

EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
JANUARY 7, 2014
5:30 P.M.

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

Others Present: Roger Gray, Cathy Bloom, Sue Fahey, Mel Damewood, Susan Eicher, Anne Kah, Deborah Hart, Roger Kline, Lance Robertson, Joe Harwood, Brad Taylor, Harvey Hall, Wally McCullough, Mark Freeman, Jill Hoyenga, Steve Mangan, Will Bondioli, Steve Newcomb, Lena Kostopulos, Wendi Schultz-Kerns, Kathy Grey, Matt Sayre, Gail Murray, Dave Churchman, Laura Farthing, Julie Bivens, and Taryn Johnson of the EWEB staff; Vicki Maxon, recorder.

President Simpson convened the Regular Session of the Eugene Water & Electric Board (EWEB) at 5:35 p.m., and wished everyone a Happy New Year.

AGENDA CHECK

There were no items.

ITEMS FROM BOARD MEMBERS

Commissioner Manning wished everyone a Happy New Year. He reflected on his first year on the Board and said it has been a great learning experience and that he has learned that there are many moving parts to EWEB that operate together at a high level. He thanked his fellow Commissioners for the privilege of serving with them and said they are an inspiration to him, and he appreciated their shared values and effectiveness in a very short time while dealing with some tough issues. He noted that a customer in his ward would be offering some valid points for the Board in his public testimony this evening.

Commissioner Mital wished everyone a Happy New Year.

Commissioner Helgeson appreciated EWEB staff and crews for their response during the recent snow and ice storm, and said he was impressed that there were fewer outages than anticipated and that those were of relatively short duration. He was also impressed with the Customer Service Department's response and proactive steps to address customers' high bills because of the storm, not only in getting the word out about what options were available, but the responses that were given, and he complimented staff for offering that, especially for low-income and senior customers. He added that these are the times when EWEB distinguishes themselves and earns their excellent reputation, and that he is proud to be part of an organization that functions that way under difficult circumstances.

Vice President Brown wished everyone a Happy New Year, and noted that he had read more positive comments from customers in the last three weeks than he had for the last eight years, and that the comments from senior citizens were especially gratifying. He added that while the Board often gets overwhelmed with negative comments, he was glad to see only one negative comment out of approximately 25 positive comments.

He then commented that he has been getting negative feedback from the Eugene business community on how long the EWEB real estate process/property sale has taken, and that they are no closer to selling it than when the process started, so it is apparent that there are people who are watching that process.

President Simpson wished everyone a Happy New Year. He echoed Commissioner Helgeson's comments regarding low-income and senior assistance during the recent snow and ice storm, and lamented the single negative comment from a customer who "couldn't believe EWEB would spend money to help people in need."

He noted that on December 19 he was appointed to serve a second term on the Lane Council of Governments (LCOG) Executive Committee, and that he is presently the chair of their budget committee, and that he wishes to continue as EWEB's liaison to LCOG and would be honored to receive the Board's nomination and support.

He thanked staff and crews for their response to the recent snow and ice storm and also thanked General Manager Gray for adding an additional \$600,000 to the Customer Care program funding to address the high electric bills that resulted from the storm.

PUBLIC INPUT

Bill Northrup (Ward 6&7) presented his research regarding the history of EWEB rate increases from the year 2000 to the present, including compounded interest and inflation. He asked Board and staff to communicate rate increases to the public in a more detailed and complete manner and give them some ideas as to whether they have control over these costs and who they should go to with questions and comments. He wondered what rate increases staff projects in the next 10-15 years with all they are trying to accomplish and what those rate scenarios are, as he feels that customers have no control over and not enough knowledge of these scenarios.

Vice President Brown thanked Mr. Northrup for his comments and statistics, and for his civility in presenting them. He said that staff will be giving customers an education and starting a dialogue with them, but that the rate process is most often difficult to understand, and that he has been on the Board for seven years and is still not sure that he understands it. He reminded Mr. Northrup that Bonneville Power Administration (BPA) continues to raise EWEB's rates and that EWEB is also affected by inflation, is being required to spend \$150,000 in order to relicense a dam, and has other huge expenditures that unfortunately don't get publicized. He also noted that if EWEB's bond rating is reduced, capital projects will have to be funded through rates, and the Board doesn't want to do that. He agreed that EWEB needs to better educate the public.

Commissioner Helgeson thanked Mr. Northrup and agreed that EWEB needs to do a better job of communicating information to the public. He briefly explained the shift of the wholesale energy market in the last few years which has reduced revenue from sales of surplus power, and that EWEB is scrambling in the short run to fill that revenue gap with budget cuts and other actions. He noted that the Board's upcoming strategic planning session will include positioning EWEB for the long term regarding this and many other issues, as it is clear that the current trend is not sustainable for the utility or its customers.

