

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

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

Others Present: Lena Kostopulos and Taryn Johnson of EWEB staff.

President Brown called the Executive Session meeting of the EWEB Board of Directors to order pursuant to ORS 192.660(2)(i) at 8:05 p.m. to review, pursuant to standards, criteria and policy directives adopted by the governing body, the employment-related performance of the chief executive officer.

President Brown adjourned the Executive Session meeting at 8:45 p.m.

Assistant Secretary

President

EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
FEBRUARY 4, 2014
5:30 P.M.

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

Others Present: General Manager Roger Gray, Todd Simmons, Brad Taylor, Mel Damewood, Erin Erben, Anne Kah, Roger Kline, Kevin Biersdorff, Mark Oberle, Frank Lawson, Sue Fahey, Susan Eicher, Cathy Bloom, Steve Newcomb, Lance Robertson, Matt Barton, Julie Bivens, Lena Kostopulos, Matt Sayre, Kathy Grey, Wendi Schultz-Kerns, Mark Freeman, Jon Thomas, Monica Shovlin, Lisa Atkin, Rick Guerra, and Taryn Johnson of the EWEB staff; Vicki Maxon, recorder.

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

AGENDA CHECK

There were no items.

ITEMS FROM BOARD MEMBERS

It was then moved by Commissioner Manning, seconded by Commissioner Simpson, that the Board have the opportunity to receive the same Introduction to Robert's Rule of Order training he received and that this training be offered to other utilities, via a schedule to be worked out by General Manager Gray and staff.

Commissioner Simpson noted that Board policy does not require the Board to use Robert's Rules of order but that they can be used as a fallback.

Taryn Johnson, Executive Assistant to the General Manager and Board, noted that there is a training scheduled for November 2014, location TBA.

The above motion passed voted 4-1 (Mital abstained).

Commissioner Simpson stated that he met with Jason Heuser, Legislative Representative, and Commissioner Manning in preparation for the APPA legislative rally in Washington, D.C. in March, and that they will be joined there by utility Commissioners from Springfield Utility Board (SUB) Emerald People's Utility District (EPUD), and other regional representatives from Salem and Portland. He added that he will report back to the Board upon his return.

Commissioner Simpson stated that he had attended the McKenzie River Homeowners Association meeting to answer questions regarding rates, the Lane Electric Co-Op customer transfer, and various water issues. He added that the homeowners association runs a small water system and isn't able to maintain it, and that they are looking for a utility to take it over.

President Brown stated that he had attended the Metro Partnership board meeting and that every time John Lively mentioned a large project that has created jobs and new business in Eugene, he mentioned the cooperation and assistance of EWEB staff, and that he is very proud of EWEB's reputation in the community. He also noted that he recently helped moderate a panel discussion between the City Manager Jon Ruiz and Chamber of Commerce President Dave Hauser.

PUBLIC INPUT

There was none.

CONSENT CALENDAR

MINUTES

1. a. January 7, 2014 Regular Session
1. b. January 7, 2014 Executive Session

RESOLUTIONS

2. Resolution No. 1401 - Board Appointments, Board Committees, Advisory Committees and Outside Liaisons. Contact Person is Roger Gray.
3. Resolution No. 1404 - Inventory Adjustment Regulatory Accounting. Contact Person is Cathy Bloom.

CONTRACTS

4. Elcon and Associates, Inc. - for distribution engineering design services to assess, investigate and remediate electric facilities conflicts with the LTD West Eugene EMX Project. \$138,000, Engineering Services. Contact Person is Mel Damewood.
5. Various Carriers - for telephony services to include Local Dial Tone, Integrated Services Digital Network and DSL Lines. \$701,100 (for three years), Information Services. Contact Person is Matt Sayre.
6. Various Contractors - for Aggregate Products, to include Delta Sand & Gravel, Eugene Sand & Gravel and Wildish Sand & Gravel for rock materials to be purchased on an as needed basis to replenish stock and for construction projects. \$750,000 (for up to five years), Water Operations. Contact Person is Brad Taylor.

OTHER

7. Amended General Manager Employment Contract - Contact Person is Board President John Brown.

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

PROPOSED REVISION TO BOARD POLICY EL1, FINANCIAL CONTROLS

Cathy Bloom, Finance Manager, and Mel Damewood, Engineering Manager, asked for Board approval based on a previous Board discussion and recent meetings with staff.

It was moved by Commissioner Simpson, seconded by Commissioner Manning, to approve the proposed revision to Board policy EL1. The motion passed unanimously (5-0).

Commissioner Helgeson and Vice President Mital thanked staff for taking the time to meet with them regarding this policy revision.

AUTHORITY FOR SHORT-TERM BORROWING FOR WESTERN GENERATION AGENCY (WGA) - RESOLUTION NO. 1403

Ms. Bloom and Susan Eicher, General Accounting and Treasury Supervisor, recalled that staff is asking for approval of Resolution No. 1403 based on a previous process discussion.

PUBLIC HEARING – AUTHORITY FOR SHORT-TERM BORROWING FOR WGA

There was no public input.

BOARD ACTION – RESOLUTION NO. 1403

It was moved by Commissioner Simpson, seconded by Commissioner Helgeson, to approve Resolution No. 1403. The motion passed unanimously (5-0).

