

Minutes of Regular Board Meeting March 18, 2015

A regular meeting of the Board of Directors of the Central Lincoln People's Utility District was held at the Newport Office on Wednesday, March 18, 2015 at 10:00 a.m. President Kaliher called the meeting to order and asked that roll be called.

Members present: Curt Abbott
Larkin Kaliher
Judy Matheny
Tom Tymchuk
Ron Benfield

Others present: Debra Smith, General Manager
Brian Barth, Accounting & Finance Manager
Sunnetta Capovilla, Executive Assistant
Chris Chandler, Communication, Community & Econ Development Mgr.
Doug Dawson, IT & Communications Manager
Randy Grove, Distribution, Engineering & Operations Manager
Brandon Hignite, Power Analyst
Gail Malcolm, Project Manager
Bill Reinhart, General Accounting Supervisor
Pete Gintner, Legal Counsel
Sue Tyler, Personnel, Human Resources Manager
Jeb Spengler, Piper Jaffray

Staff and Visitors Recognized

President Kaliher welcomed staff and visitors to the meeting. Brian Barth introduced Jeb Spengler, Vice President of Public Finance Investment Banking in Piper Jaffray's Seattle office.

Consent Agenda

The Board approved the following Consent Agenda items as presented:

- a) Minutes of February 18, 2015 Regular Board Meeting
- b) Minutes of February 24, 2015 Special Board Meeting
- c) Vouchers for February, 2015
- d) Petty Cash for February, 2015
- e) Uncollectibles for February, 2015
- f) Directors' Cash Report as of February 28, 2015

It was discussed and decided that the Petty Cash Report does not need to come to the Board in the future unless more than \$100 has been disbursed in any given month.

Review Governance Process Pages 10-19

Ms. Smith discussed the Governance Process Policies, pages 10-19 from the Board's Governance Policy, noting that Policy III: Board Job Description is being updated with respect to paragraphs 9 and 10, changing the language from "trustee" to "committee member;" and

will be brought to the Board next month. The Board requested that staff set up a future workshop so that the Board may more fully review and discuss this section of the Governance Policies.

Consideration of New Board Governance Policy

Central Lincoln staff recommended the Board adopt a policy outlining which actions require a Resolution, which require an Ordinance, and which can be done by a motion. This policy is recommended to establish consistency and prevent situations in which the Board takes a significant action, but later it is difficult to find a record of the action or supporting documentation. The resolution to adopt this new policy will be presented to the Board for approval at next month's meeting.

High Level Budget Assumptions

Ms. Smith reported that the FY 15-16 Budget process is well underway and we are in the second year of an improvement process designed to make the budget and Five-Year Financial Plan a better predictor of future rate actions. Both the Operating and Capital Budgets will have significantly less contingency funds in them for FY 15-16.

Further discussion ensued regarding revenue, power and transmission costs, labor and benefits (noting a reduction of three full-time employees and a reorganizational shift of staff), other non-power and non-labor expenses, minimum cash reserve requirements, the Capital Improvement Plan and other considerations. Bonneville rate increases were discussed and their potential influence on our rate-setting process for our customers.

Ms. Smith stated that staff will continue to build the FY 15-16 Budget and the Five-Year Financial Plan using these assumptions. The Board will receive an updated Capital Improvement Plan on April 15, 2015 and a complete FY 15-16 Budget and Five-Year Financial Plan for review and possible action on May 27, 2015.

Reserve Level Discussion

Central Lincoln has historically maintained healthy cash reserves, and has earned a strong bond rating from the Standard & Poor's rating agency. Although Central Lincoln has cash reserves well in excess of the Board's current reserve policy, there are multiple potential draws on those reserves.

Jeb Spengler, a Vice President for Piper Jaffrey in Seattle, Washington provided additional information and recommendations regarding Central Lincoln's reserve levels for the Board's consideration.

Central Lincoln management has researched best practices by various Oregon utilities and has found considerable diversity in approaches to setting reserve policies. Mr. Spengler provided additional information and recommendations regarding Central Lincoln's reserve levels for the Board's consideration.

As Central Lincoln considers potentially building a new Operations Center for the northern area, Mrs. Smith recommended the Board review funding options. Bonneville's proposed rate increase effective October 1, 2015 will put additional pressure on Central Lincoln's revenue and our current rates do not adequately cover Bonneville's rate increases from 2010-2013.

Ms. Smith told the Board that reevaluating Central Lincoln’s reserve policy in light of these factors is timely and necessary in order to develop a Five-Year Financial Plan that appropriately guides future decisions.

Executive Session:

The meeting recessed into Executive Session at 11:52 a.m. President Kaliher stated “The Central Lincoln PUD Board of Directors will now meet in Executive Session in accordance with ORS 192.660 (2) (d) to conduct deliberations with persons designated by the governing body to carry on labor negotiations; and in accordance with ORS 192.660 (2)e) to conduct deliberations with persons designated by the governing body to negotiate real property transactions.” **The Board reconvened into Regular Session at 12:56 p.m.**

Approval of Union Contract
Adoption of Resolution 883

Central Lincoln's existing collective bargaining agreement with I.B.E.W Local 659 (Agreement) expires on March 31, 2015 and on November 4, 2014 the union provided a written request to modify the agreement without termination. On March 3, 2015, represented employees voted on the tentative agreements reached during the negotiation process and the proposed new contract was approved by union members. Ms. Smith provided the Board with a complete summary of contract changes that were agreed to during the negotiation process.