Commissioner Manning thanked Mr. Northrup for his presentation and for his e-mails to General Manager Gray and staff, and added that the Board will consider his suggestions and that this isn't the end of the conversation.

General Manager Gray thanked Mr. Northrup and noted that, regarding the point he raised about any critical product not being sustainable if it's above the consumer price index (CPI), staff uses the CPI as a proxy regarding its implications for reliability and infrastructure.

President Simpson agreed that the issues Mr. Northrup raised are important, and that the difference is when raw goods for EWEB products (materials, staff, etc.) rise above the CPI. He encouraged Mr. Northrup to continue to provide testimony to the Board.

APPROVAL OF CONSENT CALENDAR

MINUTES

1. a. December 3, 2013 Regular Session

RATIFICATION OF BOARD CONSULTANTS FOR 2014

2. Ratification of Board Consultants for 2014

- 2.1 Independent Actuaries - Kenney Consulting
- 2.2 Independent Auditor and Certified Public Accountant - Moss Adams
- 2.3 Financial Advisor – Piper Jaffray (Seattle Northwest Securities Corp)

RATIFICATION OF RETAINED PROFESSIONALS FOR 2014

3. Retained Professionals and Attorneys for 2014

- 3.1 General Counsel - Eric DeFreest, Luvaas Cobb Law Office
- 3.2 Special Counsel and Power Risk Counsel - Cable Huston Benedict Haagensen & Lloyd
- 3.3 Special Counsel (BPA Rate Review) Murphy & Buchal LLP
- 3.4 Human Resources Counsel - Harrang, Long, Gary and Rudnick
- 3.5 Bond Counsel - Mersereau and Shannon

RESOLUTIONS

4. Resolution No. 1329 - February 2014 Water Rates (Revised January 2014). Contact Person is Cathy Bloom.

5. Resolution No. 1402 - Smith Creek Hydro Project Surplus Property Declaration. Contact Person is Dave Churchman.

CONTRACTS

6. US Bank - for Trustee and Custodial Services to administer and manage debt service funds and accounts, and provide for safekeeping of securities. \$300,000 (for five years), Financial Services. Contact Person is Cathy Bloom.

7. West Yost Associates - for consulting services for the 2014 Water Master Plan Update. \$410,000. Engineering. Contact Person is Mel Damewood.

BUDGET AMENDMENTS

8. Budget Amendment #1 - Steam Building Decommissioning. Contact Person is Steve Newcomb.

OTHER

9. Proposed Revision to Board Policy EL1, Financial Controls. Contact Person is Cathy Bloom.

Commissioner Mital pulled item #9. It was moved by Vice President Brown, seconded by Commissioner Manning, to approve the remainder of the Consent Calendar. The motion passed unanimously (5-0).

ITEMS REMOVED FROM CONSENT CALENDAR

Commissioner Mital stated that he pulled this item due to its complexity and his need to get a better feel for this item and any possible concerns.

Commissioner Helgeson voiced a process concern regarding a possible cumulative effect and how this policy will allow the Board to progress toward its goals.

President Simpson appreciated the staff backgrounder and stated that he sees this policy as staff-driven and that he believes it will help streamline and align the financial controls policy to better match the trust between Board and staff, and that he believes it is time for the Board to focus on strategic planning and policy setting.

General Manager Gray explained the history of this policy, and a lengthy discussion commenced.

Commissioner Mital asked if delaying the vote on this item until the February Board meeting would create problems. Cathy Bloom, Finance Manager, explained how a delayed vote would affect the process.

President Simpson also supported delaying the vote until the February Board meeting.

Vice President Brown asked Mel Damewood, Engineering Manager, to explain the difference between this policy and the one that the Board recently passed. Mr. Damewood offered an explanation and further discussion ensued.

Commissioner Helgeson supported deferring action until the February Board meeting and said that he wants to see major investments being made to move EWEB in the right direction so that the ability to continue to fund items or drop items off the time frame isn't lost.

Commissioner Manning stated that he would be concerned if a contract amendment increased the funding amount, and that he did not have any other issues except to be sure staff and Board are transparent and up front.

Ms. Bloom reiterated that this policy change will create a more effective process for the Board to monitor the budget process.

It was then moved by Commissioner Mital, seconded by President Simpson, to table item #9 until the February Board meeting (as an agenda item and not as part of the Consent Calendar). The motion passed unanimously (5-0).

General Manager Gray offered the Board one-on-one meetings with either him or Ms. Bloom if they so desire.

2014 ELECTION OF OFFICERS

President Simpson stated that he has been President for two years and has also been President and Vice president during a previous tenure on the Board, and he believes it is time for him to step down and for "new blood" in the President seat. He explained that the new president will be elected first (followed by the election of Vice President), and he will then hand the gavel over to the president-elect, and the president-elect will chair tonight's meeting from then on.

