

**EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
500 EAST 4TH AVENUE
March 7, 2017
5:30 P.M.**

Commissioners Present: Dick Helgeson, President; John Brown, Vice President; Sonya Carlson, Steve Mital, John Simpson, Commissioners

Absent: None

Others Present: Mel Damewood, Chief Engineering & Operations Officer; Frank Lawson, General Manager; Ray Leipold, Water Treatment Supervisor; Wally McCullough, Water Engineering Supervisor; Karl Morgenstern, Environmental Supervisor; Nick Nevins, Engineering Technician; Jeannine Parisi, Government Affairs Coordinator; Brad Taylor, Water Operations Manager

President Helgeson called the Regular Session to order at 5:41 p.m.

Agenda Check

There were no changes to the Agenda

Items from Board Members and General Manager

- Commissioner Carlson reported that she attended both the Black History Month and the NAACP Events in the area.
- Commissioner Simpson said that he was hearing a lot of concerns from ratepayers concerning perceived rate increases that, to his knowledge, don't exist.
- President Helgeson reported that he had spent the better part of last week in Washington D.C., meeting with members of the Oregon Delegation.
- Vice President Brown expressed interest in General Manager Lawson making it possible for him to reach his constituency through the upcoming strategic planning session. He also said he was not overly happy with the property EWEB was purchasing from Weyerhaeuser, and added that he would not let them get away with dumping hazardous wastes close to EWEB's water intake.
- Mr. Lawson opined that it was not fair to dismiss EWEB customer concerns with higher than normal utility bills; he added that he had spoken with other utility general managers in the Pacific Northwest, and they were also experiencing higher than normal bills. Mr. Lawson also reported that the Carmen Smith FERC Technical Review was scheduled for March 29. He said he would send a report on the Weyerhaeuser property to Vice President Brown.

Commissioner Mital asked to see the report on Weyerhaeuser.

Commissioner Carlson asked if the ice storm report would include Mr. Lawson's review of recent higher than normal customer bills.

Mr. Lawson said that research on higher customer bills and the ice storm was ongoing.

Public Input

Webb Sussman of Eugene expressed gratitude to Vice President Brown for his cleanup efforts on the McKenzie, and his influence on the Amazon Creek cleanup. Mr. Sussman said it was unacceptable that he had to submit a detailed request to staff in order to have access to previous meeting minutes. Finally, he expressed frustration at the archaic nature of EWEB's website, and said an update to EWEB's website would be much appreciated, especially if through the website, prior meeting minutes can be retrieved easily.

Morgan Griffiths of Eugene urged the Board to prepare for the future by working toward a power grid able to facilitate residential solar.

Milo Mecham of Eugene proclaimed that although in the past, he had supported alternate rate structures for dark fiber than those suggested by EWEB staff, that he now supported the staff's recommendation. He also presented an award for Outstanding Intergovernmental Team to the Downtown Fiber Pilot Project.

Commissioner Mital reported that the EWEB website had been updated in the last 3-4 weeks.

Commissioner Simpson stated that EWEB currently has a microgrid pilot in place at Blanton Heights, and he invited Mr. Griffiths to come on a tour of that facility.

President Helgeson said that it was EWEB's intent to be as transparent as possible, and that EWEB had been working on offering the audio recordings of Board meetings on its website, but they were having issues with audio quality and indexing of the audio files themselves.

BOARD ACTION ITEMS

Approval of Consent Calendar MINUTES

1. February 7, 2017 Regular Session

CONTRACTS

2. Michel's Corporation - for the construction of Holden Creek Substation. \$1,490,000. Contact Person is Mel Damewood, 541-685-7145.

3. Northstar Chemical - for Liquid Caustic Soda Membrane Grade 50%. \$465,000 (per five-year contract). Contact Person is Mel Damewood, 541-685-7145.

4. Peak Reliability - Authorize General Manager to approve a User Agreement after completion of negotiations for use of their Hosted Advanced Applications to achieve compliance with NERC Standard/ Requirement TOP-001-3, R.13. \$362,500 (for four years). Contact Person is Mel Damewood, 541-685-7145.

5. Premier Security - for Unarmed Security Services. \$335,000 (over five years). Contact Person is Mel Damewood, 541-685-7145.

6. Wildish Building Company - for the procurement of Construction Services to install a new cooling water system at EWEB's Carmen hydroelectric project. \$210,000. Contact Person is Mel Damewood 541-685-7145.

