

SPRINGFIELD UTILITY BOARD

223 A STREET, SUITE F
SPRINGFIELD, OR 97477

MINUTES

June 13, 2007

The regular session of the Springfield Utility Board was called to order by Chair Adams at 7 p.m.

ATTENDANCE: Board: Bobbie Adams, Chair; Virginia Lauritsen, Vice Chair; Ken Boyst; Theodore L. Johnson; Joe Mathieu. Staff: Bob Linahan; Bob Fondren; Jeff Nelson; Chuck Arrera; Ray Meduna; Judy Berra; Matt Cox, Attorney for the Board. Others: Ken Vogeney; Tina Ko and Scott Coe, BPA.

MINUTES: * Joe Mathieu motioned, and Ted Johnson seconded, to accept the May 9 regular Board minutes, as presented. This motion **CARRIED** unanimously.

ACCOUNTS PAID: * Virginia Lauritsen motioned, and Ken Boyst seconded, to approve the accounts paid listing, as presented. This motion **CARRIED** unanimously.

BUSINESS FROM THE AUDIENCE: None.

BUSINESS FROM THE BOARD:

Budget Committee Appointment

Chair Adams noted that prior to the regular meeting this evening, the Board had held a special session to interview Neal Forrester for a position on SUB's Budget Committee to fill the vacancy left when Budget Member Ken Boyst was elected to the SUB Board of Directors.

Virginia Lauritsen commented that Mr. Forrester had a very good background, good credentials and she felt he would be an asset to SUB's Budget Committee.

* Virginia Lauritsen motioned, and Joe Mathieu seconded, to appoint Neal Forrester to a 3-year term on SUB's Budget Committee from June 13, 2007, through December 31, 2009. This motion **CARRIED** unanimously.

Other Business from
the Board:

Virginia Lauritsen said that she, Joe Mathieu and Bob Linahan had recently returned from attending the NWPPA Annual Meeting in Spokane, Washington. She gave a brief report of the meeting and said that it was a very good conference.

Public Hearing on the
Proposed Modifications to
SUB's Lighting Rate
Schedules

Chair Adams opened the public hearing on the proposed modifications to SUB's Lighting Rate Schedules at 7:10 p.m. and invited SUB's Director of the Electric Division, Ray Meduna, to give a presentation on the proposed modifications.

Mr. Meduna said that SUB has three lighting schedules—L1, L2, and L3. The proposed modifications would affect only two of the schedules—L1 and L3. There will be no changes to L2, and there will be no changes to the rates, he said, only clarifications and two additions.

He reviewed the modifications proposed in Schedules L-1 and L-3, as indicated in the attachments to Resolution 07-3.

The Board thanked Mr. Meduna for his presentation.

Chair Adams asked if there was any public comment regarding the modifications being proposed to SUB's Lighting Schedules.

As there was no public comment, Chair Adams closed the public hearing at 7:17 p.m.

Chair Adams asked if the Board would like to hold a discussion before taking action on Resolution 07-3, adopting the modifications to the Lighting Schedules.

There was no further Board comment.

Consideration of Resolution 07-3,
Approving the Proposed
Modifications to SUB's Lighting
Rate Schedules

- * Virginia Lauritsen motioned, and Ted Johnson seconded, to adopt Resolution 07-3 (Exhibit A) approving the proposed modifications to SUB's Lighting Rate Schedules, as presented. This motion **CARRIED** unanimously.

Public Hearing on Adoption of
the Energy Act Policy Standards

Chair Adams opened the public hearing on the adoption of the Energy Act Policy Standards at 7:19 p.m. and invited SUB's Director of Resource Management, Jeff Nelson, to give a presentation on the new federal standards under the Energy Policy Act of 2005.

Jeff Nelson referred to his overheads (Exhibit B). The purpose of this public hearing is for the Board to consider new PURPA standards for electric distribution utilities, he explained. The 2005 EPAct adopted five new federal standards that require utilities' consideration: net metering; interconnection service; generation and fuel diversity; efficiency of fossil fuel generation; and time-based rate schedules/smart metering. The Board has already received a copy of staff's findings and recommendations for these standards, he said.

Virginia Lauritsen noted that the copy the Board received of Mr. Nelson's analysis of staff's findings and recommendations was excellent.

Mr. Nelson briefly reviewed the timeline and the standards. Staff recommends no change to current policies and new policies may be adopted at a later date, he said. After taking public comment, if any, the Board may request input from staff, said Mr. Nelson. Subject to public comment, staff recommends the Board adopt Resolution 07-4, as presented.