The nominations for President were opened. Commissioner Manning nominated Vice President Brown. The Board voted 4-1 (Brown abstained) to elect Vice President Brown as President.

The nominations for Vice President were opened. President Brown outlined the voting process (via paper ballot) and reiterated that the terms are for one year. Taryn Johnson, Executive Assistant to the General Manager and Board read the nominations: Four votes for Commissioner Mital and one vote for Commissioner Manning.

It was moved by Commissioner Helgeson, seconded by President Brown, to elect Commissioner Mital as Vice President. The motion passed unanimously (5-0).

Commissioner Helgeson appreciated the leadership that former President Simpson and former Vice President Brown have brought to the Board and thanked them for the examples they have set on how to run a Board meeting.

2014 APPOINTMENT OF COMMISSIONERS TO BOARD LIAISON ASSIGNMENTS AND COMMITTEES

LCOG Board – Commissioner Simpson; Commissioner Manning, alternate
McKenzie Watershed Council (MWC) – President Brown; Commissioner Helgeson, alternate

President Brown questioned the value of a Commissioner being on this committee and noted that the City Charter states that the EWEB representative can be either a Board member or staff member. He noted that meetings are held once a month and a yearly day-long retreat is included.

Commissioner Helgeson stated that he believes the MWC is a good information-sharing forum that EWEB should continue to be a part of, as EWEB was involved in its formation and was a principle funding partner at that time. He added that most of the MWC activities are now funded by Oregon Watershed Enhancement Board (OWEB) and that EWEB is no longer a major funding partner. He also wondered if this committee could be covered at staff level with Commissioner availability as necessary.

General Manager Gray reviewed the current funding level for MWC and confirmed that this committee could be covered at staff level.

It was moved by Commissioner Simpson, seconded by President Brown, that staff will become the primary appointee to the MWC with Commissioners Simpson and Helgeson available as necessary.

Commissioner Helgeson asked to amend the appointment to say that Commissioner representation is only for support and not official representation, and he asked that the MWC be told why the Board decided to represent in this way and confirm that EWEB is not pulling out of its representation. The amendment was approved unanimously (5-0).

General Manager Gray asked that the current liaison be part of that discussion.

Other Post Employment Benefits – Commissioner Manning; no alternate (no vote necessary)

Northwest Public Power Association (NWPPA) – Commissioner Helgeson (also on the Board of Trustees).

It was so moved by Commissioner Simpson, seconded by Commissioner Manning. The motion passed unanimously (5-0). Ms. Johnson noted that the resolution for these appointments will be on the February meeting agenda.

2013 WATEREMERGENCY PLANNING ACTIVITIES SUMMARY

With the use of overheads, Brad Taylor, Water Operations Manager, and Mel Damewood, Engineering Manager, presented the background for planning, the 2013 Emergency Resiliency Plan process and results, the Oregon Resiliency water and wastewater recommendations, information regarding the Cascadia Lifelines Program, EWEB's outreach and community involvement plan for 2014, the prioritization process for capital improvements, and information regarding EWEB's Water System Security and Emergency Preparedness Committee, including the 2013 emergency preparedness items.

Mr. Taylor noted that the planned December 2013 emergency preparedness training exercise was pre-empted by an actual incident (the December 2013 sub-zero temperatures with snow and ice), which caused widespread water main breaks and outages. He stated that incident response was markedly improved compared to the past, and that approximately 660 work orders were processed for customer issues, there were 17 water main breaks, and 1,600 total calls were received between December 8th and December 16th.

Commissioner Helgeson commended staff for their work during the snow and ice storm.

Commissioner Manning wondered if staff could reach out to the Federal Emergency Management Agency (FEMA), the National Guard and other groups to see if they have knowledge about this process.

Mr. Taylor replied that staff has contacted these agencies as well as the Eugene Armory, American Red Cross and others, and that what they have learned is that there will always be a time when EWEB will be on its own in regard to emergency response.

Commissioner Simpson voiced concern about the loss of water and electricity for such a long period of time, especially since EWEB is so dependent on Bonneville Power Administration (BPA) to deliver its power.

Mr. Damewood stated that all other major utilities plus BPA would be involved so EWEB would not be alone. Mr. Taylor noted that one of the biggest issues would be fuel supply, and that staff is working with the City of Eugene to reach out to citizen groups to see how they can play a role in planning.

Commissioner Simpson reiterated that he appreciates the time and effort in planning and that he likes the idea of non-operational staff stepping in to assist with these functions.

President Brown wondered if any other entity could take away the power generated by the Seneca plant during an emergency. General Manager Gray replied that BPA has taken this issue very seriously and that if EWEB customers become isolated, EWEB can do whatever they wish with the power they have. He added that EWEB isn't well-designed to operate as an island and staff would need to prioritize what customers are serviced first, and if using power off the

grid, EWEB would fall under federal and other guidelines for priority power, which are pre-set guidelines. In other words, EWEB has to play by BPA's rules.

