

Minutes of Regular Board Meeting August 16, 2017

A regular meeting of the Board of Directors of the Central Lincoln People's Utility District was held at the Newport Office on Wednesday, August 16, 2017. President Abbott called the meeting to order at 10:00 a.m. and asked that roll be called.

Directors present: Curt Abbott, President
Judy Matheny, Vice President
Ron Benfield, Treasurer
Larkin Kaliher, Secretary & Assistant Treasurer
Keith Tymchuk, Board Member

Others present: Debra Smith, General Manager
Brian Barth, Director of Shared Services
Sunneta Capovilla, Executive Assistant
Wade Carey, Energy Services Manager
Chris Chandler, Public Affairs Manager
Mark Freeman, Director of Employee, Customer & Community Services
Shamus Gamache, Electrical Engineering Supervisor
Randy Grove, Director of Engineering & Operations
Brandon Hignite, Finance & Resource Planner
Gail Malcolm, Project Manager
Teri Turner, Human Resources Manager

President Abbott welcomed staff.

Executive Session 10:05 a.m.

The regular meeting was recessed into Executive Session in accordance with ORS 192.660(2)(e) "to conduct deliberations with persons designated by the governing body to negotiate real property transactions."

Regular Session 10:11 a.m.

The regular session reconvened, and the Board welcomed Chief of Police Jason Malloy to the meeting. Chief Malloy discussed measures the Newport Police Department is taking in conjunction with state and local agencies to prepare for anticipated solar eclipse-related tourism traffic August 21st. Additional officers will be added to the weekend roster, and coordination efforts with the Newport Fire Department are in place to address emergencies as they may occur. The Board thanked Chief Malloy for his report, and he left the meeting at that time.

Consent Agenda

The Board approved the following Consent Agenda items as presented:

- a) Minutes of July 19, 2017
- b) Accounts Payable Check Register for July, 2017
- c) Uncollectibles for July, 2017
- d) Directors' Cash Report as of July 31, 2017

Update on Northern Operations Center (NOC) Move

Ms. Malcolm reported that the final move of all staff and equipment was completed on Monday August 14th. The electrical work in the NOC has been slowed due to difficulty in finding qualified electricians who are available. She noted that Central Lincoln has been given a temporary occupancy permit through an intergovernmental agreement (IGA) with the City of Newport. Final construction should be complete by the end of August, and completion of related road work and resurfacing is scheduled for September. It was suggested that the November board meeting be held at the NOC.

Board Governance Policies

Staff Treatment, pg. 2

This Board policy states that “dealings with staff will not be inhumane, unfair, unprofessional, undignified or disrespectful.” In a report to the Board, Ms. Smith outlined areas where she as General Manager ensures that Central Lincoln:

- Operates using personnel procedures that are in compliance with current law; clarifies personnel rules for staff; provides for effective handling of grievances; and protects against wrongful conditions (i.e. safety, health and welfare)
- Acquaints staff with their rights under this policy
- Provides a work environment that promotes the highest level of employee morale
- Reports to the directors, in a timely manner, any labor issue(s) that may have deleterious financial impacts to Central Lincoln.

Proposed Governance Policy Review Date Changes

At the June meeting during the General Manager’s annual performance review, the Board discussed adding scheduled executive sessions to the Board’s calendar to provide an opportunity for periodic performance feedback. Ms. Smith provided a proposed schedule to realign the review dates of various governance policies to coordinate with those reviews. The Board was in favor of the suggested dates, and a resolution will be brought back at a future meeting to adopt those changes.

Exemption from Bidding **HK Porter Mobile Transformer**

Central Lincoln’s HK Porter Mobile Transformer is in need of immediate repair. After researching companies capable of repairing this type of specialized equipment, factoring in repair times and distance, Engineering staff recommended sending the mobile transformer to General Electric’s Repair Facility in Anaheim, California to have GE un-tank, inspect and make necessary repairs. Initial cost estimates are \$15,000 to un-tank and inspect, with \$7,000 in transportation costs each way. Mr. Gamache gave a PowerPoint presentation identifying the specific piece of equipment and explaining the importance and complexities of the mobile transformer. Final costs will be known after the inspection is completed by GE. The Board was in agreement with this process.

Resolution No. 929
Authorization of HRA Plan to be administered by Gallagher VEBA

Last month the Board approved Resolution 928 which approved a VEBA (Voluntary Employees' Beneficiary Association) plan for Central Lincoln employees. Arthur J. Gallagher & Co. has produced a preferred resolution for the Board to approve containing specific clauses necessary to implement the VEBA with Gallagher. After discussion, the following motion was made:

Motion: Mr. Kaliher moved and Mrs. Matheny seconded to adopt Resolution No. 929 with specific language authorizing Central Lincoln to join the Health Reimbursement Arrangement – Voluntary Employees' Beneficiary Association Trust plans as administered by Arthur J. Gallagher.
Aye: Matheny, Tymchuk, Benfield, Kaliher, Abbott.

