

Minutes of Regular Board Meeting December 16, 2015

A regular meeting of the Board of Directors of the Central Lincoln People's Utility District was held at the Toledo City Hall on Wednesday, December 16, 2015 at 10:00 a.m. President Kaliher called the meeting to order and asked that roll be called.

Members present: Larkin Kaliher, President
Ron Benfield, Vice President
Curt Abbott, Secretary
Tom Tymchuk, Treasurer
Judy Matheny, Board Member

Others present: Debra Smith, General Manager
Brian Barth, Customer and Shared Services Manager
Sunnetta Capovilla, Executive Assistant
Chris Chandler, Public Affairs Manager
Randy Grove, Operations Manager
Brandon Hignite, Senior Planner Analyst
Becky Johnson, Customer & Financial Services Supervisor
Bruce Lovelin, Engineering Manager
Gail Malcolm, Project Manager
Bill Reinhart, General Accounting Supervisor
Teri Turner, Human Resource Generalist
Sue Tyler, Human Resources Manager
Larry Davis, Visitor
Roger Gray, Eugene Water & Electric Board General Manager
Mike Hoyt, Barker Uerlings Insurance

Staff and Visitors Recognized

President Kaliher welcomed staff and visitors to the meeting. Customer Larry Davis addressed the Board as a citizen of Toledo. He shared his thoughts about Central Lincoln's communication strategy with respect to the Northern Operations Center and the availability of financial and reliability data on the website.

Consent Agenda

The Board approved the following Consent Agenda items as presented:

- a) Minutes of November 18, 2015 Regular Board Meeting
- b) Vouchers for November, 2015
- c) Uncollectibles for November, 2015
- d) Directors' Cash Report as of November 30, 2015

Annual Property & Liability Insurance Update

Michael Hoyt from Barker Uerlings Insurance presented Central Lincoln's 2016-2017 property and liability insurance coverage and premiums. Mr. Hoyt noted the overall premium has been increased by 4.78% over last year. He recommended renewing Central Lincoln's policy with the Special Districts Association of Oregon and suggested signing a two-year contract to receive maximum premium credits. The Board questioned a large premium increase in the liability line item. This will be reviewed, and the information gathered will be brought to the Board in January.

Carbon Pricing

Roger Gray, EWEB's (Eugene Water and Electric Board) General Manager was invited to the meeting to discuss carbon pricing. EWEB has been quite vocal with respect to the relative efficiency and effectiveness of various approaches, and produced a white paper in 2013 that was circulated at the legislative level. "Greenhouse gas emissions affect the entire planet. The province of British Columbia and State of California have already adopted carbon pricing policies, and Washington is advancing a carbon pricing study, so Oregon will not be taking this step alone."

The Oregon Legislature has adopted a low-carbon fuel standard, but EWEB favors a more direct and comprehensive approach to reducing greenhouse gas emissions and carbon such as a direct tax, or 'cap and trade' with a statewide or regional approach; and would like to be part of a direct and comprehensive solution that is politically feasible and works for Oregon. Board members thanked Mr. Gray for coming to Toledo to share his knowledge with them.

Board Governance Policy **Proposed Modification of Reserve Requirement**

The Board's Policy II.B – Budgeting/Forecasting establishes a reserve requirement for Central Lincoln tied to monthly power and transmission costs. Jeb Spangler from Piper Jaffray advised that it is more appropriate to tie reserve requirements to "days cash on hand" which takes total annual operating expenses, divided by 365 and multiplied by a predetermined target. Management has set a goal of 100 days cash on hand, with a target date of June 30, 2021 for implementation, and suggested a name change from "Construction Fund" to "Unrestricted Reserve Account", which is more descriptive.

There were no objections by the Board to the proposed language reflecting these changes. A resolution to formalize the new language will be brought to the Board in January for adoption.

Bond Authorization: **Ordinance No. 96**

On November 18, 2015 the Board approved Resolution No. 901 authorizing the District to build a Northern Operations Center. Management has been directed to sell bonds to finance this project and to reimburse the District for improvements to the electric system including distribution, transmission and substation projects. Management recommended approval of Ordinance No. 96 and requested authorization to issue bonds not to exceed \$33 million. After discussion, the following motion was made:

Motion: Mr. Abbott moved and Mrs. Matheny seconded to approve Ordinance 96 allowing authorization to issue bonds not to exceed \$33 million to finance improvements to the District's electric system, including distribution, transmission and substation capital projects, and a Northern Operations Center. **Aye:** Matheny, Tymchuk, Abbott, Benfield and Kaliher.