7. Wildish Building Company - for the procurement of Construction Services to install Turbine Shutoff Valves. \$1,760,000. Contact Person is Mel Damewood, 541-685-7145.

INTERGOVERNMENTAL AGREEMENTS

8. Lane Council of Governments - for providing technical assistance to EWEB's Drinking Water Source Protection Program. \$150,000 (for one year). Contact Person is Mel Damewood, 541-685-7145.

9. Springfield Utility Board - for the Indefeasible Right of Use (IRU) Agreement for Dark Fiber Service. \$160,000 for 2017-2020. (Resulting Cumulative total \$425,000). Contact Person is Mel Damewood 541-685-7145.

Vice President Brown moved to approve the Consent Calendar without Item 8. The motion carried unanimously 5:0.

Items Removed from Consent Calendar

Commissioner Mital pointed to a decision made last summer to move slowly into the Drinking Water Source Protection Program with a limited, preparatory scope. He wondered if the budget action represented in Item 8 on the Consent Calendar tied to last summer's decision.

Mr. Damewood stated the budget action item was for services such as data collection rendered from Lane Council of Governments (LCOG).

Vice President Brown asked if EWEB was still collecting data such as vegetation data currently.

Mr. Morgenstern replied that EWEB was in possession of the aforementioned data, and was planning an analysis between current data and data collected in 2009, in order to show the Board how much environmental data has changed over that period of time.

Vice President Brown moved to approve the intergovernmental agreement between EWEB and LCOG, in which LCOG would provide technical assistance to EWEB's Drinking Water Source Protection Program, Consent Calendar Item #8. The motion carried unanimously 5:0.

Alternative Contracting Method for Carmen Turbine Generator Design and Rehabilitation | Information

Mr. Damewood stated that he was before the Board asking approval of alternative procurement processes for the Carmen Turbine Generator Design and Rehabilitation project.

Public Hearing on Alternative Contracting Method for Carmen Turbine Generator Design and Rehabilitation

President Helgeson opened, and—seeing no one who wished to speak to the issue—then closed the Public Hearing at 6:19 p.m.

Alternative Contracting Method for Carmen Turbine Generator Design and Rehabilitation | Action

Commissioner Simpson moved to approve the Alternative Contracting Method for Carmen Turbine Generator Design and Rehabilitation. The motion carried unanimously 5:0.

GENERAL BUSINESS ITEMS

2017 State of the Utility Address

President Helgeson delivered the 2017 State of the Utility Address.

General Manager's Annual Performance Evaluation for Year 2016

President Helgeson observed that he and the Board were very pleased with Mr. Lawson's performance as EWEB General Manager through the first six months of his tenure.

Mr. Lawson offered that he had the organization to thank for his performance, and he looked forward to working with the utility into the future.

Dark Fiber Pricing Discussion

Mr. Damewood offered the Board a report and Power Point presentation on dark fiber pricing.

Commissioner Carlson offered appreciation for Mr. Damewood and his department for their work on dark fiber pricing, and she stated her support for moving forward with the project.

Commissioner Simpson wondered about the amount of \$350,000 presented on one of the slides as the estimated electric revenue impact of the dark fiber project.

Mr. Damewood clarified that the \$350,000 figure was reached assuming a 95% occupancy rate in the downtown area.

Vice President Brown asked if, since he has an office downtown, there was conflict of interest present with the EWEB Board and the project itself.

Mr. Lawson said that he did not think there were any conflicts of interest present.

Commissioner Mital wondered if a dark fiber customer was taking advantage of dark fiber that was slightly over a half mile, would that customer then be charged for the next increment, in this case, a full mile.

Mr. Nevins said that if the distance goes over a predetermined increment, it would automatically be rounded up to the next increment.

Commissioner Mital asked if possible higher downtown rents were factored into the dark fiber project.

Mr. Damewood answered that they were not.

Commissioner Simpson moved to approve dark fiber pricing (Resolution No. 1705). The motion carried 4:1, with Commissioner Mital voting against.

Riverfront Property

Mr. Lawson reported that the Riverfront Property negotiations with the City of Eugene was progressing. He stated that he would ask Board approval in a future meeting to add the phrase "and therefore execute" after the existing term "finalize."

Commissioner Simpson asked when the property would be sold.

Mr. Lawson answered that he would brief the Board in Executive Session, and propose a public session for the Board to approve an agreement.

Vice President Brown asked when EWEB would be paid for the Riverfront Property.

Mr. Lawson replied that he expected that to happen in a 3-6 month timeframe.

Mr. Lawson received confirmation from the Board that they were comfortable with the process.

