

EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
APRIL 1, 2014 - ~~redlined~~
5:30 P.M.

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

Others Present: Roger Gray, Mel Damewood, Lisa Atkin, Cathy Bloom, Sue Fahey, Mark Freeman, Kathy Grey, Anne Kah, Frank Lawson, Wally McCullough, Mike McCann, Lance Robertson, Lena Kostopulos, Matt Sayre, Mark Zinniker, Chris Jones, Will Price, Anna Wade, Steve Celeste, Jason Heuser, and Taryn Johnson of the EWEB staff; Vicki Maxon, Recorder.

President Brown convened the Regular Session of the Eugene Water & Electric Board (EWEB) at 5:35 p.m.

AGENDA CHECK

There were no items.

President Brown noted that the Board is borrowing the Eugene City Council's timer system for tonight's meeting in order to determine if it is the type of system the Board would be interested in purchasing. Taryn Johnson, Executive Assistant to the General Manager and Board, explained how the system operates.

ITEMS FROM BOARD MEMBERS

Commissioner Manning thanked the public for attending. He noted that he and Commissioner Simpson had recently attended the American Public Power Association (APPA) Legislative Rally in Washington, D.C. to talk with representatives and their staff about issues relevant to EWEB and its ratepayers. He recommended that the other Commissioners attend this meeting in the future if they have the opportunity.

Commissioner Helgeson noted that, as EWEB's representative to the Northwest Public Power Association (NWPPA), he had attended the Board of Trustees meeting on March 20 and 21. Along with passing several resolutions and archiving some others, the Board of Trustees welcomed Anita Decker, NWPPA's new manager. He added that NWPPA will also be making a trip to Washington, D.C. in late April and is looking for a representative from the Oregon contingent to participate, and that it sounded like Ms. Decker had an interest in someone from EWEB attending, though Commissioner Helgeson noted that he had made no commitments.

Commissioner Simpson reiterated Commissioner Manning's comment that the two of them had traveled to Washington, D.C. as members of a seven-person delegation of Oregon public utility representatives to participate in the APPA Legislative Rally. Prior to the trip, EWEB hosted a conference call to review the Oregon Agenda and coordinate roles. Upon arrival they met with Sonya Baskerville, Manager for Bonneville Power Administration's Office of National Relations. In addition to attending various APPA meetings, they met with Senators Shrader, Merkley, Wyden, Walden, and Bonamichi's staff, and met face-to-face with Congressman DeFazio in an effort to keep electric rates low in the Pacific Northwest. EWEB's key messages were:

1. Don't privatize Bonneville Power Administration.
2. Existing salmon protection is working as it should. The 10-year spill test should be opposed.
3. Don't tax municipal bonds.
4. Be wary of forming a Regional Transmission Organization in the Pacific Northwest.
5. Renew flood control treaty with Canada equitably.
6. Grid security is important, but one-size-fits-all federal mandates are counterproductive.

He listed the names of the other delegates who had attended the legislative rally.

He then noted that he had staffed a table at the March 18 Harlow Neighborhood meeting and answered questions while providing handouts describing EWEB's Water Reliability Initiative, and added that the focus of the meeting was to pack food boxes for the Feed Hope project. He also met with a customer who had a complaint about the landscaping around the Laurel Hill substation, and another customer who believes EWEB should relocate its headquarters to the Roosevelt Operations Center (ROC) property. In addition, he made the acquaintance of LTD Board member Carl Yeh, and they talked briefly about the West Eugene EMX extension.

He then stated how he impressed he was with the After Action Report of the February 2014 ice storm. He noted the efficiency in which the organization handled the recovery effort and the candidness of the review process, and the dedication and "can-do" attitude of EWEB staff during the recovery effort, which is a testament to the commitment EWEB has to the community. He added that he was especially interested in the use of social media and technology to keep information flowing, and he recognized the leadership of General Manager Roger Gray and Incident Commander Bo Mackey, who were instrumental in realizing a positive outcome after this natural disaster.

He then stated that he has been hearing that the Board-approved strategy to raise water rates 3% in order to help fund the Water Reliability Initiative is being well-received at various meetings throughout the community that have been attended by EWEB staff. The working theory is that the strategy parallels what people already do in their personal lives--saving up for big ticket items like vacations, new cars, and home improvement projects.

Lastly, he noted that he is still working on identifying cyclic review items that the Board is obligated by its own policy to attend to, and that he will forward his recommendations to President Brown and Vice President Mital in the next two weeks.

