

Minutes of Regular Board Meeting February 17, 2016

A regular meeting of the Board of Directors of the Central Lincoln People's Utility District was held at the Reedsport Office on Wednesday, February 17, 2016 at 10:00 a.m. President Benfield called the meeting to order and asked that roll be called.

Members present: Ron Benfield, President
Curt Abbott, Vice President
Judy Matheny, Secretary
Tom Tymchuk, Treasurer
Larkin Kaliher, 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
Stuart Jarman, Distribution Engineering/Operations Supervisor
Bruce Lovelin, Engineering Manager
Gail Malcolm, Project Manager
Patrick Shipman, Journeyman Tree Trimmer
Sue Tyler, Human Resources Manager
Meri Justis, The Justis Group (Consultant)

Staff and Visitors Recognized

President Benfield welcomed staff and visitors to the meeting.

Strategic Planning Workshop

Ms. Smith introduced Meri Justis as the facilitator for the strategic planning workshop, noting that Ms. Justis had facilitated a similar workshop with the Leadership Team and key staff the previous week. Board Members were asked to identify what they believe are the top five issues facing Central Lincoln over the next five years. After discussion, the following challenges were identified:

- Pressure on rates/NOC*/Financial Stability/Increase Conservation
- Disaster Recovery
- NISC** Implementation
- Maintain Management Staff/Succession Planning
- State and Federal Regulations

(*Northern Operations Center, **National Information Solutions Cooperative)

Ms. Smith commented that these results were very closely aligned with the areas identified by management/key staff. An updated strategic plan will be brought to the Board in March based on input received.

Consent Agenda

The Board approved the following Consent Agenda items as presented:

- a) Minutes of January 20, 2016 Regular Board Meeting
- b) Vouchers for January, 2016
- c) Uncollectibles for January, 2016
- d) Directors' Cash Report as of January 31, 2016

Board Governance Policies

Financial Condition, Pg. 4

Ms. Smith reported that Central Lincoln has completed the second quarter of FY-16 and has not expended more funds than have been budgeted for the current fiscal year. The Central Lincoln Performance Dashboard as of December 31, 2015 was reviewed. Preliminary budget work for FY-17 has begun, and management will provide high level budget assumptions at the March Board meeting.

Review GM Role, Delegation & Job Description, Pgs. 23-25

President Benfield noted that the next agenda item was a review of the Board/GM Relationship as required in the Board's Governance Policies. After a brief review of the policy it was determined that no changes were necessary.

Contract Award

Four 115kV Power Circuit Breakers

Four (4) 115kV SF6 power circuit breakers are needed for the Substation 241 Heceta Beach substation project. Alstom Grid SF6 breakers have performed well in the past and Alstom continues to take additional measures to prevent SF6 leaks in their circuit breakers. SF6 is an arc-interrupting gas that is essential for proper circuit breaker operations and it is also a greenhouse gas. Five proposals were received, and management recommended awarding the purchase of four (4) Power Circuit Breakers to Alstom Grid for a purchase price of \$219,100. After discussion the following motion was made:

Motion: Mr. Kaliher moved and Mr. Tymchuk seconded to approve the purchase of four Power Circuit Breakers from Alstom Grid for \$219,000. Aye: Abbott, Kaliher, Matheny, Tymchuk, Benfield.

Sole Source Request

Pascor 115kV Disconnect Switches

Twelve 115kV disconnect switches are necessary to connect the K10 & K12 transmission lines and 115kV circuit breakers into Substation 241 Heceta Beach as part of the completion of the Florence area reinforcement project. In the past, Central Lincoln has experienced failures of substation disconnect switches due to the corrosive coastal environment. As a result, Pascor, a high voltage switch manufacturer located in Forest Grove, Oregon, has modified its switches to include grease fittings for maintaining the switches' bearings to prevent these types of failures. Pascor is the only manufacturer that provides this feature along with meeting Central Lincoln's other specifications. Management recommended the purchase of these switches from Pascor for a purchase price of \$105,738. After discussion, the following motion was made:

Motion: Mrs. Matheny moved and Mr. Abbott seconded to authorize the sole source purchase of twelve 115kV disconnect switches from Pascor for \$105,738. Aye: Abbott, Kaliher, Matheny, Tymchuk, Benfield.