Proposed EWEB Bylaw Amendment

President Helgeson announced that EWEB Board bylaws require the Board conduct a review of its bylaws whenever seating new Board members.

Commissioner Simpson stated staff recommended a one-word change in Article 7, Section 3. He said that his proposal was to modify Article 2, Section 1. The existing Article reads: "The principal purpose of the Eugene Water and Electric Board, is to benefit the citizens of Eugene by providing water, electric, and other physical energy services to its customers while maintaining cost-based rates in accordance with Oregon Revised Statutes, Chapter 225." Commissioner Simpson's proposed changes read as follows: "The purpose of the Eugene Water and Electric Board, is to benefit the citizens of Eugene by providing water, electric, and telecommunications services to its customers while maintaining cost-based rates in accordance with Oregon Revised Statutes, Chapter 225."

Commissioner Mital opined there was no reason to change the wording as per "other physical energy services," as it was possible the phrase would be relevant again in the future. He also warned against the phrase "telecommunications services to its customers", as it might mislead EWEB customers outside of the Downtown Fiber Project to believe EWEB is offering internet services to them as well.

Mr. Lawson suggested leaving the term "principle", and cutting "other physical energy services", focusing on water and electric only.

Commissioner Simpson retracted his recommendation, and stated that he reserved the right to recommend the change after the Board's Strategic Planning Meeting.

President Helgeson stated that the Board had completed the required review of its bylaws.

Break

President Helgeson called a break at 7:26 p.m., and called the meeting back to order at 7:38 p.m.

Water Utility Second Source Project Update and Strategic Discussion

Mr. McCullough, Mr. Taylor, and Ms. Parisi offered the Board an update and Power Point presentation on the second water source project.

Vice President Brown asked if EWEB was overbuilding the Willamette facility.

Mr. McCullough answered that the only upgrade on the Willamette River facility was the addition of an ozone filtration system.

Commissioner Carlson asked how much additional cost was added with the implementation of the ozone filtration system.

Mr. McCullough replied the ozonation cost was \$5-\$7 million.

Commissioner Simpson inquired if the 100% recovered capacity 24 hours after an earthquake was plant only, or plant plus T&D

Mr. McCullough said that it was plant only.

Commissioner Simpson asked if the target value of recovery was valid for the Cascadia Subduction Zone event, or just a smaller seismic event.

Mr. McCullough replied he thought EWEB's distribution system would be able to handle any seismic event.

Commissioner Simpson wondered how the removed sediment would be disposed of.

Mr. McCullough it would be similar to the Hayden Bridge facility, in that a series of ponds will be utilized to settle solids, with a water outfall to the river.

Commissioner Simpson asked how long the new facility could run on diesel generator power.

Mr. McCullough said the target was five days.

Commissioner Simpson wondered if an on-site reservoir would be required at the new facility.

Mr. McCullough replied that there will be 5 million gallons of storage on site.

Commissioner Simpson asked if 15 million gallons a day (mgd) was sufficient to cover spring, summer, and fall demand.

Mr. McCullough said the figure was for winter demand only.

Commissioner Simpson wondered about estimated time of full system repair during a full disaster recovery.

Mr. McCullough answered that he anticipated 10 years for areas of the system which are fixed up, and days to weeks for those areas not fixed up.

Commissioner Mital offered that he was unsure of a new plant as justification for perfecting EWEB's water rights.

Vice President Brown asked if the rates were set to go to 3.5% a year for 10 years.

Mr. McCullough replied that it was closer to 3%.

Vice President Brown asked if the City of Springfield would charge EWEB a franchise fee.

Ms. Parisi offered that while Springfield charging a franchise fee was a risk, she had not heard anything about a franchise fee from Springfield.

Correspondence & Board Agendas

Mr. Lawson reported that there was now available an annual summary of community investment activities. He added there were also updates on the water temperature on the upper McKenzie River available.

Mr. Lawson reported there was a tentative agenda for the upcoming joint Board meeting with EWEB and Springfield Utility Board (SUB), and he and President Helgeson provided guidelines for the joint meeting.

Board Wrap Up

President Simpson thanked staff for their response on the time of use tariff inquiries.

Commissioner Mital said he was unclear on how the Board gets to weigh in on issues that may emerge from the recent legislative update.

Mr. Lawson answered that he didn't know that there was a formal opportunity for the Board to weigh in.

Adjournment

President Helgeson adjourned the Regular Session at 8:53 p.m.

Assistant Secretary

President