Vice President Mital stated that he had attended an Oregon Department of Energy energy storage symposium in Portland with Erin Erben, Power and Strategic Planning Manager and Jason Heuser, Legislative Representative, which included utility and nonprofit sector representatives who gathered to shape an agenda around energy storage for Oregon into the future, to begin to think about how to move into the 20th Century and which values should be maximized.

President Brown polled the Board regarding upcoming agenda items. Commissioner Simpson also asked about a possible teambuilding session and noted that strategic planning sessions are scheduled in May and November, and he wondered if the Board would be okay with having only one strategic planning session in May and preserving the November date for teambuilding instead. There were four head nods in agreement.

President Brown thanked staff for the Lane Transit District (LTD) work schedule and noted that EWEB is already doing some of the facility relocation work, but that LTD has pushed the schedule back due to budget constraints. He said that he will try to monitor that situation. Regarding those delays, General Manager Gray added that the work is 100% reimbursable via an agreement.

President Brown said he was surprised to hear about the closure of Walterville Pond, and that he had also not heard about the Leaburg Lake silt yet they were both mentioned in the McKenzie Currents newsletter. He said it is awkward when he gets questions about these types of things and doesn't know anything about them.

General Manager Gray stated that he has talked with staff about an approach for recurring items and ways to key them so that the Board knows about them ahead of time.

PUBLIC INPUT

President Brown noted that he is starting Public Input early, and that he will be sure to check at the regular start time of 6:00 to see if there is anyone else who wished to speak.

Bob Cassidy stated that the Board's recent strategic planning work session had included a discussion of how EWEB spends its money and raises funds, and that he had heard from a few Commissioners that it is necessary to raise rates on the items that are of value to customers—electricity and water--the key services that EWEB provides. He recalled that the City of Eugene fees for waste water, storm water and contribution in lieu of tax (CILT) funds also appear on EWEB's bill, and he noted that in Greece, taxes are collected via utility bills. He noted that the extra \$.5 million the City now receives costs a typical EWEB household less than 50 cents a month, and that if the collection of those funds was made by the City of Eugene, it would cost customers much more. He told the Board that they should be bragging about this every day. In

closing, he stated that in his opinion, the fact that those customers who say they can't afford their utility bill also cannot afford food, car payments, rent, credit card payments, etc., and that their financial problems are not the Board's responsibility.

APPROVAL OF CONSENT CALENDAR

MINUTES

1. a. March 4, 2014 Executive Session ORS 192.660(2)(i)
1. b. March 4, 2014 Regular Session
1. c. March 4, 2014 Executive Session ORS 192.660(2)(e)

RESOLUTIONS

2. Resolution No. 1407 - System Development Charge Revision. Contact Person is Mel Damewood.

INTERGOVERNMENTAL AGREEMENT (IGA)

3. Springfield Utility Board (SUB) - for the Indefeasible Right of Use (IRU) Agreement for Dark Fiber Services, \$165,000 (total \$265,000 through 3/31/2017), Engineering Services. Contact Person is Mel Damewood.

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

2013 GENERAL MANAGER'S ANNUAL PERFORMANCE EVALUATION

President Brown noted that the Board had held two Executive Sessions previous to tonight's meeting to discuss General Manager Gray's annual performance evaluation, and that he has now participated in eight years' worth of general manager performance evaluations, and that with this year's evaluation, he holds General Manager Gray in the highest standards compared to any previous general manager. He noted that General Manager Gray has kept EWEB from financial crisis and maintained employee morale, among many other things, and that he couldn't be more proud of him. He also noted that when General Manager Gray was hired, it was recommended that he be paid more than what he was actually paid, and that he feels a bit remiss that the Board didn't get that right the first time because the disparity in General Manager Gray's pay is now huge compared to the pay of general managers of comparable utilities. He stated that the Board can either pay him at the level he needs to be in the current market and treat him equally, or take the high risk of losing him and having to pay a new general manager what General Manager Gray what he should have been offered. He closed by saying that the Board needs to be reactive or proactive in this regard, and that he believes the Board would be remiss to be reactive. He thanked General Manager Gray for his exemplary performance.

Commissioner Simpson stated that General Manager Gray has identified the need to refill a reservoir of good will, and has made excellent progress on that, and in the wake of the 2012 EWEB staff reductions, General Manager Gray skillfully recalibrated the expectations of employees to make do with less. He said that General Manager Gray has also molded EWEB to meet community expectations and has identified ways to right size the organization in the wake of the economic downtrend so that EWEB can continue to deliver top-quality water and high-reliability electricity to its customers at the least possible cost.