Resolution 930
Supporting H.R. 3144 Federal Legislation

The members of the Oregon PUD Association (OPUDA) and members of other public power associations dependent on hydropower, support federal House Resolution (HR) 3144, which has been introduced in the United States House of Representatives to provide for operations of the Federal Columbia River Power System for a specified period of time for the following reasons:

- It offers a creative solution that is good for salmon and the economy of the Northwest
- Provides relief in the endless litigation of federal hydro system operations
- Provides time for the federal agencies to complete the court-ordered NEPA environmental review process
- Avoids experiments or spill tests at the eight Columbia and Snake dams which could raise electric rates

After discussion the following motion was made:

Motion: Mr. Tymchuk moved and Mr. Benfield seconded to adopt Resolution No. 930 supporting H.R. 3144 federal legislation addressing the Federal Columbia River Power System Operations.
Aye: Matheny, Tymchuk, Benfield, Kaliher, Abbott.

Declaration of Surplus Request
South Beach Operations Center

Central Lincoln is in the process of vacating the South Beach Operations Center, now that the NOC is open and operational. Central Lincoln has no further business need for the property. Mr. Freeman showed the Board a slide of the property to provide a visual for discussion. Management sought a declaration of surplus from the Board allowing staff to move forward in the process of marketing and selling the vacant property. The next steps are:

- Environmental Assessment
- Easements and Subdividing (to retain and allow access to the substation area)
- Working with legal counsel on assignability of the cell tower lease
- Appraisal
- Retain Commercial Realtor (traditional sales and marketing approach)

After discussion the following motion was made:

Motion: Mr. Tymchuk moved and Mrs. Matheny seconded to declare the South Beach Operations Center and property surplus to Central Lincoln's needs, per staff's recommendation for

subdividing, and to authorize the General Manager to negotiate a sale price subject to Board approval. Aye: Matheny, Tymchuk, Benfield, Kaliher, Abbott.

Resolution 931
Authorizing the Sale of Land and Approving the Sale Price

An offer on Central Lincoln’s George Street property was discussed during the executive session at the beginning of the meeting. Based on that offer and recommendations by staff, the following motion was made:

Motion: Mr. Kaliher moved and Mr. Benfield seconded to adopt Resolution No. 931 which authorizes the sale of land and approves the sale price of \$9,500 for Central Lincoln’s property located at 305 SE George Street in Newport to Susan G. Forham of Kirkland, Washington. Aye: Matheny, Tymchuk, Benfield, Kaliher, Abbott.

September 26, 2017 Board Agenda – Newport Office

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| Board Meeting - 10:00 a.m. | Executive Session: GM Performance Evaluation Governance: Financial Condition & Dashboard Resolution: Adoption of Rate Schedules 405 & NM Resolution: NEMS/NIES Resource Agreement Resolution: Governance Policy review date changes Contract Award: Two Service Trucks Community Solar Discussion Consent Agenda - Minutes, Check Register, Uncollectibles, and Directors’ Cash Report |
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January 2018 Date & Time Change

As part of the strategic planning process, Ms. Smith has invited John Saven from NRU to facilitate a Board workshop in January with a focus on more external issues; and based on Mr. Saven’s availability, asked that the Board consider meeting on Tuesday rather than Wednesday the third week in January. After discussion the following motion was made:

Motion: Mrs. Matheny moved and Mr. Tymchuk seconded to move the January 17, 2018 Board meeting to January 16, 2018 starting at 9:00 a.m., with a working lunch, and strategic planning session from 1:00 – 3:00 p.m. Aye: Matheny, Tymchuk, Benfield, Kaliher, Abbott.

Manager’s Report

BEF Grant

Mr. Freeman and Mr. Carey recently secured and executed an agreement for a \$50,000 grant from the Bonneville Environmental Foundation (BEF) to help Central Lincoln with a potential community solar project.

Electric Vehicle Charging Stations

Ms. Smith reported that Central Lincoln will be installing a Level 2 electric vehicle charging station at the Newport Headquarters Office for district vehicles only. As part of the Florence Office remodel project, Central Lincoln will also install a Level 2 electric vehicle charging station that will allow public access as well.

Quarterly Conservation Update

Mr. Carey presented the conservation program report showing activity through June 30, 2017. In the last quarter Central Lincoln reported 1,728,378 kWh in savings and claimed a total of \$475,856 in Energy Efficiency Incentive (EEI) funds, the highest quarterly total within the rate period (10/1/15 – 9/30/17). One large industrial project has been put on hold, and the funds set aside for that project will be carried over into the next rate period. The BPA contract also allows for a lateral fund transfer to other utilities who have exhausted funds; with the funds returned to Central Lincoln on October 1st, the beginning of the new federal biennium. There is also a continued steady level of participation by customers in Central Lincoln's renewable energy program (primarily roof-top solar installations).

