjusted annually to reflect the operating budget performance of the most recent full fiscal year. The target for the Self-Insurance Reserve for Electric and Water totals \$2,000,000 which is based on the amount EWEB is self-insured. Excess liability insurance protects EWEB after the self-insurance limit is exhausted.

Performance standards and actual 2012 results are as follows. 2012 actual balances are after board authorized transfers in May, 2013.

	<b><u>Actual 2012</u></b>	<b><u>Performance Standard</u></b>
<b>Electric Utility</b>		
Power Reserve	\$13,200,000	\$13,200,000
@ 90% of normal hydro generation		
Operating Reserve	\$ 1,000,000	\$ 1,000,000
Self-Insurance Reserve	\$ 1,748,000	\$ 1,720,000

## **EWEB Financial Policies**

### **Water Utility**

Operating Reserve	\$ -0-	\$1,000,000
Self-Insurance Reserve	\$ 285,000	\$ 280,000

### **1.3 Capital Reserve Policy**

Net investment in utility plant assets will be maintained, including such capital additions and reserves as may be necessary to support growth in loads and customer base.

#### **Discussion:**

EWEB's approach to financing capital assets uses a combination of current rates, capital improvement reserves, accumulated systems development charge receipts, and debt financing. Capital projects are classified as Type 1, Type 2, or Type 3. Each year, an amount is budgeted from rate revenues to provide ongoing funding for a base level of capital additions and replacements. The base level amount is determined through an evaluation of the age and condition of basic capital infrastructure of the Electric and the Water Utilities. This amount represents what is needed annually to maintain the desired level of service reliability on a long-term basis. These are considered Type 1 capital projects; projects that are ongoing capital infrastructure replacements.

Type 2 capital projects include capital improvement projects which are large rebuilding or expansion projects that occur periodically and are typically funded through bonds. Type 3 capital projects are major strategic projects and are funded with bonds and/or reserves or some combination thereof.

Capital funding requirements are determined by a Capital Improvement Plan (CIP). The CIP is a ten-year projection of capital needs that is updated annually and approved by the Board. The CIP sets out, for each utility, the anticipated need for utility and support infrastructure to meet customer demands and system reliability standards. Identified in the CIP is an indication of the proportion of funding from 1) rates, 2) accumulated reserves, 3) interest and other earnings on accumulated reserves, and 4) debt proceeds.

Each month, one twelfth of the base level amount is deposited into the Capital Improvement Reserve account. Withdrawals are made monthly from the account to reimburse the Working Capital Account as capital projects are completed.

## **EWEB Financial Policies**

The target amount for the Electric and Water Utility Capital Improvement Reserve is based on one year's depreciation expense adjusted for service reliability needs.

### **The Targets are:**

Electric Utility: \$7.5 million to \$18 million (2013 Depreciation Budget - \$17.9 million)

Water Utility: \$3.5 million to \$7 million (2013 Depreciation Budget - \$4.7 million)

## **1.4 Retirement Benefits Funding Policy**

All long-term liabilities that must be either disclosed and/or accounted for in the financial statements will be funded according to a rational and consistent plan that targets full funding of the liabilities over a specified period of time.

### **Discussion:**

Financial reporting requirements for governmental and private sector concerns continue to converge regarding the consistency and transparency of unfunded retirement liabilities. For EWEB, unfunded retirement liabilities result from pension and other postemployment benefit programs. The primary financial strategy with these plans is to pay the actuarially determined annual required contribution, which pays for the current costs and unfunded liabilities over a designated period of years. However, if the funded status of the plans reach 70% funded status or less, an assessment of accelerated funding should be performed. When the funding status of the plan is at or below 70% of funded status, the plan is financially unstable as the plan is no longer self funding based on actuarially determined contribution rates. Below is a summary of the three plans.

1) **Pension Plan** - The Oregon PERS (OPERS) continues to experience volatility in regard to the rates employers pay to the state pension plan for benefits. EWEB pays the actuarial determined rate. In years where there is a difference between the PERS ordered contribution rate and the amount provided for in the financial pro-forma, the excess amounts will be set aside in a Board reserve for reduction of the unfunded liability in the future.