Contract Amendment **Construction Manager/General Contractor (CM/GC)**

In February 2015, the Board awarded a contract for pre-construction services (based on a 30% design of the Northern Operations Center) to Lease Crutcher Lewis for an amount not to exceed \$44,000. At this month's meeting, management recommended that the Board authorize an

amendment to the construction services agreement. After discussion, the following motion was made:

Motion: Mrs. Matheny moved and Mr. Abbott seconded to authorize an amendment to the construction services agreement for the Northern Operations Center with Lease Crutcher Lewis for an amount not to exceed \$19,221,142. Aye: Matheny, Tymchuk, Abbott, Benfield and Kaliher.

Contract Award & Sole Source Request
Schweitzer Engineering Laboratories (SEL)

Management recommended the purchase of SEL relays and associated equipment for a purchase price of \$76,353 for the Heceta Substation Project. As supported by Central Lincoln's Resolution 862, Article V, Section 5, Qualifications A (acquisition of compatible goods) and F (substantial cost savings), a sole source procurement was requested.

Motion: Mr. Abbott moved and Mr. Tymchuk seconded to authorize a Sole Source Procurement Request to purchase relay devices from Schweitzer Engineering Laboratories for \$76,353. Aye: Matheny, Tymchuk, Abbott, Benfield and Kaliher.

Pension Trustee & Deferred Compensation
Committee Appointments

The Board appoints Central Lincoln Pension Plan Trustees and Committee Members for the 401(k) and 457 plans annually. Normally this is done in January, but Pension Plan Trustee & Deferred Compensation Committee Member Jennifer Watkins, is being replaced by Mandi Wright. All other members will remain the same. After discussion, the following motion was made:

Motion: Mrs. Matheny moved and Mr. Benfield seconded to appoint Brian Barth, Brandon Hignite and Mandi Wright as Pension Plan Trustees for the year 2016; and further that Brian Barth, Brandon Hignite, Ken Murray, Teri Turner and Mandi Wright are appointed to serve as 401(k) and 457 Plan Committee Members. Aye: Matheny, Tymchuk, Abbott, Benfield and Kaliher.

January 20, 2016 Board Agenda – Newport Office

Board Meeting -	10:00 a.m.	Election of Officers Setting Board meeting dates for 2016 Authorization for Directors to attend meetings & workshops Resolution to modify Governance Policy II B Strategic Planning Process Reliability Indices Consent Agenda - Minutes, Vouchers, Uncollectibles, and Directors' Cash Report
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Manager's Report

Final Updated Five-Year Plan

The Central Lincoln Board customarily approves a Five-Year Financial Plan as part of its annual budget review process. For various reasons, the Board chose not to approve the entire plan in May 2015 and instead approved only the July 1, 2015 - June 30, 2016 budget year. At the November meeting, the Board reviewed an updated Plan which encompassed an additional seven

years, and the Board approved the additional four years of forecast together with the current budget year. Staff agreed to bring back to the Board a shortened version that comports with past practice. The approved Five-Year Financial Plan for the period ending June 30, 2020 was presented.

Communication Process

Ms. Chandler reported that Central Lincoln is working with VERB Marketing of Eugene to develop a long-term communication plan for the Northern Operations Center. In the short term, Central Lincoln has done a press release and sent letters to 30 neighbors immediately adjacent to the new site inviting them to an evening “coffee meeting” where information was provided, and questions were answered.

In light of the public input received earlier in the Board meeting, Ms. Smith noted that staff currently posts Board meeting agendas and minutes on Central Lincoln’s website. She asked the board to consider, at a future date, having the entire monthly board packets with attachments posted to the website; making more information easily available to the public; noting this is done by other utilities. Board members suggested that posting information from the quarterly dashboard could provide some useful data including reliability statistics, further noting that since agendas are published on the website, the public has an opportunity to request more information about any item from staff.

Storm Update

Mr. Lovelin and Mr. Grove discussed how Central Lincoln’s customers were affected by the recent series of storms. A double-circuit transmission line was brought down by one of the storms, and line crews were able to get the line back up and serving customers the same day. They noted recent modernization and upgrade investments have minimized the number of outages as well as the length of outages. Without those, Central Lincoln would have lost power to eleven substations and would likely have expended many overtime hours searching lines for the causes of each outage, and repairing lines, poles and equipment.

Directors’ Discussion

As incoming Board President, Mr. Benfield appointed Larkin Kaliher to serve as Central Lincoln’s primary voting delegate for both seats on OPUDA’s Board of Directors and Tom Tymchuk as Central Lincoln’s alternate delegate. Central Lincoln will host the OPUDA Annual Meeting in 2016. Mr. Abbott, as the incoming OPUDA Board President, appointed Chris Chandler as the representative for the OPUDA Annual Meeting Committee, and Gail Malcolm as Central Lincoln’s representative for OPUDA’s emergency preparedness efforts.

There being no further business, the meeting adjourned at 12:11 p.m.

Curt Abbott, Secretary

Larkin Kaliher, President