2014 STATE OF THE UTILITY ADDRESS

President Brown gave the following address:

“I would like to thank my fellow Board members for placing me in the position to present the 2014 State of the Utility Message. I previously addressed this forum on January 19, 2010. At that time I spoke of starting the process of hiring a new general manager, the walls of the ROC had not yet been constructed, we had just allocated \$4.4 million in customer care, we were facing a split operation with no idea of how that would work, and an unemployment rate of 11%. We had signed the Carmen agreement 15 months previous, and I closed by having to ask my fellow Board members to leave personal differences at the door. My, how things have changed.

Looking back over the past several years, I have to say they have been the most difficult in my tenure as a commissioner. The Eugene Water & Electric Board has struggled with major financial issues that are largely out of the utility's control. The good news is this utility is on the way to recovery. It's been extremely challenging, but with an incredibly talented and dedicated staff, this organization made extremely difficult decisions, and from those decisions, I believe we will be stronger as we face a still uncertain future in this industry.

I'm very proud of the work EWEB's employees, led by General Manager Roger Gray and his Leadership Team, has done to address the financial crisis. Some of the decisions that helped lead us out of the financial crisis included the first lay-offs in EWEB's 102-year history. We've tightened our belts, deferred capital spending, and reduced maintenance and operations budgets in the midst of a wholesale power market that no one saw coming.

In responding to community desires to have a diversified energy portfolio, EWEB had made substantial investments in renewable power (wind, biomass), which are much more expensive than traditional generation resources such as hydro and even new natural gas generators.

It is important to understand that EWEB did not invest in higher-cost renewable power projects unwisely. After the energy crisis of 2000-01, EWEB made a decision to not be caught short of power again and to move toward more sustainable resources like renewable power.

As a result of fracking and other extraction technologies, a glut of natural gas has flooded the market, pushing down wholesale prices at a time when demand for power is about the same as in 1996.

Natural gas prices have fallen more than 80 percent since 2008 (-30% in the past 18 months), which has made electricity generated by gas turbines plentiful and cheap. Gas generation is THE major driver in the U.S. electricity market. This over-supply has led to a crash in wholesale power prices, regardless of generation source.

Despite what some experts may say, I believe this area is still climbing out of the recession. Just look on any given street corner. Coupled with the diminished wholesale market, the prolonged economic downturn has reduced demand for electricity – along with revenues EWEB has used to run the utility. Few in our community had the knowledge that their electricity costs had previously been subsidized by the revenues EWEB received from the sale of our surplus power. Now we have even more power than before due to decreased demand, and the prices have fallen drastically. Most anyone can do the math--when we pay more for a commodity than we can sell it for, we lose money.

Electric usage is driven by industrial loads, unemployment, weather, average system rates, and population. In addition to losing Hynix (about 25 average megawatts) in 2007, the Great Recession has had negative impacts on population growth, employment and business expansion, leading to flat or declining electric usage over the past several years.

Average hourly prices on the Northwest's wholesale market are lower now than they were back in 2002. In those 12 years, EWEB added renewable resources (Harvest wind, Seneca biomass) that have zero carbon impact, but now pose a significant financial impact because the glut of natural gas has depressed wholesale prices.

We expect the low wholesale prices to remain that way for many years and then slowly increase. Maybe when federal or state environmental regulators catch up with the fracking industry, the cost to extract natural gas will increase. Approximately 80% of a utility's costs are non-labor (power purchases, infrastructure, etc.). A great deal of these costs are essentially fixed, and as sales decline, EWEB has to spread out the same costs over fewer sales -- meaning rates go up.

If wholesale power markets were "normal," we essentially wouldn't have a problem. We likely would have seen very small rate increases (2-3%) in the past two or three years. Instead, electric increases have been in the 4% to 8% range per year.

We've all heard loud and clear from our customer owners that annual rate increases of this magnitude are unacceptable. In response to these customer concerns, here are a few examples of the actions our organization has taken:

- The 2013 budget had about 50 fewer full-time employees than the 2012 budget.
- The 2014 budget has 20 less employees than the 2013 budget. Labor costs make up only about 20 percent of EWEB's budget, so there is no way to cut or lay off our way out of this situation.
- In 2013, EWEB made additional non-labor operations and maintenance reductions of \$4.1 million and eliminated \$60 million in capital spending.
- For the 2014 budget, we cut another \$3.6 million in operations and maintenance spending and deferred another \$20 million in capital spending.
- Our 2014 budget is \$14.6 million dollars less than the 2013 budget.

While these massive reductions were made to lower the amount of electric and water rate increases, this course can only be a short-term fix. If EWEB continues to defer or neglect capital, operations and maintenance spending, we will lose what our customers value most: Reliable electricity and clean, reliable water. This Board is elected to represent our community's values and we cannot in good conscience allow that to happen. Our community has invested heavily in infrastructure and reliability, and neglecting this investment would be irresponsible. We cannot expect our future ratepayers to shoulder the burden of our current situation. It is our problem and we need to take ownership of the situation.

As Roger Gray likes to say, “everything is on the table” when it comes to stabilizing the finances of this great utility while making sure EWEB continues to be among the most reliable in the nation.