Mr. Taylor stated that he believes EWEB could handle an emergency via their own water treatment facilities.

CORRESPONDENCE AND BOARD AGENDAS

General Manager Gray briefly noted the correspondence items.

Commissioner Simpson voiced appreciation for the backgrounder from Energy Management Services (EMS) staff. Mark Freeman, Manager of Customer Service and Energy Management Services, in turn appreciated Kathy Grey for her contribution.

General Manager Gray noted that, with previous Board approval, a second meeting has been added in January (January 21) and February (February 18) solely for strategic planning purposes. He recalled that the January strategic planning meeting will be held from noon to 4:00 p.m. and the February strategic planning meeting will be held from 5:30 to 8:30 p.m., and that the strategic planning agenda for the February 18 meeting will flow out of the January 21 meeting results.

Commissioner Helgeson asked General Manager Gray when an update on the revised insight and information regarding advanced metering infrastructure (AMI) might occur. General Manager Gray replied that a slower than anticipated rollout of AMI in 2015/16/17 will occur with a change in emphasis, and that a Board discussion will eventually be held regarding where AMI fits in strategically within the agenda process.

Vice President Mital thanked Mr. Freeman, Ms. Grey and EMS staff for the backgrounder and recalled that this information is in preparation for a possible discussion at the EWEB/City Council joint meeting in April. He wondered if this item will be put on a future Board meeting agenda for discussion of how that might be approached.

Lance Robertson, Public Affairs Manager, replied that staff is still attempting to schedule the joint meeting, but that it will hopefully occur in the spring of 2014.

Commissioner Helgeson stated that he believes there is a gap between where EWEB wants to be and where they actually are regarding energy conservation programs for renters and low-income customers, and that in some cases landlords may need additional motivation to support these investments so that they are not subsidized by others. He said that he would still like to see that accomplished between now and the time the Board decides whether or not to put this topic on a meeting agenda.

President Brown replied that this item will be put on an agenda even if the joint City Council/EWEB meeting doesn't occur.

Mr. Freeman noted that there are still approximately 6,800 electrically heated homes that staff is attempting to incentivize for weatherization.

President Brown reiterated that he and Vice President Mital will meet with General Manager Gray to place this item on a future agenda.

President Brown adjourned the Regular Session at 7:55 p.m.

Assistant Secretary

President

EUGENE WATER & ELECTRIC BOARD
EXECUTIVE SESSION
EWEB BOARD ROOM
500 EAST 4TH AVENUE
JANUARY 7, 2014
8:05 P.M.

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

Others Present: General Manager Roger Gray, Roger Kline, Dave Churchman, Susan Eicher, Cathy Bloom and Taryn Johnson of EWEB staff. Tom Grim and Kevin Kiely's of Cable Huston Benedict Haagensen & Lloyd, LLP.

President Brown called the Executive Session meeting of the EWEB Board of Directors to order pursuant to ORS 192.660(2)(f) at 8:05 p.m. to discuss information or records that are exempt by law from public inspection.

President Brown adjourned the Executive Session meeting at 9:30 p.m.

Assistant Secretary

President

**RESOLUTION NO. 1401
FEBRUARY 2014**

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

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

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

WHEREAS, the Board met on January 7, 2014 and discussed potential appointments to current and existing committees, outside organizations and internal project teams; and

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

NOW, THEREFORE, BE IT RESOLVED that the Eugene Water & Electric Board appoints the stipulated individuals to those committees, appointments and liaisons for the year 2014 or as otherwise indicated.

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

McKenzie Watershed Council - Fosters better stewardship of the McKenzie Watershed resources through voluntary partnerships and collaboration. Term of organization is ongoing. Term of appointment is annual and designated EWEB staff primary appointee with Dick Helgeson and John Simpson as alternate for staff support.

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

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

Changes in these assignments may be made at the direction of the Board.
Dated this February 4, 2014.

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

President

I, TARYN M. JOHNSON, the duly appointed, qualified and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the amended Resolution adopted by the Board at its February 4, 2014 Regular Board Meeting.

Assistant Secretary



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Brown, Mital, Helgeson, Manning and Simpson
FROM: Cathy Bloom, Finance Manager; Susan Eicher, General Accounting and
Treasury Supervisor
DATE: January 28, 2014
SUBJECT: Inventory Adjustment – Regulatory Accounting
OBJECTIVE: Approval of Resolution No. 1404

Issue

During the course of implementing the inventory module of the Work Asset Management system (WAM), it came to our attention that there were material amounts of items stored in areas throughout the utility that were not recorded in inventory. The amount is estimated to be \$2.1 million and to record this inventory, staff requests that the Board approve treatment as a regulatory deferral on the financial statements.

