

SPRINGFIELD UTILITY BOARD

223 A STREET, SUITE F
SPRINGFIELD, OR 97477

MINUTES

March 12, 2008

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; Ray Meduna; Chuck Arrera; Steve Counard; Judy Berra; Matt Cox, Attorney for the Board. Others: None.

MINUTES: * Ted Johnson motioned, and Joe Mathieu seconded, to accept the February 13 regular Board minutes, as presented. This motion **CARRIED** unanimously.

ACCOUNTS PAID: * Joe Mathieu motioned, and Ted Johnson seconded, to approve the accounts paid listing, as presented. This motion **CARRIED** unanimously.

BUSINESS FROM THE AUDIENCE: None.

BUSINESS FROM THE BOARD: After reading the article in SUBTitles, Board members expressed great appreciation for SUB's Electric Utility crews for helping out Lane Electric Cooperative with their outages following the snowstorm in late January. Board members also commended the Electric and Water crews that they have seen working all over Springfield and asked staff to let them know how much the Board appreciates the great work they do.

Board members Boyst, Johnson, Lauritsen and Mathieu reported that they had a very successful trip to Washington, DC, for the APPA Legislative Rally again this year. Legislators were current on the issues and expressed great support for SUB.

Ted Johnson reported that he attended the APPA Grassroots Advocacy seminar on the first of the Rally and felt it was very well done. APPA recommended that the utility representatives should keep pursuing their issues with legislators and they quoted Senator Dirkson, "When I feel the heat, I see the light."

Approval of Revisions to
Board Policies Regarding
2007 Government Ethics
Law—ORS Chapter 244

Bob Linahan explained that the Board's legal counsel has recommended some revisions to existing Board policies as well as some new policy language in order to incorporate and reflect some of the concerns presented by the 2007 Government Ethics Law—ORS Chapter 244. The policies being revised are 1-1-3, Ethics; 1-5-1, Board Compensation; and 2-1-2, General Manager Responsibilities/Authority. The new policy being added is 1-2-7, Representation of SUB at Meetings/Events, and the Board has received redline copies of these policies for review prior to this meeting. He recommended the Board approve the new and revised policies, as proposed.

- * Virginia Lauritsen motioned, and Joe Mathieu seconded, to approve the Board Policy revisions, as presented, and as indicated in the redline copy for Board Policies 1-1-3, 1-5-1, 2-1-2, and new Policy 1-2-7, regarding the 2007 Government Ethics Law—ORS Chapter 244 (Exhibit A). This motion **CARRIED** unanimously.

Mr. Linahan asked Board members if they had any questions for SUB's legal counsel regarding the Annual Verified Statement of Economic Interest form and the first quarter Quarterly Public Official Disclosure form that they were required to file by April 15.

In response to Board members' request for clarification on the forms, Mr. Cox responded that the Quarterly Public Official Disclosure form is new for 2008. The Annual Verified Statement of Economic Interest is the same form that Board members are required to fill out and file every year by April 15. He noted that the first Quarterly Public Official Disclosure form is also due by April 15. The annual form tends to require disclosure on general business interests, sources of income, spouse information, etc. On the Annual form, the \$50 amount has changed, and on the Quarterly form, they break that down to \$15 per quarter. Most of the information being required shouldn't be a problem, he said. However, he recommended that Board members call or visit his office and speak with either Bill Van Vactor, himself or Joe Leahy if they have any questions while filling out their forms.

**BUSINESS FROM THE
GENERAL MANAGER:**

**Update on the Electric Meter
Replacement Program**

Mr. Linahan introduced Ray Meduna to give the Board an update on the Electric Division's Meter Replacement Program.

Mr. Meduna referred to his overhead presentation (Exhibit B). He said the Electric Division began testing and replacing its meters in 1966. They continued to do this until 1986 when the Electric Division formulated a Meter Maintenance Program. Staff determined that single-phase meters that were over 50 years old were problematic with loss of revenue, and in particular were the jeweled bearing meters, he explained. So for the next 14 years staff replaced all of these meters in the SUB system. The last jeweled bearing meter was removed in 2000, he said. To date, approximately 8,500 of these meters have been replaced.

Since changing out the last of the jeweled bearing meters, we have targeted those meters for replacement that are 40 years old with magnetic architecture and a loss ratio of over two percent, said Mr. Meduna. Up to this year, we have changed out approximately 600 per year.

Our testing sample for 2008 indicates that our magnetic meters that are less than 40 years old are reliable for measuring revenue, with no loss ratio at all, he said.

In conclusion, Mr. Meduna said that staff will continue to test meters that are suspected for revenue loss each year to help define our electric meter maintenance program.

The Board thanked Mr. Meduna for his presentation.

**Update on the Water Meter
Replacement Program**

Mr. Linahan introduced Steven Counard, assistant director of the Water Division, to give the Board an update on the Water Division's Meter Replacement Program.

Mr. Counard referred to his overhead presentation (Exhibit C). The Water Division recently conducted a small meter accuracy study where they replaced over 150 residential water meters throughout the SUB system, he said. The meters were then

sent to the Oregon Meter Repair Shop in Tillamook, Oregon, to be tested to determine the average accuracy of the system's older meters by manufacturer, model and age.

The testing results indicated that the remaining Rockwell SR meters should be replaced as soon as possible, said Mr. Counard. The remaining meters' accuracy was acceptable although older meters were showing wear at low flow. Staff determined that meters should be changed out at 25 years. And staff is testing more of the 1-inch, 1.5 inch, and 2-inch meters, he said.