That’s why commissioners directed staff last year to seek some modifications to the terms of EWEB’s Carmen-Smith relicensing agreement. We are now working with state and federal regulators to determine if it is possible to trim \$45 million from the total cost of licensing the Carmen-Smith project.

Rather than spend \$45 million on a fish screen and tunnel that might not even function properly, EWEB may propose to our partners that the utility not build the expensive screen and tunnel -- and instead simply mothball the Trailbridge Dam turbine. We still intend to spend plenty of money on protecting fish and the environment, including a multi-million-dollar fish ladder.

Another cost-cutting avenue we are pursuing is the possible sale of some of EWEB’s generating assets. We’re long on power right now and that condition is likely to persist into the future. Commissioners voted last month to declare the utility’s Smith Creek Hydroelectric project in Northwest Idaho as surplus.

Right now staff is preparing a request for bids for Smith Creek that will go out later this year. We’ve already had more than a half dozen power companies express an interest. If we eventually receive some bids that make economic sense for Smith Creek, Commissioners will consider selling our interests, but only if it makes sound economic sense.

Lastly, I want to talk about EWEB’s Water Reliability Initiative. Everyone in this room tonight knows that EWEB is the largest city in the Northwest without a second source of drinking water. Our sole source right now – the McKenzie River – is the envy of water utilities worldwide. But we are one tanker truck crash, one major earthquake, or one other type of disaster away from not having enough water to sustain our community.

EWEB needs more than one source of water. Most water utilities have two or more sources. Fortunately, this group of Commissioners in December decided to start putting some water rate revenues into a special reserve account to someday help pay for alternative water sources. Starting this month, 3% of the water rate increase enacted in December will be deposited into this reserve fund.

Although this can has been kicked down the road for decades, I’m proud to say we are taking proactive steps to begin planning for additional water sources. It was just last February that EWEB received a State-approved water right on the Willamette River.

One plan under consideration is to someday build a small water treatment plant on the Willamette River to help provide basic water services to our community in the event a disaster ruins our ability to draw water from the McKenzie or from our Hayden Bridge Water Filtration plant.

There are other steps to the Water Reliability Initiative:

- We must continue to take care of the existing water treatment plant, transmission pipes, reservoirs, pumps and distribution systems already in place. This includes funding operations, maintenance and capital upgrades.
- Continue to work with our neighboring water utilities on mutual aid and support in event of a water emergency. This mutual aid is limited currently by the size of neighboring utilities relative to EWEB's needs. However, collective, ongoing efforts to work with our neighbors could play a role in EWEB's overall system reliability efforts.
- We have the option of relying on EWEB's north Eugene well fields provided that operations don't interfere with Rainbow Water District (RWD) and Springfield Utility Board (SUB). Again, this is a limited solution.
- EWEB's Water Incident Response Trailers to deliver potable water to areas that lose distribution – such as when an earthquake strikes. The first trailer was purchased last year, and in January was used in an emergency exercise in partnership with the City of Eugene's Public Works Department, SUB and RWD.

The Water Reliability Initiative is a multi-decade, expensive proposition, but we can no longer ignore this threat to our community.

Before I close, I need to mention our most important asset, our employees. We need to ensure that we provide an environment that allows our dedicated and talented staff to make EWEB their career choice. We need to be aware of and sensitive to the market forces that will put pressure on our employees to consider other options in the workplace. The mere fact that approximately 50% of our work force will turn over in the next 5-6 years will most probably create a shortage of highly talented and highly skilled workers who will face pressure from competing employment opportunities. We need to maintain a work environment that not only attracts but retains a staff equivalent to the level of professionalism which we currently enjoy. Our staff is our most valuable asset, far and above any infrastructure.

In closing, I'm looking forward to working with the Board and staff to make sure that we continue to navigate the EWEB organization through the uncertainties of the economic challenges as well as the infrastructure needed to ensure that we continue to be the best utility in the region, public or private.

Things are starting to brighten up for us here at EWEB. And we need to continue looking forward to protect this community.

Thank you.”

PUBLIC INPUT

Former EWEB Commissioner **Sandra Bishop** stated that the Board needs a new paradigm in order to survive and go toward the future. She gave the example of EWEB re-hiring managers after they retire and putting them on contract, and that she believes this will not be operable in the future. She also noted that in the past EWEB has hired employees through a temporary service, and she wondered if EWEB could use its employee base to essentially turn EWEB into a temporary agency for other services, i.e., biologists, energy experts, engineers or construction teams. She also believes that power sales cannot continue to fuel EWEB, and she asked the Board to look at EWEB's current employees instead of eliminating positions, and use what employees they have to better advantage.

Tim Whitley has been an EWEB customer for over 30 years. On behalf of the elementary school students in the Eugene school district, he thanked the Board for their support of the EWEB education grant program, specifically the salmon program which was just completed, which included field trips to see the salmon, class presentations on salmon anatomy, release of salmon fry, a trip to the Leaburg fish hatchery, etc. He presented the Board with several thank you posters that were made by elementary school students.

Commissioners thanked Ms. Bishop and Mr. Whitley for their testimony.