2) **Other Post-employment Benefits** – EWEB created a trust in November 2007 as a fund through which assets are accumulated and benefits are paid for other postemployment benefits (OPEB), other than pension benefits. Eligible retirees and beneficiaries of EWEB receive health care and life insurance benefits.

3) **Supplemental Retirement Plan** – EWEB created a pension plan in 1968 to provide supplemental retirement benefits to employees. The objective of the plan was to provide a benefit on retirement, which together with benefit from the OPERS, will



## ***EWEB Financial Policies***

provide 1.67% of the highest 36-month average salary for each year of service. The plan was closed in 1988. EWEB has a designated pension fund that funds the annual cost of paying for this closed plan. The unfunded actuarial liability as of January 1, 2012 was \$1.7 million and due to the nature of the closed plan, it is more cost effective to pay-as-you go, than set up a trust.

### **2.0 FINANCIAL MANAGEMENT POLICIES**

#### **2.1 Cost Management Policy**

EWEB will take cost management actions that provide for authorized budgets and include actions to maintain expenditures within authorized budget levels.

##### **Discussion:**

The annual budget is the primary tool for setting rates and controlling costs within a given year. For accounting and budgetary purposes, the budgets are broken into operating and capital components. The operating budget of the electric utility further separates power and related costs as distinct from non-power operating costs. The reason for this is that the cost of power and related items generally varies with changes in sales volume. Non-power items are composed of mostly labor, services and materials that are less susceptible to variations in sales volumes.

The annual budget is the maximum level of expenditure authorized by the Board. Conditions may arise during any given budget year that cause projected expenditures for either utility as a whole to be higher than those approved by the Board in the annual budget. If any of the specific conditions occur as defined in Board Policy EL1 - Financial Controls, Executive Management is required to propose a budget amendment. (Board Policy EL1 is attached as Appendix C.)

The budget amendment proposal must state the causes of the projected non-budgeted expenditures, the offsetting actions taken to mitigate the increase, and the source of any additional funding requested. The Board will consider each proposed budget amendment and either approve or disapprove. In the event of disapproval, the General Manager will exercise established authorities in taking actions necessary to curtail spending within authorized levels.

To monitor the budget, cost management procedures involve the monthly review of variances from the authorized budget by the Leadership Team. The review of power-related items is performed by the Power Risk Management Committee and is separate from non-power items. Actual and projected capital and other non-power expenditures are monitored by the Leadership Team which includes the General Manager. With the assistance of financial staff, the Leadership Team determines

## **EWEB Financial Policies**

what degree unfavorable variances in one department can be offset by favorable variances in another. In the event of a shortfall, the Leadership Team will determine whether to bring a budget amendment forward or curtail other activities to remain within authorized spending levels.

### **2.2 Budget Policy**

The authorized annual spending plan will be balanced such that resources meet or exceed requirements in each fiscal year.

#### **Discussion:**

Long-term financial stability can be assured only if, in each year, the annual spending plan is fully funded and results in a balanced budget. The budget is considered balanced when the following four conditions are met:

- 1) Expected annual operating revenues exceed anticipated operation and maintenance expenses.
- 2) Budgeted capital outlays are funded in full from a combination of net operating revenues, capital improvement reserves, accumulated system development charges, and debt proceeds.
- 3) Pro forma presentation of annual operating results shows positive net income.
- 4) Pro forma presentation of debt service coverage shows a ratio at or above the Board established performance standard (Rate Sufficiency Policy 1.1).

### **2.3 Debt Policy**

Funds to acquire major capital improvements will be provided in accordance with the estimated useful lives of such assets.

#### **Discussion:**

Prudent financial practice dictates the use of debt financing only in those cases where public policy, equity, and economic efficiency favor the use of debt over current financing. In EWEB's case, debt is considered an appropriate funding option for Type 2 and Type 3 capital projects. (See the discussion under Capital Reserve Policy 1.3.) Debt service payments should coincide with the useful life of the asset and should be structured to mirror the stream of benefits from the facility or project being funded.