Background

Replacement of our materials inventory system is in process as part of the WAM implementation. Staff assigned to the implementation has been outlining best practices in order to ensure that the end result is a system that is effective and has the appropriate internal controls over inventory. During that process, significant amounts of items that had been issued from stores or purchased through purchase orders and purchasing cards were found in storage areas throughout the utility. These items, under best practices, would either have been returned to, or placed in inventory if they were not needed for current work in process.

Discussion

Generally Accepted Accounting Principles require that these items be accounted for as inventory. These items were purchased and paid for in previous periods, and will be used over an unknown number of future periods. Recognition as inventory and materials expense in 2013 would result in duplication of expenses. Under regulatory accounting, revenues and expenses are allowed to be deferred and recognized in the period when those revenues or expenses are included in rates. As required by policy, management requests the Board's approval to apply regulatory accounting for this inventory adjustment. As a regulatory deferral, these items will be added to inventory and, rather than recognizing expense, would be considered a regulatory deferral. As the WAM inventory module is implemented, this inventory will be entered into the inventory records, and then issued as needed for operations and maintenance or capital work.

Recommendation and Requested Board Actions

Management recommends approval of Resolution No. 1404 allowing for treatment of an inventory adjustment as a regulatory deferral.

**RESOLUTION NO. 1404
FEBRUARY 2014**

**EUGENE WATER & ELECTRIC BOARD
REGULATORY ACCOUNTING**

WHEREAS, Eugene Water & Electric Board (“EWEB”) policy requires that regulatory accounting deferrals that are not included in the annual budget are approved by resolution of the Board of Commissioners (the “Board”);

WHEREAS, it is the desire of the Board to allow for the recognition of certain revenues and expenses in the appropriate rate and accounting period;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby approves the treatment of inventory adjustment for the 2013 financial statements as a deferral under regulatory accounting as allowed by Governmental Accountings Standards Board Statement No. 62.

Dated this 4th day of February, 2014.

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

President

I, TARYN M. JOHNSON, the duly appointed, qualified and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its February 4, 2014 Regular Board Meeting.

Assistant Secretary

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve an increase to an existing contract with **Elcon Associates, Inc.** for **distribution engineering design services** to assess, investigate and remediate electric facilities conflicts with the LTD West Eugene EMX project.

Board Meeting Date: February 4, 2014

Project Name/Contract#: MSA 2168, Task Order #044904-01

Primary Contact: Mel Damewood Ext. 7145

Purchasing Contact: Ramie Alkire Ext. 7413

Contract Amount:

Original Contract Amount: \$ 138,000

Additional \$ Previously Approved: \$ n/a

Invoices over last approval: \$ _____

Percentage over last approval: _____ %

Amount this Request: \$ 176,000

Resulting Cumulative Total: \$ 314,000

Contracting Method:

Method of Solicitation: Sole Source Exemption

If applicable, basis for exemption: Rule 3-0275

Term of Agreement: 9/24/13 -

Option to Renew? No

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

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

Narrative:

The Board is being asked to approve an increase to the existing sole source contract with **Elcon Associates, Inc.** for distribution engineering work related to the LTD West Eugene EmX project.

In the second half of 2013, Lane Transit District (LTD) authorized EWEB to proceed with the identification of conflicts between EWEB's existing electric Transmission and Distribution facilities with LTD's proposed West Eugene EmX project. The only plans available from LTD at the time were conceptual drawings with little more than route location information. LTD requested detailed plans from EWEB by the end of 2013 with enough information to determine property / easement needs. In September 2013, EWEB reviewed the current list of qualified engineers that were available through the master services agreements awarded through RFP 007-2011 for Engineering & Related Services. Two engineering firms were interviewed based on the level of expertise and experience in distribution engineering services. Staff determined that of the two, Elcon and Associates had the most relevant experience for the project. A scope of work was established and a task order was executed in the amount of \$138,000. This estimate was based on the conceptual drawings provided by LTD.

In late November /early December LTD provided detailed drawings for the expansion project that drastically increased the scope of work to design the plans. The total cost is now estimated at \$314,000. These costs include the \$168,000 Elcon invoices to date, \$95,000 estimate to get the designs to the permitting/easement/notices stage, \$29,000 estimate for change orders stemming from requested changes coming out of the permitting / easement / notices stage, and \$22,000 for project staking. The

project staking estimate assumes assistance from LTD's project surveyor. These increases bring the total not to exceed amount to an amount that exceeds the threshold for intermediate procurements. Project timeline restraints, the cost, time and resources it would take to bring another firm in to continue the work would create unacceptable delays to the schedule and add to the project cost. Additionally, through initial research, Elcon Associates was deemed the only firm qualified to do the work. Staff has determined Elcon Associates to be a unique sole source provider. This work is part of an IGA in place between EWEB and LTD and the funds expended will be reimbursed by LTD.

