

Minutes of Regular Board Meeting April 15, 2015

A regular meeting of the Board of Directors of the Central Lincoln People's Utility District was held at the Waldport City Hall on Wednesday, April 15, 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, Customer and Finance Manager
Sunnetta Capovilla, Executive Assistant
Wade Carey, Energy Services Administrator
Chris Chandler, Communication, Community & Econ Development Mgr.
Doug Dawson, IT & Communications Manager
Randy Grove, Distribution, Engineering & Operations Manager
Brandon Hignite, Power Analyst
Dennis Hinton, Customer and Energy Services Manager
Bruce, Lovelin, Chief Engineer & Systems Engineering Manager
Gail Malcolm, Project Manager
Bill Reinhart, General Accounting Supervisor
Sue Tyler, Personnel, Human Resources Manager
Pete Gintner, Legal Counsel

Staff and Visitors Recognized

President Kaliher welcomed staff and visitors to the meeting.

Consent Agenda

The Board approved the following Consent Agenda items as presented:

- a) Minutes of March 18, 2015 Regular Board Meeting
- b) Vouchers for March, 2015
- c) Uncollectibles for March, 2015
- d) Directors' Cash Report as of March 31, 2015

Board Governance Policies

Asset Protection

Governance Policy Page 6 states: The General Manager may not allow assets to be unprotected, inadequately maintained nor unnecessarily risked. Ms. Smith reviewed the processes in place to protect and maintain Central Lincoln's assets. These processes include: adequate property, liability, forgery, theft and bonding insurance; regular commercial property appraisals, regular inspections of vehicles and mechanical equipment, adequate staff training with a focus on safety; and use of an HR attorney when appropriate.

Customer Feedback

Governance Policy Page 9 requires the General Manager to be easily accessible to customers, provide timely responses, collect and analyze customer data for future planning and inform the Board about customer issue trends. Ms. Smith reviewed with the Board how she is implementing these requirements, noting a customer survey is currently underway; and shared a month by month Customer & Community Connections Calendar identifying various customer communication and outreach events.

Board Member Compensation

No change was made to Governance Policy Page 20 with regard to Board Compensation; however, Ms. Smith noted that Central Lincoln's Travel Policy has been updated to follow federal guidelines, which provides meal & incidental expenses to be reimbursed using a per diem schedule. (see attached)

Five Year Capital Improvement Plan

An updated Central Lincoln Five Year Capital Improvement Plan (CIP) was presented by Mr. Lovelin; Mr. Grove; and Mr. Dawson. Current CIP projects include:

- Florence Area Reinforcement Project –
- Transmission and Distribution Facility Replacements
- Newport Operations Center – Land acquisition and design costs
- Fiber Optic Cable Installation and other Communications System -- Upgrades
- Vehicle Replacement
- SCADA, Conservation Voltage Management and Geographic Information Systems Upgrades

There are a few projects that were originally planned for FY15 that have been deferred and re-budgeted for FY16. Ms. Smith noted that this is not a stand-alone budget, but is part of the overall FY16 budget which will be presented in May.

Annual Identity Theft Prevention Report

The Federal Trade Commission (FTC) enforces a "Red Flags Rule;" and because Central Lincoln provides service in advance of payment, we are considered a creditor under Red Flags definitions and we are required to comply. The Red Flags Rule sets out a four-step process to combat identify theft and comply with the law. The steps are: 1. Identify relevant red flags; 2. Detect red flags; 3. Prevent and mitigate identify theft; 4. Update the program. Mr. Barth, who is the compliance officer for this program, reported there are no known instances of identity theft, and no changes are needed.

New Governance Policy – Memorializing Board Actions

Resolution No. 884

In the March 2015 Board meeting, 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 vote. After consulting with legal counsel, staff presented a new policy "Memorializing Board Actions." The policy will modify the Policy Type III Governance Process, and be added as Policy "H" Memorializing Board Actions. Staff recommends the Board adopt Resolution No. 884 which will establish the "Memorializing Board Actions" policy and offer a more consistent approach to Board actions and help in recordkeeping. After discussion, the following motion was made:

Motion: Mr. Benfield moved and Mr. Abbot seconded to approve Resolution No. 884 which will establish the “Memorializing Board Actions” policy. Aye: Matheny, Tymchuk, Abbott, Benfield and Kaliher.