## **EWEB Financial Policies**

Long-term debt financing will be considered for those major system improvements that meet two general criteria:

- The asset has a relatively long useful economic life (at least 10 years);
- The asset is a significant item included within the capital budget portion of the electric and water project plans.

However, if debt levels are too high the utility could become over-leveraged relative to its asset base and revenue producing capability. In all cases, management will balance the benefit of long term financing with the overall health of the organization as determined by appropriate measures of financial leverage.

Performance standards and actual 2012 results are as follows. Performance standards, where established, are based on review with our Financial Advisor and what they are observing in the financial markets and rating agency reviews of public utilities that own generating facilities.

	<b><u>Actual 2012</u></b>	<b><u>Performance Standard</u></b>
<b>Electric Utility</b>		
Debt/Asset Ratio	50%	60% or less *
Debt/Equity Ratio	92%	91%
<b>Water Utility</b>		
Debt/Asset Ratio	47%	60% or less
Debt/Equity Ratio	81%	89%

### **2.4 Billing and Collection Policy**

Services will be billed in an accurate and timely manner and collected with fair and equitable consideration for all customers.

#### **Discussion:**

Sound business and collection practices will be applied uniformly to all customers. EWEB maintains a customer credit rating system to provide fair and equitable consideration in deposit and collection practices for all customers. Decisions to extend payment terms for anyone are based on the customer's good faith, ability to pay, and payment history.

## **EWEB Financial Policies**

EWEB provides cost-effective customer assistance programs (e.g., Average Payment Plan, Customer Care, payment extension options, dispute/appeals recourse, etc.). EWEB will also cooperate with customers participating in social service programs such as the Limited Income Home Energy Assistance Program (LIHEAP) and other resources available to customers.

EWEB makes every reasonable and cost-effective attempt to secure payment of all accounts receivable. In accordance with bond covenants, products and services are not provided free of charge. Bills are issued based upon actual use of products and services, except that billings are estimated when EWEB service meters are inaccessible, or other considerations necessitate issuing estimated billings.

EWEB employees make a concerted effort to inform customers about the options available to them regarding payment for and controlled use of EWEB products and services as situations may deem advisable. In addition, we have built strong partnerships with community social service organizations that create preventive strategies for avoiding disconnection of services.

Performance standards and actual 2012 results are as follows:

	<b><u>Actual 2012</u></b>	<b><u>Performance Standard</u></b>
Write-offs as a % of Rate Revenue	.21%	.5% or less

### **3.0 RISK MANAGEMENT POLICIES**

#### **3.1 Enterprise Risk Management Policy**

Risks associated with EWEB operations will be proactively managed in a cost-effective and efficient manner consistent with prudent utility practice.

##### **Discussion:**

Risk is an inherent attribute of all utility activities. Risk is operationally defined as the probability that actions taken or not taken by utility employees will result in financial gain or loss. Within an organizational context, the broadest operational meaning of risk is that changes in utility activity intended to achieve a programmatic result, such as a particular product reliability standard or a financial goal, could have an unintended result. The practical application of this policy dictates that utility

## ***EWEB Financial Policies***

employees consciously consider the potential consequences of their actions and act affirmatively to decrease the probability of financial loss accruing to EWEB.

The objective of risk management involves the continual identification of EWEB's exposure to accidental, contractual, legal or regulatory losses. Affirmative control and immunization of risk to the greatest extent possible is accomplished by transferring risk through managed contract administration, retaining risk within established guidelines, and protecting against unpredictable loss through reasonable use of commercial insurance. EWEB will transfer much of its liability contractually, and retain those risks that can be self-assumed without seriously affecting the financial condition of the organization when this is the most economical and practical means of meeting such obligations. EWEB will purchase sufficient insurance coverage when the risk is of a catastrophic nature or beyond the capacity of the organization to absorb, or when it is required by law or contract. However, insurance shall, of necessity, be limited to availability of coverage at reasonable cost, consistent with the probable frequency, severity and impact of losses on the financial stability of the organization.