NON-OWNER-OCCUPIED WEATHERIZATION AND ENERGY EFFICIENCY PROGRAMS

Using overheads, Mark Freeman, Energy Management and Customer Service Manager, with assistance from Kathy Grey, Residential Energy Management Services Program Supervisor, gave an update on the rental property and limited income weatherization and energy efficiency programs. Mr. Freeman noted that rental owners were not as aware of the weatherization and energy efficiency programs as staff believed they were.

In summary, the limited income programs have been very successful for EWEB customers, with 42% of projects and 48% of dollars over the last five years being spent on low-income programs, and 50% of the 2014 budget earmarked for same.

Regarding rental properties, 11,000 housing units have had no EWEB work, with 6,800 of those being rentals (2,900 owners) and less than 2,000 being low-income, based on the Eugene census. Outreach to landlords is ongoing in January and February 2014 with a possible website blurb planned for potential renters.

Commissioner Simpson stated that rentals tend to be occupied by people who have much less money to spend on housing, and that the program would help cut their bills and EWEB would be able to claim it as a conservation resource. He favors the ability to go to a data base and see a certified rating in order to do research on who needs what.

Commissioner Manning thanked staff for the backgrounder. He stated that he sees some red flags in potential coordination with landlords and tenants, and that he believes that, while EWEB should offer information about what programs are available, he believes they would overstep their boundary if they started to coordinate with landlords and tenants. He added that he believes that would be a duty that would better fit the City Council, and he noted that the Board needs to define what EWEB's policies, scope and responsibilities are. He noted that he doesn't support a website blurb for potential tenants but he does support providing information about what programs are available for renters and landlords.

Commissioner Helgeson thanked staff for the excellent backgrounder and asked what percentage of rentals has been weatherized, and wondered if that figure presents only rentals or if there are also low-income units included in that figure. He added that if EWEB was behind in that weatherization, that would motivate him, but if they have been successful, he would be less concerned.

Ms. Grey replied that the rental figures represent those rentals built pre-1992 and that the newer builds that have had work done were parsed out of the statistics. She added that she believes progress continues to be made in the rental sector, as voluntary weatherization from multifamily, rentals and landlords was promoted and encouraged in the 1990s, and that what is currently being targeted are the last few property owners who either aren't aware of the programs or aren't taking advantage of them.

Mr. Freeman added that some of these property owners did weatherization on their own without involving EWEB.

Commissioner Helgeson asked what issues would be helpful for follow-up conversations with the City Council. Ms. Grey replied that the residential code would be one, which includes anything built prior to 1974. She added that staff performed audits to determine if additional weatherization needed to be done, and that the code lays out minimum standards for weatherization.

Vice President Mital stated that he passed on staff's previous backgrounder to Mayor Kitty Piercy and that based on those two backgrounders, he feels great about what EWEB is doing and that they are pursuing every avenue available, and that they have targeted the low-income and renters whenever possible. He noted that the only thing he hates about being on the Board is hearing the public testify that they can't pay their EWEB bill, and he believes that the Board can tell the City Council that EWEB has done all it can, and could ask them to look at the residential code and add some efficiency standards.

Commissioner Simpson liked the idea of going to the City Council but noted that they need to share the cost, and he echoed Commissioner Mital's dislike of hearing that customers can't pay their EWEB bill, especially before a rate increase is approved. He asked Mr. Freeman what resources are offered to a customer who is low-income or in an old home who calls in with a high bill.

Mr. Freeman replied that resources include payment arrangements, EWEB Customer Care program assistance, federal energy assistance, and anything else the customer may be eligible for. He noted that if the customer is a tenant, customer service staff doesn't encourage them to talk to their landlord and ask the landlord to call EWEB, as staff doesn't want to get between the tenant and the landlord. If they are a low-income customer, they are encouraged to contact HACSA to learn how to conserve energy and budget their money better.

Ms. Grey added that usually the customer is transferred to Energy Management Services (EMS) to see how they are using their energy and if there are things they can do to lower their bill, and that EMS might do a site visit or put monitoring equipment on their meter to determine where the use is coming from and during what time of day.

Mr. Freeman and Ms. Grey noted that during the December snow and ice storm, some examples of renter education for a reason for high bills were space heaters used for heat or to thaw frozen pipes, or heating a recreational vehicle in the driveway via an extension cord run from a house.

President Brown hoped that renters are given the City of Eugene resources list and that they are taught how to reduce consumption instead of only being paid the \$200 to attend Axion. He added that he is against a code change because it won't get passed on to renters and landlords will just raise their rent, and that he doesn't want to mandate landlords, because if this an important issue to the City Council, they should look into it.

Commissioner Mital stated that his thought was to raise the issue, not mandate it, and an audit would be the easiest, most simple thing to do.

Commissioner Helgeson stated that he likes the idea of scheduling some issues for discussion at the joint Board/City Council meeting that both parties could collaborate on. He wondered if staff believes they are making significant progress or if they feel like they need more tools to continue.

Mr. Freeman stated that staff would like to see how the targeting plays out and what feedback they get, and he noted that staff is no longer offering added incentives for landlords who have low-income tenants.

Commissioner Helgeson voiced concern that this will put more of a load on staff and added that he doesn't have an urgent need to move off of the voluntary approach.

Commissioner Manning supported the continued approach of providing information in perhaps a more informative manner. He believes education is key and he noted that he wouldn't want to be told that there's a code that he needs to comply with.