Mr. Carey shared details about the advanced power strips Central Lincoln has purchased through the EEI program. While these particular advanced power strips have a retail value of \$89.99 each, customers will be able to purchase one from Central Lincoln for \$4.99. Customers who purchase the strips will then be asked to fill out a survey for Bonneville 30 days later. The surge-protection 12-outlet power strips allow certain pieces of home electronics to be powered down by using a sophisticated sensor with infrared remote-controlled activity and motion detection. Three of the 12 outlets are "always on." By using the strips for entertainment centers or computer systems, customers can maximize savings by eliminating standby power wasted.

Prepay Program

Mr. Freeman reported that the prepay program, initially planned for an October rollout, has been delayed by three or four months due to a lack of available resources. A small focus group will test various scenarios, so once resources are available, implementation should go smoothly. Ms. Smith noted that once the prepay program is available, allowing customers to pay in advance for their electricity via their smartphones and other avenues; Central Lincoln may consider becoming a 4-10s utility, which would mean being closed on Fridays. Longer working hours during the rest of the week would allow customers access to Central Lincoln offices in person before and after their work schedules. Other utilities say customers find this timeframe to be more convenient.

Rate Schedules 405 & Net Metering

Mr. Hignite passed out proposed schedules 405 (legacy large industrial) and NM (customers with small distributed generation). These schedules are based on BPA's wholesale rates, which were released last month, and will become effective October 1, 2017. The adjustments to those two schedules are in line with Bonneville's 5% increase. Those rate schedules will be presented to the Board for adoption by resolution at September's board meeting with an effective date of October 1, 2017.

Customer Forum Feedback

The Board discussed the annual Customer Forum held in July in Waldport, expressing the meeting had gone well. There were varying opinions about how and when these meetings should occur in the future, but overall it was noted to be a valuable tool for the Board to meet with customers on a regular basis. Ms. Smith will work with staff regarding future customer forum-type meetings and bring a proposal back to the Board.

Request for Proposal (RFP) for Audit Services

An RFP for audit services for next fiscal year was discussed. It was decided that Mr. Benfield will work with Mr. Reinhart, Mr. Barth and Ms. Smith to develop the RFP criteria. The Board will review the RFP prior to distribution. Staff would then make the recommendation to the Board for appointment based on responses and criteria.

Succession Planning

Ms. Smith said that staff has been working on succession planning, identifying where we might have strong internal candidates, and timing for developing staff. An interesting side note, a recent survey shows the average age of Central Lincoln employees is 47.

Remodel of the Southern Operations Center (SOC)

Management has decided to put the SOC remodel out to bid again fairly soon. Pivot Architects will issue the RFP in November and the request for contract award would come to the Board at its January meeting.

Directors' Discussion

NWPPA Write Up

The cover story in July's NWPPA Bulletin magazine highlighted a lobbying packet of handouts created jointly by OPUDA, ORECA, OMEU & EWEB (together representing 36 consumer-owned utilities in Oregon) used to provide legislators with a graphic view of why it doesn't make sense to mandate carbon reduction for utilities that already operate in ways that are clean, green and nearly carbon-free. Other topics discussed in the handouts included energy-efficiency efforts and renewable options. Ms. Smith noted that Central Lincoln has submitted (on behalf of those 36 utilities) the packets for consideration in APPA's Excellence In Communication Awards.

BPA I-5 Project

Mr. Abbott expressed concerns about how preliminary funding and now cancellation of this project may affect future rates. Mr. Hignite will look into this matter and provide additional information.

ESA Lawsuit

Central Lincoln joined other utilities in October of 2015 in a complaint filed against the Oregon Department of Energy (ODOE) maintaining that the Energy Supplier Assessment (ESA) was being used to tax utilities, and therefore must meet all constitutional requirements in order to be imposed, such as biennial approval by the legislature. ODOE maintained the ESA was a fee. Over several decades, the ESA has gone from being dedicated to siting nuclear facilities to being used currently as a general revenue source to support staffing and other functions.

On August 9, 2017 Circuit Court Judge Tracy Prall declared the ESA is a tax, and ODOE did not follow proper procedures mandated in 2013, therefore amounts paid by petitioners in 2016 shall be refunded. It's anticipated this judgement will apply to 2017's ESA assessment as well. ODOE will likely appeal Judge Prall's ruling, and the matter will next go before Oregon's Court of Appeals.

There being no further business, the meeting adjourned at 1:57 p.m.

Larkin Kaliher, Secretary

Curt Abbott, President