Due to the nature and extent of commodity risks, power supply related risk management policies are separately addressed in the Power Risk Management Policy.

### **3.2 Power Risk Management Policy**

Purchases and sales of electric power and related financial instruments will be managed to maximize the benefits to customers from wholesale transactions while minimizing the risk that wholesale activities will adversely affect retail prices.

#### **Discussion:**

For many years the staff at EWEB has worked to reduce power purchase costs while managing or avoiding risks that might result in price shocks or supply interruptions. Rapid changes in the electric power industry since 2000 have challenged traditional methods and prompted EWEB to migrate with power management systems and controls similar to those used in commodity trading organizations.

The Board has established power risk management policy statements to provide direction and oversight as referenced in Board Policy SD8 - Power Risk Management Policies, attached as Appendix B to this document.

## ***EWEB Financial Policies***

### **3.3 Investment Policy**

EWEB's investment portfolio will be managed to achieve safety of capital, achieve market rates of return, and provide sufficient liquidity to meet disbursement schedules.

#### **Discussion:**

EWEB's investment policy calls for the investment of excess funds in a manner which will preserve capital and provide sufficient liquidity to meet cash flow demands while conforming with all State statutes governing investment of public funds and bond covenants. The policy includes provisions with respect to diversification and the credit quality of securities purchased. EWEB's primary objectives are, in order of priority: safety of principal, liquidity and achieving a rate of return at least equal to the return on a comparably maturing U.S. Treasury bill. EWEB attempts to match its investments to anticipated cash flow requirements. Securities are intended to be held to maturity, unless the quality, yield or maturity characteristics of the portfolio can be improved by replacing one security with another.

## **4.0 ACCOUNTING POLICIES**

### **4.1 Financial Entity Policy**

EWEB will account for separate financial entities and will clearly define relationships among those entities to facilitate management decision-making.

#### **Discussion:**

#### **1) Financial Reporting and Budget**

Financial Reporting and Bond covenants require that EWEB maintain separate financial records for the Electric System and the Water System. Each entity has separate legal standing and revenues backing their respective bond issues and separate budgets. Often, the systems share personnel or other resources. The shared resources are allocated between the systems for accounting and ratemaking purposes.

#### **2) Reporting Entity**

For external reporting purposes, EWEB is required to follow Governmental Accounting Standards Board (GASB) definition of a reporting entity as EWEB is considered a primary government.

For internal reporting purposes, the results and financial position of the Electric System and the Water System will be reported separately. In addition, any

## ***EWEB Financial Policies***

component of either System, which can be separately reported, and for which separate reporting would be useful, such as a major line of business, separate class of customer, or new operation will be separately reported as required by EWEB management from time to time.

EWEB also has various relationships with other parties, such as 1) Western Generation Agency, an Intergovernmental Agency cogeneration project, 2) Trojan Nuclear Project, a jointly owned decommissioned nuclear plant and 3) Harvest Wind, a joint ownership with an equity investment in a wind generating facility and 4) OPEB Trust, post employment health care and life insurance benefits trust. These projects or investments are separate legal entities that are properly recorded within the Electric System and are fully disclosed in the footnotes of the financial statements.

### **4.2 Capitalization Policy**

Major utility expenditures for labor, materials and/or services that result in revenue or benefits in future reporting periods will be capitalized and allocated to match such future revenue or benefits through periodic amortization or depreciation.

#### **Discussion:**

##### **1) Utility Plant in Service**

The physical assets that make up the electric and water production, transmission and distribution systems, including the acquisition of land or construction of a building are capitalized and included in plant in service.

##### **2) Preliminary Investigations and Regulatory Deferrals**

It is common utility practice to defer costs of investigations of projects the utility believes will be viable in the future. An example of this for EWEB is the preconstruction relicensing costs for the Carmen-Smith Project. EWEB also defers revenues and costs to be charged to future periods to match the time periods when the revenue and expenses are included in the rates (regulatory deferrals). Examples of this are the deferral of electric derivatives, sick leave at retirement, and net pension obligation of the supplemental retirement plan.