Commissioner Simpson also stated that the Board is now faced with the need to bring General Manager Gray's pay in line with that of general managers of comparable utilities because if General Manager Gray were to leave EWEB, the Board would be forced to attract someone and pay them a higher rate. He also thanked General Manager Gray for his exemplary performance and told him he wants him to receive fair compensation so that EWEB can retain him for many years to come.

Commissioner Helgeson noted that the Board has a composite of their feedback which will stand as the record of General Manager Gray's performance evaluation, and he reiterated that General Manager Gray received very high ratings, which is indicative of not only General Manager Gray, but the whole organization, in the last year or two. He commended General Manager Gray and all EWEB employees, particularly the leadership team, who have taken on new roles, come up to speed, and have delivered excellent results. He also agreed that an adjustment in General Manager Gray's salary has not been made over the last four years and that his salary is at the relatively low end of the spectrum, and that he would anticipate a fairly significant pay increase for him in the context of the market. He thanked General Manager Gray for his exemplary performance and said he looks forward to continue to work with him.

Commissioner Manning noted that General Manager Gray always defers credit to his staff and holds his staff in high regard, and that he will most often throw out a different name than his own when identifying the leader of a project. He added that he is a leader not only for EWEB but for the community, and that he leads by example, as evidenced by his work with Habitat for Humanity, raising money and identifying housing for veterans, etc., and that most people would never do some of the things General Manager Gray has done but instead just sit comfortably in their office. He voiced his pride in General Manager Gray for guiding EWEB through hard times and always being available and quick to respond. He closed by stating that General Manager Gray is the right person for the job at this time and that the Board needs to make sure he is fairly compensated.

Vice President Mital stated that in his view, General Manager Gray is a change agent, and is essential to help EWEB transition from a 20th century organization to a 21st century organization. He reiterated that General Manager Gray's performance review was strong and glowing and that he believes it is in EWEB's and the community's best interest to pay General Manager Gray competitively.

It was moved by Vice President Mital, seconded by Commissioner Simpson, that the Board increase General Manager Gray's base salary to be equal to that of the general managers of comparable utilities, and he also requested that the high and low comparator salaries be removed from consideration.

It was moved by Commissioner Manning, seconded by Commissioner Simpson, to use the term "salary increase" instead of "salary adjustment." The above two motions passed unanimously (5-0).

Commissioner Helgeson noted that the comparator salaries are available and will be made part of the record. He confirmed that this salary increase would essentially set General Manager Gray's compensation at a level consistent with an average, and while a significant increase, it is equal to what he anticipates General Manager Gray would have made over the last four years had any sort of merit increase been applied to his salary during that time. He reiterated that he strongly believes that EWEB needs to compensate their staff and general manager with comparators. He also reiterated that General Manager Gray's performance is comparable or exceeds any previous general manager he has worked with at EWEB and at other utilities, and that he regrets that EWEB hasn't been in a position to grant this increase before, and that it is a matter of playing catch-up to where General Manager Gray should have been all along with regard to pay.

President Brown added that he is not only confident in the comparator salary information for general managers, but that he had researched the salaries of school district administrators and city managers and had again found disparity. He reiterated that he is very comfortable with the Board doing today what should have been done before.

The motion passed unanimously (5-0).

President Brown asked General Manager Gray to work with EWEB's Human Resources Department on how best to distribute the approved salary increase in General Manager Gray's and the utility's best interest.

General Manager Gray clarified the overall compensation points with the Board and thanked them for their support.

2014 ORGANIZATIONAL PERFORMANCE – KPI DASHBOARD

General Manager Gray noted that he has nothing specific to discuss other than a request for Board feedback. He briefly went over department goals and recalled that those goals will be identified on an annual basis each January.

Vice President Mital noted that he appreciates that the goals align with the strategic planning discussions but noted that it might be helpful to show side-by-side comparisons, i.e., what might be lost by shifting one away from another.

General Manager Gray agreed that would be entirely appropriate, and noted that comments and sources will be detailed out and tied to specific department goals.

Commissioner Simpson stated that he likes the direction of the document but that he isn't prepared to approve it until the drilldown that will be done on April 15, and that he is available to meet earlier than that if necessary.

Commissioner Helgeson stated that he feels reasonably comfortable with the document and sees integrity between last year and this year, and that he would be prepared to support it tonight.

President Brown asked that the Board be apprised of proposed changes if any one-on-one meetings are held. A brief discussion ensued regarding follow-up and how to prepare and revise the document for the May meeting.

Commissioner Helgeson suggested that it be brought back on a consent calendar with the changes for review identified. Commissioner Manning agreed.