Ms. Grey also agreed that the current approach should be continued, and then revisited.

The Board then voted whether or not to include this item in the upcoming joint EWEB/City Council meeting. Vice President Mital and Commissioner Helgeson voted yes; Vice President Brown and Commissioners Simpson and Manning voted no.

General Manager Gray asked for confirmation of uniform support to continue with the current programs with more emphasis on targeting low-income than in recent years. The Board confirmed this.

President Brown called for a 10-minute recess.

RIVERFRONT PROPERTY UPDATE

Steve Newcomb, Environmental Manager, introduced Abe Farkas from ECO Northwest, who briefly explained his work history. Mr. Farkas then introduced Ann Fifield from the Eugene office of ECO Northwest.

Mr. Farkas summarized that he believes the Request for Quotations (RFQ) approach for development of the riverfront property is best and gave the reasons why. He recommended against a for-sale approach, and noted that he has spoken with 12 developers who offered their input.

Ms. Fifield added that ECO Northwest has crafted an RFQ, and she briefly explained its content. Mr. Farkas listed the questions that arose during the crafting of the RFQ.

Kevin Biersdorff, Principal Project Manager, explained that the RFQ will target master developers and is designed to be flexible. He noted that the RFQ process will not choose a winner, but will pre-qualify the top candidates in terms of experience, previous partnerships, etc., and those top candidates will have an opportunity to make a presentation to the Board, and the Board will have an opportunity to ask questions and get more information. He said the initial evaluation team will consist of EWEB staff, City of Eugene staff, and representatives of ECO Northwest, with the technical evaluation lasting 3-4 weeks, presentations to the Board following that, and the negotiation period taking several months. If no qualified or highly competent respondent's surface, the evaluation team will either re-group or EWEB will act as its own Master Developer. There may also be an opportunity to assign someone as a Board representative once negotiations begin, with general introductions in approximately July.

Jeannine Parisi, Government and Community Affairs Coordinator, added that staff is currently trying to get an understanding of funding commitments and that there may be EPA grant funding available to the City for brown field assessment, and that the City is interested in allocating that to EWEB. Staff is also trying to gain an understanding of the City's interest in one of EWEB's parking strips and the process for transferring that to the City. She added that staff is close to starting the 30-day clock for the 17 acres of surplus which were identified in November, honoring the previous Memorandum of Understanding, with the secondary surplus of three acres.

President Brown voiced his displeasure with the lengthy process and said he does not want to spend any more money. He wondered if the negotiations would still be going on a year from now, as EWEB has already spent millions of dollars and is left with only 13 of the 27 acres it started with.

Commissioner Helgeson stated that he believes there are two competing objectives: community interest in the property (i.e., similar to the current Civic Stadium issues) and the urgency to get the value out of it for the benefit of EWEB's ratepayers, in order to pay off the cost of the Roosevelt Operations Center (ROC); vs. being a steward of the site for the benefit of a legacy. He said he believes the question is where the Board's center of interest lies.

After a continued discussion, General Manager Gray stated that the key checkpoint will be when staff returns with the responses to the RFQ, as there will be a range of responses, either "get out of the way" or "EWEB, you be the lead dog," and at that time staff can more accurately answer whether or not negotiations will last for another year.

2013 QUARTER 4 OPERATING PLAN DASHBOARD RESULTS

General Manager Gray noted that the year 2013 followed one of the most difficult years in EWEB history, with employee layoffs and budget cuts, and that there were expected disruptions, including lower customer service statistics (long lines in the lobby and long on-hold queues which were not acceptable) and the closing of energy conservation programs because of meeting conservation goals and reduction in the budget, followed by the reopening of those programs late last year. He added that he is proud of the leadership team and staff who sustained the organization through that difficult time. He gave some examples of the difficult and wise decisions the Board made during that time, and at the end of 2013 things stabilized, especially around employee engagement, though he voiced continued concern about the morale and effect of downsizing employees.

General Manager Gray highlighted operating results, including capital improvements and employee engagement, with a need to improve scheduling for performance, and noted that Lena Kostopulos, Human Resources Manager, will cover those in the next agenda item.

Commissioner Helgeson stated that communication between General Manager Gray and the Board is working very well.

Commissioner Simpson stated that the dashboard process is light years ahead of the way results used to be reported to the Board, and that it makes standards and issues very accessible and clear. He thanked General Manager Gray for his leadership and thanked staff for their hard work during trying times, and added that he is proud of EWEB's response despite many setbacks.

EMPLOYEE ENGAGEMENT RESULTS

Using overheads, Ms. Kostopulos, Matt Barton, Principal Project Manager and Rick Guerra, Senior Human Resources Generalist presented the results of the recent employee engagement survey. They noted that the response rate of 81% was impressive, as the market considers a 60% response rate outstanding. They summarized the survey process, the topics that were included, the purpose of the survey, and gave some examples of the questions that were asked.

Vice President Mital noted that EWEB is expecting a high employee retirement rate in the next several years, and believes that work/life balance is very important so that these employees will want to replace the employees who retire.

Mr. Barton stated that he believes EWEB's work environment is developing into that, as the younger employees responded very well to the work/life balance question. Ms. Kostopulos agreed, but noted that different employees interpret questions differently, and that staff will do a different reiteration of this question next time a survey is done.