## ***EWEB Financial Policies***

### **5.0 REFERENCE DOCUMENTS**

#### **5.1 Appendix A: Board Policy SD6 Financial Policies**

**Policy Number:** SD6  
**Policy Type:** Strategic Direction  
**Policy Title:** Financial Policies  
**Date Approved:** July 19, 2005

The following financial policies shall govern staff's operation of the utilities:

1. Rate Sufficiency Policy - Rates and charges will be adequate to provide revenues sufficient to maintain a high degree of financial soundness over and above requirements for compliance with existing bond covenants. (FP 1.1)
2. Rate Stability Policy - Certain funds will be held in reserve for the purpose of mitigating the customer rate impact of unanticipated events. (FP 1.2)
3. Capital Reserve Policy - Net investment in utility plant assets will be maintained, including such capital additions and reserves as may be necessary to support growth in loads and customer base. (FP 1.3)
4. Retirement Benefits Funding Policy - All long-term liabilities that must be either disclosed or accounted for in the financial statements will be funded according to a rational and consistent plan that targets full funding of the liabilities over a specified period of time. (FP 1.4)
5. Cost Management Policy - EWEB will take cost management actions that provide for authorized budgets and include actions to maintain expenditures within authorized budget levels. (FP 2.1)
6. Budget Policy - The authorized annual spending plan will be balanced such that resources meet or exceed requirements in each fiscal year. (FP 2.2)
7. Debt Policy - Funds to acquire major capital improvements will be provided in accordance with the estimated useful lives of such assets. (FP 2.3)
8. Billing and Collection Policy - Services will be billed in an accurate and timely manner and collected with fair and equitable consideration for all customers. (FP 2.4)
9. Enterprise Risk Management Policy - Risks associated with EWEB's operations will be proactively managed in a cost-effective and efficient manner consistent with prudent utility practice. (FP 3.1)



## ***EWEB Financial Policies***

10. Power Risk Management Policy – Purchases and sales of electric power and related financial instruments will be managed to maximize the benefits to customers from wholesale transactions while minimizing the risk that wholesale activities will adversely affect retail prices. (FP 3.2)
  
11. Investment Policy - EWEB's investment portfolio will be managed to achieve safety of capital, achieve market rates of return, and provide sufficient liquidity to meet disbursement schedules. (FP 3.3)
  
12. Financial Entity Policy - EWEB will account for separate financial entities and will clearly define relationships among those entities to facilitate management decision-making. (FP 4.1)
  
13. Capitalization Policy - Major utility expenditures for labor, materials and/or services that result in revenue or benefit in future reporting periods will be capitalized and allocated to match such future revenue or benefits through periodic amortization or depreciation. (FP 4.2)

Source: Board Approved 01/18/2000, Ratified 04/19/2005, Amended 07/19/2005

## ***EWEB Financial Policies***

### **5.2 Appendix B: Board Policy SD8 Power Risk Management Policies**

**Policy Number:** SD8  
**Policy Type:** Strategic Direction  
**Policy Title:** Power Risk Management Policies  
**Date Approved:** September 19, 2006  
**Date Revised:** October 2, 2012

#### **1. Formation of Risk Management Committee**

A Risk Management Committee (RMC) will be established to provide oversight control and guidance to the power trading and contracting operation.

The RMC will be comprised of the General Manager, Assistant General Manager, Finance Manager, Power Resources & Strategic Planning Manager, Trading/Power Operations Manager, Fiscal Services Supervisor, and the Generation & Fleet Services Manager. As a practical matter, minor title and/or work scope changes affecting RMC members shall not require formal amendment to this policy.