ACTION REQUESTED:

Management requests Board approve in increase to the existing sole source contract with **Elcon Associates, Inc.** for **distribution engineering work related to the LTD West Eugene EmX project.** Funds for these services have been budgeted for 2014 and will be reimbursed through an IGA with LTD.

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 telephony services with **various carriers** for **three years**.

Board Meeting Date: February 4, 2013
 Project Name/Contract#: Telephony Services
 Primary Contact: Matt Sayre Ext. 7721
 Purchasing Contact: Ramie Alkire Ext. 7413

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

Contract Amount:
 Original Contract Amount: \$ 701,100/3 years
 Additional \$ Previously Approved: \$ 0
 Invoices over last approval: \$ 0
 Percentage over last approval: 0 %
 Amount this Request: \$ 701,100
Resulting Cumulative Total: \$ 701,100/3 years

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

Contracting Method:
 Method of Solicitation: Exemption
 If applicable, basis for exemption: Rule 6-0160
 Term of Agreement: 1/1/2014 through 1/1/2017
 Option to Renew? Services currently negotiated w/ Carriers
 Approval for purchases "as needed" for the life of the contract No

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

Narrative:

The Board is being asked to approve telephony services with various carriers for three years.

EWEB requires telephony services at its various locations in Oregon and Idaho. These services include the provision of Local Dial Tone, Integrated Services Digital Network (ISDN), and DSL lines.

Management requests Board approval for telephony services through January 1, 2017. A breakdown of these service carriers is as follows:

Service	Annual Cost	Current Carrier
Smith/Stone Creek data circuits.....	48,700	Verizon
Telephone data circuits	185,000	Century Link

ACTION REQUESTED:

Management requests Board approve telephony services with **various carriers** for three years. Funds for these services were budgeted for 2014 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 form of agreement with **various Contractors for Aggregate Products.**

Board Meeting Date: February 4, 2014
Project Name/Contract#: Rock Materials 056-2013
Primary Contact: Brad Taylor Ext.7385
Purchasing Contact: Sandra Hahn Ext.7163

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

Contract Amount:
Original Contract Amount: \$750,000 (for 5 years)
Additional \$ Previously Approved: N/A
Invoices over last approval: N/A
Percentage over last approval: N/A
Amount this Request: \$750,000
Resulting Cumulative Total: \$750,000 (for 5 years)

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

Contracting Method:
Method of Solicitation: Formal Bid
If applicable, basis for exemption: N/A
Term of Agreement: February 4, 2014 to February 3, 2015
Option to Renew? Yes, up to 5 years maximum
Approval for purchases "as needed" for the life of the contract Yes

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

Narrative:

The Board is being asked to approve price agreements with **Delta Sand & Gravel, Eugene Sand & Gravel, and Wildish Sand & Gravel** (the "Final Contractors") for the purchase of rock materials (aggregate products.)

In December 2013, EWEB issued a formal Invitation to Bid for the provision of rock materials. The purpose of the bid was to establish set unit prices for the purchase of rock from multiple local suppliers of rock materials. The Final Contractors were all determined to be responsive-responsible bidders that met all bid requirements and technical specifications.

All three companies will be issued contracts and used to purchase rock materials based on the location of the EWEB job site and the type of rock required for that work. Delta Sand & Gravel was the lowest responsible-responsible bidder for material delivered to EWEB and will be the only company delivering material to EWEB for stockpiling.

These price agreements, if approved, will be for one year, and will be automatically renewed for an additional year upon the anniversary date of the contract, unless terminated by either party. Rock materials will be purchased on an "as needed" basis to replenish stock and for construction projects. Exact purchase amounts are unknown and no guarantee has been made with any supplier to purchase any specific annual quantity. Historical procurement data indicates that EWEB purchases approximately \$150,000 of rock materials each year; therefore, staff estimates the total contract amount to be valued at \$750,000 over the 5-year period. However, this is a requirements contract (price agreement); exact total amount of this contract is based on need and not on any specific dollar amount.

ACTION REQUESTED:

Staff requests Board approve award of a price agreements contract with **Delta Sand & Gravel, Eugene Sand & Gravel, and Wildish Sand & Gravel** for purchase of rock materials on an "as-needed" basis. Funds for these purchases were budgeted for 2014 and 2015, and will be budgeted annually thereafter.

SIGNATURES:

Project Coordinator: _____
Jeremiah Hunt

LT Manager: _____
Brad Taylor

Purchasing Manager: _____
Gail Murray

General Manager: _____

Board Approval Date: _____

Secretary/Assistant Secretary verification: _____



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Mital, Helgeson, Manning and Simpson
FROM: John Brown, Board President
DATE: February 4, 2014
SUBJECT: Amended GM Employment Agreement
OBJECTIVE: Board Action

Background

Over the last year, the Board has become increasingly sensitive to its need to revisit the General Manager's employment agreement.