Following Mr. Nelson's presentation, Chair Adams asked if there was any public comment regarding the new federal standards under the Energy Policy Act of 2005.

As there was no public comment, Chair Adams closed the public hearing at 7:25 p.m.

Chair Adams asked if the Board would like to hold a discussion before taking action on Resolution 07-4.

There was no further Board comment.

Consideration of Resolution 07-4,
Approving the Energy Act Policy
Standards

- * Virginia Lauritsen motioned, and Joe Mathieu seconded, to adopt Resolution 07-4 (Exhibit C) approving the Energy Act Policy Standards, as presented. This motion **CARRIED** unanimously.

BUSINESS FROM THE
GENERAL MANAGER:

Presentation by Bonneville
Power Administration

To give the Board a presentation on BPA's Long-term Regional Dialogue Record of Decision (ROD) and the Residential Exchange Program, Mr. Linahan introduced Tina Ko, BPA's Power Services Account Representative for SUB, and Scott Coe, BPA's Western Business Area Manager.

Referring to her handouts (Exhibit D), Tina Ko said that she would give the Board an overview of the Regional Dialogue issues, focusing on the service to public utilities, and that Scott Coe would then speak on Residential Exchange.

She reviewed the main goals of Regional Dialogue, noting that the top three were promoting development of regional infrastructure, limiting Bonneville's costs and risks and providing certainty to the region about what they can expect from Bonneville in terms of their post-2011 service.

Ms. Ko briefly noted the key issues of Regional Dialogue—service to public utilities, residential exchange, DSI service, conservation, renewables, and said she would focus mostly on service to public utilities.

In 2005, BPA released a draft policy on what service post-2011 will look like, she said. We are waiting for the final

ROD to come out. Under the draft proposal for service to publics, BPA introduced the concept of a High Water Mark (HWM). Net Requirements is a customer's total retail load less their resources, she explained. Since Springfield Utility Board does not have any resources, their Net Requirements equals their load. The HWM starts out looking a lot like the Net Requirements calculation, but once set, it will be the maximum amount of the lowest cost Tier 1 power that can be bought from Bonneville. SUB can always buy up to its Net Requirements from Bonneville, but now that Bonneville has an HWM distinction, that will determine how much is at the lowest cost Tier 1 or how much is at Tier 2.

As we move from the draft policy proposal to the final policy proposal, that will determine the final calculation, said Ms. Ko, pointing out also that they may include adjustments for weather or other items for post-2011.

Regarding tiered rates, Ms. Ko explained that Tier 1 is roughly based on the cost associated with the current Federal Base System (FBS). It looks a lot like what we pay for it right now, she said. Tier 2 will be priced at the cost of new Bonneville purchases and resource acquisitions for anything that SUB wishes to purchase above its HWM.

Bonneville currently offers three main products, she said, Slice, Block and Load Following. SUB purchases Load Following. So under these new contracts Bonneville is proposing to offer very similar products. If SUB chooses to remain a Load Following customer, that product option will be available post-2011, Ms. Ko said.

Assuming that the final policy will reflect what we are currently thinking, then SUB's options for meeting load growth above their HWM are conservation, market purchase, buying or building generation, BPA's Tier 2, or any combination of these, she explained.

At this time we are looking for some options for Tier 2 products—the Default, which is kind of a market portfolio purchase; New Renewables; and "Vintaging", which is a lengthy project in which people can participate, Ms. Ko said.

The term of Tier 2 purchases will likely have some kind of notice provision and minimum commitment. We are currently thinking three years' notice with a minimum commitment purchase of 5 years.

Ms. Ko gave a brief review of the schedule. This summer we are awaiting the final policy and ROD, which will lay a foundation for contracts to begin. Bonneville is looking to have contracts signed by fall of 2008, and that's when SUB would choose its Tier 1 product and also choose whether or not it wants Bonneville to choose SUB's future load growth, or whether SUB will take care of that itself. She noted that it is possible that pricing for Tier 2 products may not be known when SUB signs its contract at the end of next year. Service will begin in October 2011, and rates for that service will likely be established.

Ms. Ko introduced Scott Coe to speak about BPA's Residential Exchange Program. The Board thanked Ms. Ko for her presentation.