This committee, which will meet as necessary, will be responsible to the Board of Commissioners for prudent implementation of these policies and oversight of the trading operation to ensure compliance with this policy and overall good industry practices. On at least an annual basis or as necessary, the Finance Manager will present a report to the Board covering the trading and contracting compliance with this policy and the financial results obtained. Detailed responsibilities of the RMC include:

- Oversee the approval of all wholesale power trading accounts and counterparties to insure creditworthiness.
- Establish and periodically review the exposure and trading limits for trading operations, which shall not exceed the overall trading limits established by this Policy Statement.
- Authorize physical and financial wholesale power trading representatives to conduct trades and contracts pursuant to this policy.
- Review and approve retail contracts that are not subject to traditional retail tariffs.

#### **2. Compliance with Anti-Speculation Statutes**

EWEB must comply with ORS statutes stipulating the appropriate scope of investments for "surplus funds." Accordingly, EWEB's activities in the power markets must be associated with the provision of electricity to meet anticipated sales and generation forecasts. These criteria will be applied:

##### **Real Time (a 24 hour day)**

EWEB will manage its Real Time position so that its exposure to market prices for the balance of the day is no greater than 50 average megawatts surplus or deficit.

## ***EWEB Financial Policies***

### **Short Term (balance of month and following month)**

EWEB will manage its Short Term position so that its exposure to market prices for the balance of the month and the following month is no greater than 75 average megawatts surplus or deficit.

### **Mid Term (period beyond short term)**

EWEB will manage its Mid-Term position so that firm power supplies are within 25 average megawatts of expected firm sales.

This criteria will be applied to Mid Term time periods beyond the short term:

- For each month within the current and next prompt quarter
- For each of the next three quarters
- For each year within the next three years

The Board may grant exception to this policy to deal with specific circumstances, such as long-term resource acquisitions.

### **3. Financial Exposure Limitation**

In addition to the megawatt position limits set forth in the Compliance with Anti-Speculation Statutes policy above, EWEB will implement additional controls to further limit financial risk associated with its market positions. The function of these additional controls would be to ensure that EWEB's projected contribution margin, when combined with available reserves and borrowing authority, will provide funding capabilities to cover other budgeted/projected expenditures at the Electric Utility.

### **Real Time (a 24 hour day)**

Because total volumes and resulting exposure is small, no financial exposure limits are required.

### **Short Term (balance of month and following month)**

EWEB will manage its Short-Term position such that there is a 95% probability an adverse market price movement will result in no more than a \$2 million risk exposure. The Board delegates the setting of methodologies for determining financial risk to be used to the Risk Management Committee.

### **All Traded Periods**

At least on a monthly basis, Fiscal Services with the assistance of Power Operations and General Accounting, will monitor the contribution margin and resulting impact on reserves and available borrowing authority for each month over the succeeding 18 to 36 months. In addition, a probability analysis will be conducted. The target is to have a contribution margin which when combined with available Power Reserve/Unallocated Power Fund and borrowing authority will

## **EWEB Financial Policies**

meet or exceed the funding needs of the Electric Utility in each month with at least 90 percent probability and leave an appropriate safety margin. Currently, that safety margin is determined to be at least \$20 million. Subject to annual review, the contribution margin is calculated by summing wholesale, retail and service revenue from the trading floor and subtracting purchased power, transmission and generation costs, as well as CILT expense. The RMC may establish tighter exposure limits to effectively manage the overall position.

### **4. Development of Detailed Control Procedures**

Consistent with Committee of Chief Risk Officers Risk Policies, detailed control procedures will be developed by EWEB and approved by the RMC. These procedures will incorporate strong dual controls between those groups initiating trades and the risk management/accounting functions.

The Policy and Procedures Guide will further establish the roles and responsibilities of the Power trading, accounting, and Fiscal Services staff. The detailed policies and procedures will incorporate a credit approval and monitoring process to manage and measure credit exposure. The Policy and Procedures Guide, and its inherent controls will be approved by the RMC and reviewed on an ongoing basis.

### **5. Authorized Activities**

The following types of price risk management instruments/transactions are authorized for trading activities:

- Physical delivery contracts with a term up to and including one year.
- Financial agreements with approved counterparties with a term up to and including one year.