The Board's motivation is two-fold; 1) to ensure the terms of the agreement continue to be up-to-date and enforceable, and 2) to limit EWEB's exposure to disruption in executive leadership by offering terms of employment which are competitive with other utilities, specifically power utilities, in the northwest.

It was brought to the Board's attention that the terms related to the continuation of health insurance benefits upon termination of the agreement could not be executed as written since the language did not comport with benefits plan provisions. The proposed agreement has been revised to include language which details the specific conditions under which the General Manager would continue to have access to EWEB health insurance plans.

For some time, the Board has suspected the General Manager's salary has fallen below a rate which would be considered competitive among northwest utilities. At the time of the GM's original hire in 2010, the Board's decision was to offer a salary equal to that of the departing General Manager which was understood to be less than the rate being paid by northwest comparators. It was the Board's intent to revisit the salary, conditioned upon one year's satisfactory performance. However, in years 2011, 12 and 13, as EWEB engaged in making considerable budget reductions, the General Manager declined any salary adjustment broadening the suspected salary gap. It also merits mention that the scope of the General Manager's role and responsibilities has increased with the elimination of an Assistant General Manager position in 2013.

While it does not articulate a specific salary, the proposed agreement describes a methodology to determine an appropriate competitive salary rate for the Board's consideration with the potential for the Board to adjust the General Manager's salary conditioned upon the successful completion of his next scheduled annual performance review in April 2014. The proposed agreement also includes language which enables the General Manager's compensation to be reviewed annually as an accompaniment to his annual performance review.

Finally, the term of the agreement is now proposed to be from February 4, 2014 through December 31, 2017 and now also includes a requirement that either party provide notification if its intent is not to renew the agreement which eliminates the risk that EWEB would be left with an executive leadership void while a search for a replacement occurs.

Recommendation

It is this Commissioner's recommendation that the Board adopt the proposed General Manager's Amended Agreement as presented.

GENERAL MANAGER
AMENDED EMPLOYMENT AGREEMENT

THIS AMENDED AGREEMENT is made by and between Eugene Water & Electric Board, a municipal utility (hereinafter referred to as "EWEB"), and Roger J. Gray (hereinafter referred to as "General Manager"). This Amended Agreement supersedes and replaces the original agreement between EWEB and the General Manager that was effective April 30, 2010.

RECITALS

EWEB, by and through its Board of Commissioners, and the General Manager, personally, agree that the General Manager shall continue to be employed by EWEB as the EWEB General Manager, subject to the terms and conditions stated herein.

AGREEMENTS

The parties hereby agree to the following:

The General Manager shall be employed as an "at will" employee of EWEB. The General Manager shall devote substantially all professional attention to rendering services as General Manager.

A. Term of Amended Agreement.

1. The term of this Amended Agreement shall be from February 5, 2014 until December 31, 2017, unless terminated earlier by either party. In the event of continuing employment after December 31, 2017, this Amended Agreement may be renewed annually by mutual agreement.

2. Each party shall provide the other 180 days notice of intent to allow the contract to expire or in the alternative to engage in good faith negotiation for renewal of the Amended Agreement in accordance with subsection A.1. Such notice of intent to allow expiration or engagement in good faith negotiation does not waive any rights held by either party as provided in Section E.

B. Salary.

1. The General Manager's base salary shall be \$ 207,268 per year effective upon execution of this Amended Agreement.

2. Subject to and conditioned upon a finding of continued satisfactory job performance as determined by the Board of Commissioners after evaluation for the General Manager's performance through the end of 2013, the General Manager's salary shall be adjusted to a rate to be

determined by the Board from data derived from a custom survey and/or as reported by published third-party survey(s) indicating the most recent salary and other compensation information of comparative northwest power utilities and taking into consideration utilities with similar revenue and customer classes. The adjustment will be effective on the first full-pay period following April 30, 2014, the General Manager's 4th-year anniversary date.

3. Following April 30, 2014, the General Manager's base salary shall be reviewed annually based on the prior calendar year's performance and in accordance with EWEB pay survey and compensation practices. It is intended that the General Manager's salary will be kept competitive with the public utility industry and comparative northwest power utilities as determined by the Board in the manner of paragraph B2 above.
4. If the Board elects to award any Merit increase for the General Manager's salary, it will be based upon the total performance assessment from the particular performance period. The effective date of any earned merit will be applied on the first pay period following Board authorization, or as otherwise established by the Board. The Board has discretion to approve or not approve a merit increase.
5. After April 30, 2014, as determined under the Board's annual performance review (Section D), the General Manager may receive an annual one-time award in lieu of or in addition to and separate from the base salary adjustment provided in Section B3 or the merit increase, if any, authorized in accordance with Section B4.