Commissioner Helgeson asked to see more comprehensive survey results when they are available.

Vice President Mital asked why some employees didn't respond to the survey. Mr. Barton replied that it is mostly because some employees don't have access to a computer during their work day. General Manager Gray added that there was a clear break between MAPT (office employees) and IBEW (labor employees), with most people who work in the field not having access to a computer. He added that in his vast utility experience, an 81% response rate is "staggering."

CORRESPONDENCE AND BOARD AGENDAS

General Manager Gray did a brief walk-through of the agenda for the February 18 strategic planning session, including whether or not staff will attend.

Commissioner Helgeson asked to include the topics of rebalance of the electric portfolio and how to respond to transformational technology. He favored staff being present but with conversation only between Board members.

Commissioner Simpson asked for 45 minutes for agenda item #6 and said that he welcomes staff to attend.

Commissioner Helgeson noted that he had received yet another letter from a customer about a water leak. He wondered if the Board could consider review of their approach if these letters continue to be received.

General Manager Gray replied that staff is working on a better solution to address water leaks.

Commissioner Helgeson recalled that he had inquired about contract price adjustments and how staff could know about those up front.

Vice President Mital recalled his previous frustration with the Green Power survey and brochure and noted that he is now satisfied with the direction and the processes in place to narrow the information gap. He apologized to Monica Shovlin, Marketing & Creative Services and Green Power Supervisor.

President Brown adjourned the Regular Session at 8:15 p.m.

Assistant Secretary

President



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: March 4, 2014
SUBJECT: Trustee Banking Resolution
OBJECTIVE: Board Action – Approval of Resolution No. 1405

Issue

This memo is requesting the approval of trustee banking resolutions which update the authority to perform the Cash Management Treasury functions.

Background

Enclosed is a resolution setting forth signatory and transfer authorizations relating to our trustee banking activities. Resolution No. 1405 identifies the authorized signatories for transactions with the trustee for EWEB debt service accounts and custodial account for investments. At the January 7, 2014 Board meeting, the Board approved a contract appointing U.S. Bank as the EWEB trustee and custodian. The updated resolution is requested at this time due to the change in trustee from Wells Fargo to U.S. Bank.

Recommendation & Requested Board Action

Management recommends approval of the trustee banking resolution to comply with our policies in regard to our Treasury functions.

**RESOLUTION NO. 1405
MARCH 2014**

**EUGENE WATER & ELECTRIC BOARD
U.S. BANK**

RESOLVED, that U.S. BANK GLOBAL CORPORATE TRUST SERVICES, PORTLAND, OREGON be and hereby is designated as a bank of and depository for funds of the Eugene Water & Electric Board of the City of Eugene, Oregon, which funds may be deposited or withdrawn on checks, drafts, receipts, or advices or debit given or signed in the Board's name by the manual and/or facsimile signature of any two authorized signatories listed herein. Said bank is hereby authorized to honor and pay any withdrawals from said funds whether or not they are payable to bearer or to the individual order of any person or persons signing same.

RESOLVED further, that funds of the Eugene Water & Electric Board placed in said U.S. Bank Global Trust Services, shall be deposited in the accounts listed below, in amounts determined by the Board's Treasurer or Assistant Treasurer, and that signatories for withdrawals there from shall be as shown under said accounts.

U.S. BANK GLOBAL CORPORATE TRUST SERVICES
Portland, Oregon
Electric System Bond Funds & Custodial Account
Water System Bond Funds & Custodial Account
Trojan Custodial Account

General Manager-Secretary	Roger J. Gray	_____
Assistant Secretary	Taryn M. Johnson	_____
Treasurer	Catherine D. Bloom	_____
Assistant Treasurer	Susan J. Eicher	_____

RESOLVED further, that any two of the above signatories are designated as the signing authority for all investment transactions of this account and that each such investment transaction shall be confirmed in writing by two of the above signatories.

RESOLVED further, that all canceled checks bank statements and correspondence for the above accounts shall be directed to General Accounting, Eugene Water & Electric Board, Post Office Box 10148, Eugene, Oregon 97440.

RESOLVED further, that the authority hereby conferred upon the above-named persons shall remain in full force and effect until written notice of revocation thereof has been delivered to said Bank, and all prior resolutions relative to the foregoing accounts and funds are hereby revoked.

Dated this 4th day of March, 2014.

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

President

I, TARYN M. JOHNSON, hereby certify that I am the duly appointed, qualified and acting Assistant Secretary of the Eugene Water & Electric Board, and that the attached Resolution is a true and exact copy of a Resolution adopted by the Board at its March 4, 2014 regular board meeting.

Assistant Secretary



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Brown, Mital, Helgeson, Manning and Simpson
FROM: Erin Erben, Power and Strategic Planning Manager
DATE: February 21, 2014
SUBJECT: Residential Time of Use Rate Pilot
OBJECTIVE: Board Action – Approval of proposed changes to *Residential Service – Schedule Pilot Time of Use*

Issue

The resolution seeks to clarify language in the Residential Time of Use (TOU) pilot rate schedule and make the changes described below.