The proposed contract’s new termination date is March 31, 2020; the contract can be opened for wage negotiation any time after January 1, 2018. Management recommended approval of the proposed Agreement with I.B.E.W Local 659 through adoption of Resolution No. 883 which authorizes and directs the General Manager to complete, execute and deliver the proposed Agreement with I.B.E.W. Local 659, and all other documents and instruments that may be necessary or appropriate in order to carry out the intent of the Resolution. After discussion, the following motion was made:

Motion: Mrs. Matheny moved and Mr. Tymchuk seconded to approve Resolution No. 883 which authorizes the General Manager to execute the proposed Agreement with I.B.E.W. Local 659. **Aye:** Benfield, Matheny, Tymchuk, Abbott and Kaliher.

April 15, 2015 Board Agenda – Waldport City Hall

Board Meeting -	10:00 a.m.	NWPPA Voting Delegate/Alternate Lakeside Franchise Agreement Reimbursement Resolution Deferred Comp Award Resolutions New Governance Policy Memorializing Board Actions Five Year Capital Improvement Plan Identity Theft Prevention Presentation Conservation Quarterly Customer & Community Connections Calendar Central Lincoln FY 15-16 Goals
Consent Agenda -		Minutes, vouchers, uncollectibles, and Directors’ cash report

Manager's Report

Pacific Marine Energy Center (PMEC):

The PMEC will be an "open sea" test facility for prototype and commercial-scale wave energy converters in North America. PMEC will give developers the ability to test up to full-scale grid-connected wave energy devices. There are two test facilities in Oregon. The North Energy Test Site (NETS), located off Yaquina Head, is a non-grid connected test facility that is currently operational. The second site that is currently under development is the South Energy Test Site (SETS). SETS will be located south of Newport and will be grid-connected.

Central Lincoln has been working with the Northwest National Marine Renewable Energy Center (NNMREC), Oregon State University, and other project sponsors since the site was chosen in January 2013 for a cable landing site and interconnection. Central Lincoln's role would be to provide an interconnection and to transfer or purchase power generated. No commitments have been made due to the uncertainty of the project.

Port of Toledo - Yaquina Boat Yard Haul-Out Expansion Project:

The Port of Toledo has contacted Central Lincoln regarding power lines that are in the clearance area where the new lift and platform is being planned for construction; and this would interfere with the Port's expansion project. Randy Grove, Distribution Engineering & Operations Manager, provided specifics to the Board about what would be involved to relocate these lines. The total project is just over \$6 million, and the Port is funding a portion of this through an Oregon Department of Transportation economic development grant. Ms. Smith noted that she has reviewed the grant papers, and everything appears to be in order.

Central Lincoln has provided an engineering estimate plus contingency costs of \$370,000. Typically Central Lincoln's practice would be to require payment in full prior to beginning design work or ordering materials such as poles and wiring. Staff and legal counsel believe there is flexibility with this past practice because the project qualifies, under the law, as economic development. Central Lincoln's lines must be relocated before other work can proceed and the ODOT grant calls for payment 45 days after receipt of invoice. The request is for Central Lincoln to order materials without prepayment; although due to lead times, Central Lincoln would not be required to pay for materials before receiving payment from the Port. The Board expressed no objections to this deviation from policy.

NRU and PPC Discussions on Expensing BPA Conservation:

Ms. Smith updated the Board on recent discussions BPA has had about expensing conservation funds in the future. NRU (Northwest Requirements Utilities) proposed that BPA expense a portion of conservation in the next rate period. NRU's proposal allowed for an additional increase to the BPA-2016 initial proposal in exchange for expensing conservation and other BPA budget cuts. PPC (Public Power Council) also proposed that BPA expense conservation in the next rate period, but would not agree to any increase above the BPA-2016 initial proposal. In other words, PPC supported requiring BPA to pay for conservation completely through budget cuts. After hearing from BPA at the last PPC Executive meeting, Ms. Smith is not confident BPA will expense conservation without also increasing rates in the next rate period.

Option to Join NEMS Future Power Purchase:

Mr. Hignite discussed an option to purchase additional power through NEMS (Northwest Energy Management Services) beginning in 2018. NEMS is looking at power purchasing options for the next two BPA Rate Periods and NEMS wanted to know if Central Lincoln wanted to include any load in the purchase. Mr. Hignite said that based on current forecasts, Central Lincoln will not need any power above what BPA will provide during the time period NEMS is reviewing. Therefore, he told NEMS to not include any Central Lincoln load in its purchase.

Emergency Action Plan (EAP)

A memo was shared that describes the work Central Lincoln has been doing to prepare for a large scale emergency and the various planning efforts that are going on around the state. The enormity of a Cascadian event requires that we coordinate with other utilities and governmental agencies. Ms. Smith noted that she plans to share the memo with other OPUDA members and propose that the utilities back each other up in attending and participating in the various planning activities.

Directors' Discussion

Mr. Kaliher noted that John Saven, CEO of Northwest Requirements Utilities (NRU), is retiring May 1, 2016. Ms. Smith noted there would be a closed meeting on April 1st at NRU where utilities can provide feedback about the replacement process going forward.

Mr. Abbott commented that as we consider future work, we also consider the long-term impact on Central Lincoln's customers. Individually, the projects and initiatives are all good things, but the cumulative effect on rates must be considered, and we may need to sequence work to mitigate the impact.

There being no further business, the meeting adjourned at 2:15 p.m.

Curt Abbott, Secretary

Larkin Kaliher, President