Vice President Mital then took over the meeting and called a 10-minute recess.

ELECTRIC AND WATER CAPITAL BUDGET AMENDMENTS (BAM) #2-5

Mel Damewood, Engineering Manager; Frank Lawson, Systems Engineering Supervisor; Wally McCullough, Water Engineering Supervisor; and Mark Zinniker, Generation Engineering Supervisor, presented the above capital budget amendments and addressed clarifying questions and comments from the Board.

Commissioner Simpson asked for clarification of the new Board policy regarding budget amendments (above or below a certain money limit).

Commissioner Helgeson asked for clarification around governance, oversight responsibility of the Board, infrastructure maintenance, and questions regarding budget carry-overs.

A discussion ensued regarding Board and staff discussions and presentations and what the Board would like to see and understand about the above items, and whether or not it is necessary to bring those directly to the Board during their meeting, or place them on the consent calendar.

Vice President Mital stated that in his opinion, if there is money left over in a budget, the money should go back into reserve, and if project cost exceeds department authority, it should come back to the Board. He also stated that he would like to see scenarios of what would happen if 10% more or 10% less was spent on a project.

A brief discussion ensued regarding this, and Mr. Damewood and Mr. Lawson gave some examples of when those scenarios could be presented.

Commissioner Manning asked for clarification of Board policy for carryover projects (for example, Hayden-Bridge and Carmen-Smith). General Manager Gray made that clarification.

Commissioner Simpson stated that he believes the Board could use a policies and procedures and budget amendment governance refresher course.

It was moved by Commissioner Simpson, seconded by Commissioner Manning, to approve electric and water capital budget amendments #2-5. Commissioner Helgeson reiterated his desire for clarification of the Board governance role when the Board needs to tweak a procedure that feels complicated.

The motion passed unanimously (5-0).

PROJECT UPDATE AND REQUEST FOR CONTRACT APPROVAL – LEABURG DAM ROLL GATE #2 HOIST REPLACEMENT

President Brown asked if this work will require an out of water mandate. Mr. Zinniker said it will not, and explained why. He added that there will indeed be traffic limitations with road closures from 8:00 a.m. until noon and 1:00 p.m. until 4:00 p.m. on some days, and that he will receive the specific work schedule from the contractor and pass it along.

President Brown asked staff to be sure that the residents of that area are given advance notice of the closures and limitations, just as they were last year when work was done on the road.

Commissioner Helgeson asked about the chance of the other rollgates failing and how that risk can be mitigated. Mr. Zinniker explained how the other rollgates will be closely monitored.

President Brown asked how the other rollgates will be affected during the above replacement, and asked for confirmation that the project schedule has been approved by fish and game staff. Mr. Zinniker explained the replacement process and confirmed that fish and game staff have approved the process.

It was moved by Commissioner Simpson, seconded by Commissioner Manning, to approve the above contract. The motion passed unanimously (5-0).

CORRESPONDENCE/AGENDAS

General Manager Gray recalled the suggested modifications to future Board calendars for May and November (reducing the strategic planning sessions from two to one, in May).

General Manager Gray then announced that EWEB will host the annual meeting of the Pacific Northwest chapter of the American Water Works Association (AWWA) to be held May 7-9 in Eugene at the Hilton and the Hult Center, with a fundraising event to be held at Inn at the 5th. He said that Brad Taylor, Water Operations Manager, would like to invite the Board to this

meeting, and he asked them to contact Mr. Taylor, Taryn Johnson, Executive Assistant to the Board/General Manager; or himself if they wish to attend.

Vice President Mital appreciated tonight's discussion on the capital budget true-up and noted that the Board has asked for more options and is thinking more about the various items that are within their control.

Commissioner Helgeson wondered if the Board could take a few minutes to offer their reflections regarding each Board meeting, if any, at the end of each meeting.

General Manager Gray agreed to add an agenda item entitled Board Wrap-Up (allotting two minutes to each Commissioner).

General Manager Gray then asked for the Board's thoughts on the timers that were tried out during tonight's meeting.

President Brown stated that he thought they would work fine after a few bugs are worked out, i.e., when staff responds to Board questions, the timer doesn't run. General Manager Gray suggested that the timer be used for staff as well, and Commissioner Simpson agreed.

It was moved by Commissioner Manning, seconded by President Brown, to ask staff to purchase the most appropriate timer system, similar to the one that was used at tonight's meeting.

Vice President Mital ~~President Brown~~ adjourned the Regular Session at 7:57 p.m.

Assistant Secretary

President