The Policy and Procedures Guide as approved by the RMC will specify a process for determining the appropriate use of physical and financial hedge instruments. The Guide will also stipulate the types of swaps and options approved for use by the trading operation. The list of approved products and appropriate uses will likely change as the market changes and EWEB's trading operation gains experience with their use.

Source: Power Risk Management Policies and Procedures, Adopted 08/17/1999, Revised 03/05/2002, 9/19/2006, 10/2/12

## **EWEB Financial Policies**

### **5.3 Appendix C: Board Policy EL1 Financial Controls**

**Policy Number:** EL1  
**Policy Type:** Executive Limitations  
**Policy Title:** Financial Controls  
**Date Approved** May 16, 2006

Consistent with the Financial Policy on Budget (SD4), staff will bring a balanced budget to the Board for approval on an annual basis. In its totality, the annual budget is the absolute maximum level of expenditure authorized by the Board. In addition to the annual budget, staff will bring a Five-Year Capital Improvement Plan for each utility to the board for approval on an annual basis. Conditions may arise during any given budget year that cause projected expenditures for either utility as a whole to be higher than those approved by the Board in the annual budget. In the following circumstances executive management is required to propose a budget amendment:

1. The operating budget of either the Water or the Electric utility is projected to exceed the authorized budget amount.
2. The total EWEB labor and benefit expenditures are expected to be more than the budgeted labor and benefit costs.
3. The capital budget of either the Water or the Electric utility is projected to exceed the authorized budget amount; or
  - a. Expenditures for a major capital project are projected to exceed or are actually expended in excess of the budgeted amount for that project by the lesser of 25%, or \$250,000 for Electric or \$125,000 for Water; or
  - b. A project that is not in the approved Five-Year Capital Improvement Plan that is projected to cost in excess of \$500,000 for Electric or \$250,000 for Water in the current year.
  - c. Budget amendments required under either “a” or “b” above will be accompanied by an updated view of the Five-Year Capital Improvement Plan, with the impact of the proposed amendment reflected in the plan. The update is for review purposes only; the Five-Year Capital Improvement Plan will only be approved once per year.

The Board will consider each proposed budget amendment and either approve or disapprove. In the event of disapproval, the General Manager will exercise established authorities in taking actions necessary to curtail spending within authorized levels.

All other budget variances will be managed at the discretion of the General Manager.

Note: Major Capital Budget Projects are defined as those projects in excess of \$500,000 for the Electric Utility or \$250,000 for the Water Utility. Lists of projects that meet these criteria are included in the budget document approved by the Board for both the Electric and Water Utilities.

Source: Jim Origliosso, Board Approved 2000, Ratified 04/19/2005, Amended 07/19/2005, Amended 01/17/2006, Amended 05/16/2006

## ***EWEB Financial Policies***

### **5.4 Appendix D: Cash and Reserve Targets**

5/22/2013

<u>Cash and Reserve Accounts</u>	<u>Electric Utility Target</u>	<u>Water Utility Target</u>
1) Working Cash	\$24,000,000	\$3,400,000
2) Power Reserve	13,200,000	
3) Operating Reserve	1,000,000	1,000,000
4) Self-Insurance Reserve	1,720,000	280,000
5) Capital Improvement Reserve	18,000,000	7,000,000
Total	<u>\$57,920,000</u>	<u>\$13,080,000</u>

- 1) Working Cash – amount of cash needed to pay for ongoing operational costs during the year.
- 2) Power Reserve – amount of reserves to offset fluctuations in hydroelectric generation, market prices, load and budgeted draw on reserves.
- 3) Operating Reserve – reserve for emergency operating costs.
- 4) Self-Insurance Reserve – reserve to pay for claims incurred during the year and target is based on the \$2 million self-insurance coverage limit.
- 5) Capital Improvement Reserve – reserve for capital improvements and target is based on one year's depreciation.