Background

On September 4, 2012 the EWEB Board unanimously approved Resolution No. 1215,¹ which authorized the General Manager to adjust residential electric rates for a residential TOU pilot, per the Exhibit A to the resolution. As outlined in Exhibit A, the rates are subject to annual rates adjustments and other terms and conditions. Subsequently, the Board approved Resolution No. 1223² for the 2013 annual rate adjustment, Resolution No. 1315³ for the BPA pass-through, and Resolution No. 1328⁴ for the 2014 annual rate adjustment, which all adjusted the TOU rate.

Discussion

Proposed changes (in bold) to *Residential Service – Schedule Pilot Time of Use*:

- The TOU pilot rate is available for up to **450** customers. This level of customer participation will provide a statistically valid sample of EWEB's residential class; therefore, EWEB will be better positioned to make future business decisions for this customer class.

¹ Reference, EWEB September 4, 2012 Board Agenda
http://www.eweb.org/public/commissioners/meetings/2012/120904/M7_ResolutionNo1215-TOUPilotProposal.pdf

² Reference, EWEB December 4, 2012 Board Agenda
http://www.eweb.org/public/commissioners/meetings/2012/121204/M8_No1223-May2013ElectricRateIncrease.pdf

³ Reference, EWEB July 16, 2013, Board Agenda
http://www.eweb.org/public/commissioners/meetings/2013/130716/CC7_ResNo1315-ElectricRateSetting.pdf

⁴ Reference, EWEB December 3, 2013 Board Agenda
http://www.eweb.org/public/commissioners/meetings/2013/131203/M9_Resolution1327-1329.pdf

- Proposed pilot rate sunset date of **December 31, 2017**. This new sunset date is necessary to accommodate the two year research cycle due to a delayed start date. The delay came from a longer than anticipated development cycle for the meter-to-bill presentment enhancements and an interest in trying to coordinate meter acquisition with AMI deployment. Upon Board approval of the Opt-In AMI strategy, the decision was made to proceed with the TOU pilot independent of the AMI metering effort to avoid further delay. The revised “go live” date for the TOU pilot rate is now November 1, 2014. Prior to the November go live date, the TOU project team will be performing meter tests, finalizing the operational deployment plan, recruit customers and install new TOU meters.
- On-Peak Energy and **Delivery** Charge or Off-Peak Energy and **Delivery** Charge. Energy and Delivery Charges are combined charges. The word **Delivery** was omitted from the original resolution.
- Off-Peak days include all hours on Saturday, Sunday and **NERC Holidays**.⁵ The North American Electric Reliability Corporation (NERC) recognizes six standard holidays as Off-Peak days. These six holidays were omitted from the original resolution.

TBL analysis

While a formal TBL assessment has not been written for the pilot project as a whole, TOU was considered in the AMI Business Case as part of the potential program offerings that could result. In addition, the TOU Project Team is using TBL assessment tools throughout all phases of this pilot.

Recommendation

The above changes and language modifications facilitate the enactment of the TOU pilot to achieve the goals set forth in the original resolution to provide EWEB the opportunity to gain insight into customer responsiveness and acceptance of TOU rates, test internal system, and integrate TOU rates with other programs.

Requested Board Action

Staff requests approval of proposed changes to *Residential Service – Schedule Pilot Time of Use* as outlined above and in Exhibit A.⁶

⁵ North American Electric Reliability Corporation (NERC) Off-Peak Holidays
http://www.nerc.com/comm/OC/RS%20Agendas%20Highlights%20and%20Minutes%20DL/Additional_Off-peak_Days.pdf

⁶ Exhibit A: Residential Service – Schedule Pilot Time of Use
 (proposed changes highlighted in yellow)



Exhibit A

N. Residential Service – Schedule Pilot Time of Use
Resolution No. 1406

1. Applicability

The pilot rate is available for up to 450 customers. Participation is at the sole discretion of EWEB and may be applied to either sub-metered customer load, such as EV or water heater end use devices, or to whole house loads. This rate will sunset as of December 31, 2017 without further Board action. Customers will be allowed to return to the standard Residential Service – Schedule R-6 rate at any time, but EWEB will not allow customers to return to the Pilot Time of Use rate once opted out of the rate.

To underground or overhead electric services for separately metered single-family residences, duplexes, triplexes, quads, townhouses, multifamily structures with less than four living units, and mobile homes, except as may be otherwise specified by prior contract. Boarding, lodging, rooming houses, or group care facilities shall also be considered residential services if not more than five private sleeping rooms are used by members of the customer's family.

When a major portion of a dwelling is regularly used for the conduct of business, the customer may separate the wiring so that the residential portion may be metered separately and billed on the Residential Schedule, otherwise the entire dwelling shall be billed on a General Service Schedule.

Rate schedules apply to the sale of electrical energy for the sole and exclusive use of the customer. The customer shall not resell electrical energy supplied by EWEB.

2. Character of Service

Single-phase, 60-cycle, nominal 120, 208Y/120 or 240/120 volts, subject to voltage classification available and compatibility with geographic area.