Revising Board Job Description – Policy Pg. 12
Resolution No. 885

Staff recommended a modification to Board Governance Policy Section III. B. “Board Job Description” on page 12, removing references to “trustees” of the deferred compensation plans and replacing with “committee members.” The adoption of Resolution No. 885 will modify the policy to be consistent with the new deferred compensation plans and establish committee members. This will also rescind Resolutions No. 809 and 813 which established Central Lincoln’s 401(k) Profit Sharing and 457 Deferred Compensation plans, respectively. Mr. Abbott suggested amending the proposed resolution by removing specific committee member names. After discussion the following motion was made:

Motion: Mr. Abbott moved and Mr. Tymchuk seconded to approve Resolution No. 885, as amended, which will modify the Board Policy “Board Job Description” to be consistent with the new deferred compensation plans. Aye: Matheny, Tymchuk, Abbott, Benfield and Kaliher.

City of Lakeside Franchise Agreement
Resolution No. 887

Central Lincoln’s Franchise Agreement with the City of Lakeside expired on January 10, 2015. Discussions for a new agreement started in September but the negotiation process took considerably longer than expected. The Board reviewed a proposed 20-year agreement for 3.5% in rate-based franchise fees only. Management recommends the Board adopt Resolution No. 887 which accepts the proposed City of Lakeside Franchise Ordinance and authorizes the General Manager to execute the agreement. After discussion the following motion was made:

Motion: Mrs. Matheny moved and Mr. Abbott seconded to approve Resolution No. 887, authorizing the execution of the new Franchise Agreement with the City of Lakeside. Aye: Matheny, Tymchuk, Abbott, Benfield and Kaliher.

Declaring an Intent to Reimburse
Resolution No. 888

If the Central Lincoln Board ultimately chooses to build a new operations center for our northern area, it will require bond financing. Reimbursement resolutions allow an entity to reimburse itself for costs expended up to 18-months before the bond sale. Executing a reimbursement resolution preserves the right to do this, but does not create an obligation to issue bonds. Since management is currently moving on a path to purchase land for the proposed operations center, it’s appropriate to execute a reimbursement resolution. Bond Counsel has added language in Section 2 of the resolution that delegates to the general manager future declarations of intent to reimburse. This is an option that the Board may choose to consider. After discussion the following motion was made:

Motion: Mr. Abbott moved and Mr. Benfield seconded to approve Resolution No. 888 (without Section 2), Declaration of Intent to Reimburse, declaring Central Lincoln’s official intent pursuant to Section 1.150-2 of Federal Income Tax Regulations to reimburse itself from the proceeds of a bond sale for expenditures made as outlined in the Resolution. Aye: Matheny, Tymchuk, Abbott, Benfield and Kaliher.

May 27, 2015 Board Agenda – Newport Office

Board Meeting - 10:00 a.m. Budget/Forecasting Pg. 3
Financial Condition Pg. 4
Compensation and Benefits Pg. 7
Five-Year Financial Plan and FY 2016 Budget
Deferred Comp Contract Award
Pension Plan Restatement
Consent Agenda - Minutes, Vouchers, Uncollectibles, and
Directors’ Cash Report

Manager’s Report

Central Lincoln FY 15-16 Goals:

Ms. Smith reviewed with the Board a goal and work plan document that management has developed for FY 15-16 based on Central Lincoln’s business strategies adopted in early 2014; she noted the FY 16 budget is being built in part to resource the identified work.

Quarterly Conservation Update:

Mr. Carey discussed the current Central Lincoln Conservation Program Report. With only six months remaining in the BPA rate period, Central Lincoln is continuing to project energy savings that exceed its target. Program participation in the Central Lincoln District continues to be robust and custom project development continues to be steady. Otter Crest Resort recently installed air source heat pump pool heaters to replace its existing electric resistance heaters. These new heaters are extremely efficient and can also cool the pool if needed. The project is expected to yield customer savings of approximately 225,500 kWh with an incentive payment of \$47,200.00 which will fund 70% of the project cost.

For the second time in this rate period BPA announced that incentive funds from the Unassigned Account were available for distribution. Central Lincoln requested and received an allotment of \$143,733. These additional funds bring our projected EEI (Energy Efficiencies Incentive) funding shortage to just \$365.