Scott Coe said he wanted to speak briefly on the decisions the court has made on some of the cases concerning Residential Exchange, and some cases that have not yet been decided. He would also talk about what Bonneville has heard throughout the region on this issue, what the impacts are and what they find to be going forward as of this time.

A variety of cases were filed in 2003 and 2004, he said. They were consolidated down into four cases, two of which the court ruled on and two cases that they have not ruled on. They heard oral arguments in November 2005 and we just heard from them in April of this year on those cases. This is a very slow process, he said.

Of the two cases ruled on, one was based on a rates issue and the other case dealt with a contracts issue, said Mr. Coe. The court ruled that BPA did act lawfully in allocating DSI costs to the PF rate pool. In the other case, the court said BPA was contrary to law regarding the Residential Exchange in putting those costs into the rate pool because they did not follow the formula established from the Northwest Power Act,

specifically the 1984 average system cost methodology that was developed in conjunction with the region. The other thing that they talked about in the rates issue was fish and wildlife costs not being sufficient in BPA's rate case budget. Bonneville was, and still is, rather perplexed by that, he said. Since BPA has a positive net revenue, it feels it has actually collected enough revenues to cover the fish and wildlife costs as established by the budget through the various processes, including the Power Planning Council. This is one of the reasons BPA is considering rehearing with the court. There are a number of issues that the court is not very clear on, he said.

In the second case the court ruled on the part about the contracts, said Mr. Coe. There they said that Bonneville has very broad authority for settlement on issues. They were very clear on that. But in the Residential Exchange settlements, BPA went well beyond the law that was established in the Power Planning Act and needed to get back within that boundary, he said.

The remaining cases had to do with the augmentation purchases that Bonneville did after signing those contracts, said Mr. Coe. After signing those contracts, the power prices had gone up. Part of the settlement was a physical delivery of 1,000 megawatts to various IOUs and BPA had bought those megawatts back from them at relatively high prices, but significantly below where the market was hitting at that time. That court case had not yet been decided, it is still pending, he said. The other issue—whether BPA could contract to do that—was similar, he said.

Regarding the regional response, Mr. Coe said that this was where the region could lose control if we don't work together, and BPA's preferred method is to work together. Bonneville has received letters from a number of parties, including the Public Power Council. The state PUC sent their letter to the Department of Justice with a cc to BPA, urging that the rehearing go forward and that the IOUs get the money, he said. We received a letter from the House of Representatives with 13 signatures, urging that the case be settled in the region. We received a letter from the Senators

with six signatures, some from all four states, also urging it to be settled in the region. We also received an individual letter from Earl Blumenauer and from Ron Wyden, urging us to stop the Regional Dialogue and figure out the “unwinding” of the past Residential Exchange settlements before we move forward with Regional Dialogue. BPA has sent them both a letter in reply and Steve Wright is back in DC now speaking with them about his letter to them.

This is going to be a lot of work moving forward, said Mr. Coe. The Residential Exchange itself is a very complicated process. Bonneville’s goal is to move the Residential Exchange forward at the same time as the Regional Dialogue, said Mr. Coe. BPA would like to get the contracts in place and have a 3-year lead time for parties in the region to consider how they want to meet their Tier 2 need.

The Board thanked Mr. Coe for his presentation.

Disclaimer of Interest in an Easement

Mr. Linahan said this Disclaimer of Interest was for an easement granted to Mountain States Power Company in 1953 to serve a large property along what is now the south side of Olympic Street. The easement was for a waterline extension from Scott Road north a couple hundred feet and then east and west to serve multiple buildings on the property. In 1974, Olympic Street was improved and a waterline installed by Rainbow Water District, he said. Service to these properties was transferred to the new waterline and Rainbow. The waterline north from Scott Road was abandoned in 1976 when SUB replaced the 4” waterline in Scott Road with a 10” waterline to connect to RWD at the Scott Road intertie. The property is being redeveloped and the easement was discovered during a title search. The owner has asked SUB to release the easement in order to provide a clear property for development. He recommended the Board approve the Disclaimer of Interest in this easement.

- * Ken Boyst motioned, and Ted Johnson seconded, to approve the Disclaimer of Interest in the 1953 water

easement (Exhibit E), as presented. This motion **CARRIED** unanimously.

Award of Bid No. 26.07 for
1/0 Aluminum Cable

Mr. Linahan said Bid No. 26.07 was for 50,000 feet of aluminum primary cable to be used for projects and stock in 2007. He recommended the Board award this bid to HD Supply for their bid in the amount of \$108,150, which was the lowest bid with a firm price that also met specification for 50,000 feet of 1/0 aluminum BICC/General Cable.