Approved: 09/12
Adopted: xx/xx

Revision Date Effective: xx/xx/14
Revision: x



3. Monthly Rate
(Resolution No. 1406)

Basic Charge \$13.50 per month

On-Peak Energy and Delivery Charge* \$0.15725 per kWh

Off-Peak Energy and Delivery Charge* \$0.06905 per kWh

***Energy and Delivery Charges are combined charges.**

On and Off Peak Hours

Winter (beginning November 1st of each year)

On-Peak	7:00 a.m. to 11:00 a.m. 5:00 p.m. to 9:00 p.m.	Monday - Friday Monday - Friday
Off-Peak	9:00 p.m. to 7:00 a.m. 11:00 a.m. to 5:00 p.m. All hours	Monday - Friday Monday - Friday Saturday, Sunday and NERC Holidays**

Summer (beginning May 1st of each year)

On-Peak	12:00 p.m. to 8:00 p.m.	Monday - Friday
Off-Peak	8:00 p.m. to 12:00 p.m. All hours	Monday - Friday Saturday, Sunday and NERC Holidays**

****North American Electric Reliability Corporation (NERC) Holidays include:**

- New Year's Day
- Memorial Day
- Independence Day
- Labor Day
- Thanksgiving Day
- Christmas Day

Source:

http://www.nerc.com/comm/OC/RS%20Agendas%20Highlights%20and%20Minutes%20DL/Additional_Off-peak_Days.pdf



4. Minimum Charge

The minimum charge per month shall be the applicable basic charge.

5. Annual Rate Adjustments

As established in Board Policy SD9, the EWEB Board has exclusive jurisdiction to approve annual operating budgets and establish rates for electric service. The rates established under this schedule (Schedule Pilot TOU R) will be adjusted annually to reflect the overall change for the Residential Service – Schedule R-6 rates.

6. Power Cost Recovery Adjustment

At the discretion of the Board, the rates may be adjusted for 12 months to reflect the variance between budgeted and actual power cost for the previous calendar year. The adjustment is determined by dividing the amount to be rebated or recovered by the projected annual kilowatt-hour sales in that calendar year, and then decreasing or increasing the energy or power component of the rate accordingly.

7. BPA Power Cost Adjustment

Electric rates may be automatically adjusted for up to 12 months to reflect a future variance in projected power costs due to changes in Bonneville Power Administration (BPA) wholesale rates. The adjustment is determined by dividing the amount to be rebated or recovered by the projected kilowatt-hour sales for the appropriate period and then decreasing or increasing the energy or power component of the rate accordingly.

8. Special Provisions

Individual single-phase motors larger than 7.5 horsepower may be connected only with the written permission of EWEB.

9. General Terms and Conditions

Service under this schedule is subject to the policies and procedures of EWEB.

RESOLUTION NO. 1406
March 2014

EUGENE WATER & ELECTRIC BOARD
Residential Time of Use (TOU) Pilot Rates

WHEREAS, the Eugene Water & Electric Board (EWEB) has exclusive jurisdiction to establish electric rates;

WHEREAS, the changes and language modifications in the attached Exhibit A facilitate the enactment of the TOU pilot to achieve the goals set forth in the Resolution 1215 for the residential time of use pilot;

THEREFORE, BE IT RESOLVED that the Eugene Water & Electric Board hereby authorizes the General Manager to adjust residential electric rates for the TOU pilot as recommended in Exhibit A.

Dated this 4th day of March 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 March 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 a contract with **National Wood Treating Co.** for **Pole Inspection & Treatment Services.**

Board Meeting Date: March 4, 2014
Project Name/Contract#: Pole Inspection & Treatment Services
Primary Contact: Todd Simmons Ext. 7373
Purchasing Contact: Sarah Gorsegner Ext. 7348

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: \$ 585,000 over 5 years
Additional \$ Previously Approved: \$ n/a
Invoices over last approval: \$ n/a
Percentage over last approval: n/a %
Amount this Request: \$ 585,000 over 5 years
Resulting Cumulative Total: \$ 585,000 over 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: Invitation to Bid
If applicable, basis for exemption: n/a
Term of Agreement: 1 year
Option to Renew? Yes, up to 5 years
Approval for purchases "as needed" for the life of the contract No

Form of Contract:	
<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 poles in our transmission and distribution systems to comply with Federal Energy Regulatory Commission (FERC) requirements for system component quality and safety.

In January 2014, staff issued a formal Invitation to Bid to establish contract pricing for Pole Inspection & Treatment Services. The solicitation was reviewed by five companies. Three responses were received; National Wood Treating Co. of Albany, Oregon was determined to be the lowest responsive and responsible bidder. National Wood Treating Co. met the contractual requirements to provide all materials, machinery, labor, equipment, schedule, and transportation needs included in the Scope of Work. National Wood Treating Co.'s team has the training and experience to complete all aspects of the contract activities.

If approved, work will include inspection and treatment services for approximately 2800 poles each year. Inspections will locate damage caused by decay, fungi, insects, woodpeckers, fire, machinery, or other causes. The condition of crossarms and attachments including insulators, bolts, guy wires, and ground wires will be observed and reported. Inspection services include visual observations, excavating, drilling, and climbing activities. For poles that pass the inspections, fumigant treatment will be applied. For poles that are rejected during the inspection, EWEB staff will assess for repair or replacement.

This contract, if approved, will be for one year with the option to renew up to four additional years.

ACTION REQUESTED:

Management requests Board approve a contract with **National Wood Treating Co.** for **Pole Inspection and Treatment Services.** Funds for this work 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: _____