Mr. Counard felt the Water Meter Change-out Program has been very successful in finding problem meters and reducing the loss ratio for water throughout the SUB system. He concluded his presentation with photos of some of the problems that were found while changing out meters.

The Board thanked Mr. Counard for his presentation.

Presentation on BPA Load Following Product

Mr. Linahan introduced Jeff Nelson to give a presentation on Bonneville's Load Following Product.

Mr. Nelson referred to his overhead presentation (Exhibit D). He began by reviewing a graph of SUB's Power Portfolio, which is made up of Presubscription and PF power, until the BPA Contract ends October of 2011. He showed the expectation for resource needs after 2011, referring to Bonneville's Tier I and II products and projected amounts. He noted that the amount of power SUB will need after 2011 is unknown at this time.

Mr. Nelson explained that under its Load Following product, BPA will provide consumer-owned utilities with firm power service that meets the customer's total retail load less its non-federal firm resources. And BPA will offer Load Following service to metered customers, like SUB, for any amount of firm load that is not served by the utility's own resources, he said.

The costs associated with the energy and capacity necessary to provide the Load Following service will be recovered in Tier I charges for energy and capacity rates, Mr. Nelson said. So all customers that sign up for the Load Following product are lumped into a Load Following pool. Bonneville forecasts the energy and demand costs for that pool and then those charges

are passed on to the customers individually on monthly energy and capacity charges

Mr. Nelson explained that Load Following characteristics are similar to SUB's current product. SUB is a partial requirements/ full requirements customer of Bonneville and, as such, Bonneville follows our load. That would be the same under the Load Following product, he said. He also pointed out that customers may bring in non-BPA Tier II resources or purchase those Tier II resources to meet load growth from third parties. He also noted that the default Tier II shape is a flat product.

At the last Board meeting, when we discussed the Slice Product, there really wasn't a limitation on the shape of the Tier II load growth product that you could integrate into your power portfolio, said Mr. Nelson. With the Slice product, the customer is obligated to follow its own load. However, with Load Following, because Bonneville is following the load, Bonneville has set some parameters about how they want the Tier II shape to come in, he said.

Mr. Nelson referred to his graph for Load Following Across the Year. This graph that represents for Bonneville the shape of a customer's load, perhaps each month, and the Tier II purchases that they would put at the bottom of their stack and Bonneville would just follow their load.

Mr. Nelson then highlighted a few of the products for the Load Following product versus the Slice product. Management oversight is lower under Load Following than it is under the Slice product, he said. Slice is a higher, more intensive management product because you need to follow load. However, with Load Following there is no scheduling and no resource integration services. The ability to manage market risk is lower for Load Following because under the Load Following product there are true-up mechanisms and you only know those costs after the fact, he said. With Slice, you have a higher ability to manage market risk because you have more control over the risk management parameters and are able to make hedges on your power supply. As for Tier II product selection, it is pretty much the same, he said. Regardless of whether you choose Load Following or Slice, you don't leave anything off the table.

Mr. Nelson said that Tier I power will represent a core power product in SUB's portfolio through 2027. These are long-term contracts, he noted. Load Following and Slice are the only viable Tier I Bonneville resources. Based on our experience, similar products offered by third parties are very expensive, much more expensive than Bonneville, he said.

Unless the Board gives staff direction at this time to do something different, we are only going to continue to look at Bonneville's Load Following and Slice products for SUB's core piece of our power portfolio for the next 17-year contract period, through 2027, he said.

The Board's consensus was that they agreed with staff's plans to only look at BPA's Load Following and Slice products through 2027.

Mr. Nelson next listed staff's plans for updating the Board at future Board meetings. Staff will update the Board on the product road map because we want to lay out the decisions and end points that the Board could end up with in terms of purchasing Load Following and purchasing different types of Tier II products. The Board will also have the ability to make Tier II elections over time, or purchase the Slice product and staff will discuss what kinds of resource selections and portfolio decisions the Board can make.

At a future meeting staff will also give the Board an update of SUB's Tier I and Tier II obligation, he said. This will involve updating the Board on the estimates we receive from Bonneville through time and giving updates on what our load growth is expected to be, so the Board can get a feel for what our Tier II obligation is going to be.

We also want to provide the Board more detailed information on the Tier I product so the Board can make an informed decision on whether to go with the Load Following or Slice product.

In conclusion, Mr. Nelson reminded the Board that in December SUB will sign the Tier I product with Bonneville.

The Board thanked Mr. Nelson for his presentation.

Award of Bid No. 14.08
for a Used Flat Bed Truck

Mr. Linahan said the Electric Division recently conducted a bid process for a used flat bed truck to be used by the Electric Division's warehouse. Out of twelve possible used trucks that were located, only one met SUB's specifications. Staff recommends the Board award Bid No. 14.08 to Brattain International Trucks for a used 2001 International 4900 Series flat bed truck for a total price of \$30,995.

- * Virginia Lauritsen motioned, and Ted Johnson seconded, to award Bid No. 14.08 to Brattain International Trucks for the lowest cost meeting specification in the amount of \$30,995 for a used 2001 International 4900 Series flat bed truck to be used by the Electric Division's warehouse (Exhibit E). This motion **CARRIED** unanimously.

Discussion Regarding Name
Recommendation for New
Justice Center

Following a discussion regarding whether to recommend a name for the Springfield's new Justice Center, the Board's consensus was that they would not take a position on naming the Justice Center.

ADJOURNMENT:

The meeting was adjourned by consensus at 8:15 p.m.

Bobbie Adams, Board Chair

ATTEST:

Robert C. Linahan, Board Secretary