Contract Award
Transmission Pole Replacement

As part of the Transmission Maintenance Program, Systems Engineering held a bid opening on February 10 for a contract crew to assist with pole replacement work. The bid included removal and replacement of 28 poles on 17 different structures throughout the northern part of the system. In addition to this contract, Central Lincoln crews will replace 16 poles on 11 structures. Together Central Lincoln plans to replace a total of 44 poles during the summer construction season that spans fiscal years '16 and '17. Management recommended awarding the contract to the lowest bidder, Key Line Builders, for \$105,600. After discussion, the following motion was made:

Motion: Mr. Abbott moved and Mr. Tymchuk seconded to authorize awarding the pole replacement project contract to Key Line Builders for \$105,600. Aye: Abbott, Kaliher, Matheny, Tymchuk, Benfield.

March 16, 2016 Board Agenda – Newport Office

Board Meeting - 10:00 a.m. Governance Policies Pgs. 10-22
High Level Budget Assumptions
Adoption of updated Strategic Plan
Cost of Services Analysis (tentative)
Consent Agenda - Minutes, Vouchers, Uncollectibles, and
Directors' Cash Report

Manager's Report

System Reliability Indices

Ms. Smith shared with the Board the formulas used to calculate various system reliability indices that track customer outages. She also provided a full year's data (2015) for review.

Bonds Sale Progress

As mentioned last week, Central Lincoln is moving towards issuing the 2016 Revenue Bonds that will be used to fund the Northern Operations Center and reimburse the utility for costs associated with the Kingwood Substation/Florence Area Reinforcement Project. Central Lincoln will be making a rating agency presentation to Standard and Poor's via telephone on Monday, February 22nd in preparation for the bond sale. Bond pricing continues to be very favorable for Central Lincoln and things are moving forward on schedule.

Industrial Customer Request

Following up on last month's report regarding the industrial customer requesting that it be allowed to apply generated electricity against its load; Central Lincoln staff met with BPA and the industrial customer. BPA explained it was not in a position to reverse the previous co-generation decision. Central Lincoln management will put this customer in touch with other entities that may be able help it maximize the values that it can get for electricity sales on the secondary market.

Job Definitions for Union-Represented Positions

The Labor Management Committee (LMC), with Randy Grove (Operations Manager) as its lead has been working to redo all of the job definitions for represented positions. Ms. Smith reported the LMC did a great job. The job definitions are now very similar in terms of detail and complexity, removing unnecessary language and descriptions. Ms. Smith noted that union members voted to approve these new job definitions the previous week.

National Information Solutions Cooperative (NISC)

Central Lincoln is in the process of determining how the NISC project will be staffed. An outside firm from Eugene will be used to provide project management services. This is a big piece of work that has to be done in a very short timeframe. The accounting and financial systems portions of the project will go live next February with the other segments following soon after.

Calendar Year vs. Fiscal Year Reporting

It was previously thought that switching from fiscal-year accounting to calendar-year accounting would make sense to do at the same time as the NISC implementation. Upon further investigation, it became clear that this is something that should happen after the NISC conversion to avoid complications.

NWPPA Federal Policy Conference & Legislative Rally

Ms. Smith has been asked to represent public power utilities including Central Lincoln at this year's NWPPA Legislative Rally being held in Washington DC, April 24-27.

Directors' Discussion

Mr. Kaliher reported that a customer contacted him expressing concerns about Central Lincoln building the Northern Operations Center with respect to location and funds being spent. Mr. Kaliher noted it was a good meeting, and the customer felt better after understanding the challenges and responsibilities facing Central Lincoln to address disaster preparedness; and the research behind the decision to build in the new location.

Mr. Benfield asked for more information about the research that has been done on the new northern property in light of recent slide activity in nearby areas. Gail Malcolm, Project Manager, presented the most recent findings from Foundation Engineering Inc.'s geotechnical investigation and seismic hazard study. The conclusion contained in the June 25, 2015 study stated that the "risk of a deep-seated landslide (as well as liquefaction-induced settlement within the property) is relatively low as there are no active or historic landslides mapped on the site." A secondary report dated February 12, 2016 states "it is our opinion there are no geologic or seismic hazard that would require mitigation for the proposed facility."

There being no further business, the meeting adjourned at 12:30 p.m.

Judy Matheny, Secretary

Ron Benfield, President