Facility Plan Update

Last spring, Central Lincoln conducted a high-level assessment of its headquarters, business centers and operations facilities. The purpose of the assessment was to provide information for the development of a facilities plan that would reflect long-term financial planning; mitigate identified risks such as an earthquake/tsunami event; and incorporate communication and technology advances in order to provide additional services to customers. As a result of the facility assessment, the District has addressed the following facilities:

- a. Waldport Business Center, which was located in the tsunami flood zone, was closed in June 2014 and staff relocated to the Newport office.
- b. South Beach Warehouse and Operations Center serves as the District's main warehouse and distribution center. The facility is 60 years old and is located in a tsunami flood zone. The process to acquire land outside the tsunami flood zone and develop a 30% design for a new warehouse and operations center is underway.
- c. Depoe Bay Business Center was closed in January 2015 and had been staffed by a single employee. The District's security team had advised against having an employee work alone and the fact that the office is located in the tsunami zone were considerations in the closure. The employee was relocated to the Newport office and has provided the necessary coverage needed in order for the Newport Business Center to be open during the lunch hour.
- d. Headquarters Building: A geotechnical survey of the grounds and seismic evaluation of the building have been completed on the headquarters facility. The seismic evaluation of the building specifies that it will not be usable after an earthquake event. The report was completed within the past month and various options have not yet been fully reviewed.
- e. Florence Warehouse and Operations Center is located outside the tsunami zone, but is limited in functional space and a trailer currently supplements the work space. The FY16 capital improvement plan budget includes an amount for a 30% design to remodel the facility and create functional space for crews inside the main building.

IPR II and PPC

Ms. Smith gave an update on BPA's IPR II process from a recent phone conference with PPC. BPA has projected \$1.5 million in undistributed savings for the BP-16 Rate Period, but will likely also experience increased costs through loss of secondary sales and a possible ALCOA contract termination. They still expect around a 6.7% rate increase for BP-16. BPA has also discussed issuing another \$750 million in new debt through Energy Northwest; \$260 million of which would be used to smooth the Energy Efficiency transition from capital to expense. Because this sounds like BPA is still capitalizing expense and it would not reduce the rate increase for BP-16, some utilities are against the new debt. However, most utilities are accepting this as the best option BPA will offer.

Lineman Appreciation Day

Ms. Smith reported that April 18th is Lineman Appreciate Day, and noted that there was an article in April's Northwest Public Power Association Bulletin featuring Central Lincoln Lineman Greg Carter. Greg took pledges and golfed 100 holes in one day to raise nearly \$3,000 for Reedsport's food pantry.

Retirees:

Four employees have announced their intent to retire effective 7/1/15, followed by three more later this summer.

Online Recruiting Tools:

NeoGov is a software tool that allows for online applications and recruitment; and Central Lincoln is planning to launch NeoGov by 7/1/15. All training & tutorial work for the project is being done in-house

Updated Employee Manual:

Ms. Smith reported that several members of the Leadership Team have been working for the last 18 months to update Central Lincoln's Employee Manual; and effective May 1, 2015 it will be available to all employees online. This will allow for more efficient updates. The new electronic Employee Manual will reside on a password-protected external site, and will be available to employees 24/7. Paper copies will no longer be printed.

Emergency Action Plan (EAP):

Ms. Malcolm discussed the first phase of Central Lincoln's Emergency Action Plan (EAP). Currently in place are checklists for communication procedures and priorities for restoration of power in the event of a disastrous event. The next piece of work will be the business continuity plan which is the recovery portion of the EAP.

Land Acquisition Update for the Newport Operations Center:

We now have in place options which have been accepted by the land owners for property. A 90-day timeframe will allow time for necessary geotechnical studies, survey work and appraisals to be completed.

Directors' Discussion

The Board appointed Mr. Kaliher as the voting delegate for the APPA's business meeting to be held at APPA's annual conference, and for its Legislative and Resolutions Committee.

President Kaliher appointed Judy Matheny as the primary NWPPA voting delegate for the upcoming NWPPA annual conference, and Mr. Benfield as the alternate.

Mr. Benfield noted that all PUD's except Central Lincoln have a fiscal year that ends on December 31st. He wondered if this utility might consider moving away from a June 30th year-end. Ms. Smith said she would add it to a Leadership Team agenda for future consideration.

Mr. Kaliher wondered if Central Lincoln's Coastlines newsletter could be linked to Central Lincoln's e-bills. Ms. Smith reported this would involve a process of collecting customer emails which is a future goal for this and other customer communication opportunities.

There being no further business, the meeting adjourned at 1:37 p.m.

Curt Abbott, Secretary

Larkin Kaliher, President