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital  
FROM: Roger Gray, General Manager, Steve Newcomb, Environmental and Real  
Property Manager and Kevin Biersdorff, Principal Project Manager  
DATE: May 24, 2013  
SUBJECT: Headquarters Building Lease Interest  
OBJECTIVE: Providing information and seeking consent to proceed with contract

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At the April 16 Board meeting the Commissioners authorized Management to proceed with possible leasing of underutilized headquarters space.

## **Issue**

In response to an advertised Request for Information, a local technology firm, Electrical Geodesics, Inc. (EGI) expressed interest in leasing most of the North Building and most of the second floor of the South Building (main EWEB HQ). EGI's response sufficiently addressed issues such as compatibility that are considered necessary to make shared space arrangement work for the utility. Management is now in discussion with EGI to craft an MOU (memorandum of understanding) that could form the basis of a formal lease agreement.

EGI also expressed interest in investigating possible future use of the Warehouse/Office Building for all their business functions. We are amenable to having those investigations proceed with the understanding that EWEB is entertaining an unrelated and somewhat speculative expression of interest in the same building from other parties to lease with a possible option to buy. Management will keep the Commissioners updated about any progress on that front.

## **Background**

EGI performs advanced research, product design and assembly, and has outgrown its current facilities leased in the Riverfront Research Park and on Chad Drive. A new hiring push is necessitating more space for all functions. The EWEB site allows them to consolidate at one location and offers proximity to the University of Oregon which is of high value to the company.

EGI is able to accommodate shared use of the Training and Community rooms in the North Building, and the Network/Security offices in the northwest corner of the South second floor. They do, however, have an interest in the current Board Room and adjacent storage areas which will require restaging Board meetings in the larger Training Room.

Compatibility between the two organizations appears to be strong, and both are committed to creating a flexible and mutually beneficial relationship that might allow for further expansion of EGI into the future. EGI is anxious to begin with tenant improvements and the relocation of some staff as soon as possible.

## **Discussion**

Many high level issues have been resolved but we anticipate some challenging and expensive IT and security enhancements because the buildings have infrastructure limitations and were not designed with distinct office suites. In general, if the changes are required by EWEB – such as access controls -- then EWEB will bear the cost; if required by EGI, then it will be part of their tenant improvement (TI) costs. Some costs will be shared as well, but specifics will be left to a yet-hired broker to negotiate. Rates are expected to comport with current market rates for similar class office space, full service lease.

1. EWEB is expected to show a net positive return in the first year after all costs. Management believes that the EGI lease will generate at least the forecasted revenue assumed in the early 2014 financial forecast presented to the Board earlier this year.
2. EWEB will need to relocate Board meetings, likely to the Training Room.
3. EWEB may need to curtail public after-hours use of the Community and Training rooms due to security issues and the fact that this space is now committed to a tenant.
4. It is expected that EWEB Facilities Maintenance will continue to maintain the buildings and building systems.
5. EGI will require access to approximately 100 parking spaces.
6. EWEB and EGI may negotiate alternative housekeeping services that would be mutually beneficial.
7. EWEB personnel (unless specifically authorized) will not access EGI designated space and EGI personnel will not access EWEB-designated space. Management believes that the security needs and interests of each organization are very compatible.
8. EWEB will need to assess property tax and other issues as part of the final arrangement.

## **TBL Assessment**

- Improves EWEB asset and resource utilization both at HQ and ROC
- Supports clean technology and market-wage jobs in the downtown core
- Supports a growth industry that advances the local economy
- Brings more people to our site which in turn attracts developers to other portions of the site
- Increases net revenue while retaining future flexibility
- Ability to share costs reduces EWEB operating expenses and helps reduce future rate increases.

## **Recommendation**

Management recommends proceeding to enlist the services of a commercial real estate broker or commercial property manager to formalize the terms of a five-year full-service lease with EGI. Management believes this arrangement with a broker will not be a traditional commission-based arrangement.. Rather, Management believes it will be more appropriate to request time and materials type support given the fact that a tenant has been found by EWEB.

## **Requested Board Action**

Consent to proceed with engagement of services to formalize a lease agreement with EGI.