- * Joe Mathieu motioned, and Virginia Lauritsen seconded, to award Bid No. 26.07 for 50,000 feet of 1/0 aluminum primary cable to HD Supply for a firm bid cost of \$108,150 (Exhibit F). This motion **CARRIED** unanimously.

Authorization to Participate in the
McKenzie River Embankment
Repair Project

Mr. Linahan introduced Chuck Arrera to discuss this request for the Board to authorize SUB's participation in the McKenzie River Embankment Repair Project.

Mr. Arrera referred to his overhead presentation of photos (Exhibit G). We have a situation on the McKenzie River out by SUB's Thurston wellfield that started in the flood of 1996, he said. There is a revetment called the Morriss revetment that is partly on SUB's property and partly on the adjoining property of the Gossler family. The extensive flood of 1996 started to cause some serious erosion on Gossler's side of the revetment. The problem is that as rocks are torn loose from the riverbank, high-velocity water can then pass through the revetment and there is a risk that it could get into Cedar Creek. If this happens, there is a risk to SUB's well facility that is nearby along with two of SUB's water transmission lines and chlorination facility.

The failure of the revetment is not on SUB's property, but rather on the upstream property belonging to the Gosslers. However, if that failure is not dealt with, it will soon be SUB's problem, Mr. Arrera explained. We can spend thousands now, or eventually end up spending hundreds of thousands or maybe even millions at some time in the future if the river

decides to take another channel on the wrong side of the revetment.

SUB has been working on the very complicated and extensive permitting process for the repair of the revetment, Mr. Arrera said. The permitting process has taken about two years and we are close enough at this time to ask the Board for authorization for SUB to participate in this repair project. We are currently working with EWEB to participate with this project since they also have a risk to the water quality at their Hayden Bridge intake and are waiting for a final response from them. The problem is that we are quickly running out of time since we can only work on the river in July and August. This is why we have come to the Board at this time to ask for approval to move forward, even if we have to go it with just ourselves and the Gosslers. The Gosslers are willing to contribute \$10,000 cash and additional in-kind work. They will also do the replanting that is part of the permitting process and allow access to the work area on their property.

We are asking the Board to authorize SUB to enter into an agreement to participate in the McKenzie River Embankment Repair Project with the Gossler family. The total cost of the project is estimated to be \$76,800.

Matt Cox, SUB's legal counsel, clarified that the agreement between SUB and the Gosslers indicates that SUB will pay \$66,800 and the Gosslers will pay \$10,000 plus in-kind services and access to the work area. In addition, staff is working with EWEB at this time to enter into a \$20,000 preliminary contract whereby EWEB would agree to pay \$20,000 toward the total cost of the project. Staff does not know yet if EWEB will agree to pay the \$20,000. If they do not agree, then staff will come back to the Board in the future to confirm that SUB paid the \$66,800.

- * Virginia Lauritsen motioned, and Joe Mathieu seconded, to authorize SUB to enter into an agreement to participate in the McKenzie River Embankment Repair Project with the Gossler family for a total project cost to SUB not to exceed \$66,800; and that a preliminary contract is also being negotiated with EWEB to pay \$20,000 toward the project,

which if executed, would reduce SUB's cost for this project. This motion **CARRIED** unanimously.

Approval of Changes to Contract
for Bid for Flagging on the 42nd
Street Reconstruction Project

Mr. Linahan said this contract was put out for bid recently by the Water Division for flagging on the 42nd Street reconstruction project. The original contract came in under \$30,000 and was awarded to Westates Flagman, Inc. Due to changing conditions on the job site, requiring additional flagger days, the cost of the contract has increased to \$32,827.71. In order to comply with SUB's purchasing policies, the Board needs to approve the revised flagging contract for a cost not to exceed \$32,827.71.

- * Ted Johnson motioned, and Joe Mathieu seconded, to approve the changes to the contract with Westates Flagman, Inc., for flagging on the 42nd Street Reconstruction Project for a total contract cost not to exceed \$32,827.71 (Exhibit H). This motion **CARRIED** unanimously.

ADJOURNMENT:

The meeting was adjourned by consensus at 8:20 p.m.

Bobbie Adams, Board Chair

ATTEST:

Robert C. Linahan, Board Secretary