C. Benefits.

EWEB shall provide the General Manager with the same or similar fringe benefits received by department managers who report to him (Summary of Benefits attached), and shall also receive the following benefits:

The General Manager shall continue to accrue vacation time in accordance with EWEB's established accrual schedule, with accruals having commenced at the 15-year rate as negotiated at the time of the General Manager's original employment date of April 30, 2010. The General Manager shall continue to move to the next step on the vacation accrual schedule on his anniversary date, per usual practice.

D. Performance Review.

EWEB's Board of Commissioners shall conduct an annual General Manager's performance review based upon the Board's General Manager Performance Process (GM Performance Process: Goal Setting, Performance and Salary Adjustments), which is usually conducted by the end of the first quarter of the calendar year. Performance goals are subject

to adjustment and modification by the Board.

E. Termination.

This Amended Agreement may be terminated under any of the following circumstances:

1. Mutual consent of the parties set forth in writing.
2. EWEB, upon majority vote of the Board of Commissioners, may terminate the contract for just cause. If just cause exists EWEB shall have no responsibility to pay the General Manager any compensation after the termination date. Definition of Just Cause: For purposes of this Amended Agreement, “just cause” shall consist of any one of more of the following: (a) any act of fraud by the General Manager that is determined by investigation to the satisfaction of the Board of Commissioners; (b) the General Manager’s conviction of a crime involving fraud, embezzlement, or conviction of a felony; (c) the General Manager’s gross negligence or willful misconduct or material neglect in the performance of his duties; (d) the General Manager’s engagement in acts seriously detrimental to the business or reputation of EWEB; (e) the General Manager’s willful failure to abide by EWEB’s charter or the policies and regulations of EWEB; (f) the General Manager’s willful failure to abide by the policies and directives of the Board; or (g) the General Manager’s absence from work for a period in excess of ninety (90) days in any twelve month period, unless such absence is due to the disability of the General Manager or his immediate family member under federal or state guidelines, or is excused by the Board. A resignation by the General Manager at any time after and in connection with the occurrence of an event which would constitute just cause for termination by EWEB shall be considered a termination by EWEB for just cause
3. EWEB, upon majority vote of the Board of Commissioners, may terminate this Amended Agreement without cause at any time for any reason or no reason and with ninety (90) days notice. If EWEB, through its Board of Commissioners, terminates the Amended Agreement under this sub-paragraph, EWEB shall provide the General Manager the equivalent of six (6) months of severance pay (at the then existing annual base salary) in addition to regular compensation prorated through the effective date of termination.
4. If terminated without cause, the General Manager will be separated in the status of an EWEB retiree thus ensuring his continued access

to health insurance through EWEB's post-retirement health insurance plan. The General Manager shall bear the responsibility of the cost of insurance premiums in accordance with the plan requirements at the time of his separation.

5. The General Manager may terminate this Amended Agreement by giving ninety (90) days' written notice, in which case no severance pay will be paid, unless termination is equivalent to a resignation in lieu of non-just cause discharge.

F. Arbitration.

Any controversy or claim arising out of, or relating to, this Agreement (including discipline) or a breach of this Agreement shall be resolved exclusively by arbitration in accordance with the applicable procedural Rules for the Resolution of Employment Disputes of the American Arbitration Association, but with the arbitrator to be selected by mutual agreement of the parties. The arbitrator shall hear the case within sixty (60) days of being appointed, and shall render a written award within thirty (30) days thereafter. The award shall be final and binding and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction. Costs of retaining the services of an arbitrator shall be split equally by the parties with each party responsible for their own attorney's fees and costs. Arbitration hearings will be conducted in Eugene, Oregon.

G. Successors.

This Agreement shall be binding upon the parties hereto, their heirs, successors and assigns, provided, however, that this Agreement is personal to the General Manager and may not be assigned by the General Manager.

H. Entire Agreement.

This Agreement contains the entire understanding of the parties. It may not be changed orally but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

I. Notice Provision.

Any notice required or desired to be given pursuant to this Agreement shall be in writing and either personally delivered by hand or mailed by certified mail, return receipt requested, to the parties at the following address:

EWEB:
Eugene Water & Electric Board
c/o President of the Board
500 East 4th Avenue
P. O. Box 10148
Eugene, Oregon 97440

General Manager:
Roger J. Gray, General Manager
Eugene Water & Electric Board
500 East Fourth Avenue
P.O. Box 10148
Eugene, OR 97440

Such notice shall be deemed to have been given upon personal delivery or 72 hours after deposition in the United States mail.

IN WITNESS WHEREOF, the Eugene Water & Electric Board and the General Manager have executed this General Manager Employment Agreement on the date entered below for an effective date, commencing _____2014.

DATE _____

John Brown, President
Eugene Water & Electric Board

DATE _____

Roger J. Gray