

SPRINGFIELD UTILITY BOARD

223 A STREET, SUITE F
SPRINGFIELD, OR 97477

MINUTES

February 13, 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 and Bill Van Vactor, Attorneys for the Board. Others: Donald Spiek, Advanced Energy Systems.

MINUTES: * Joe Mathieu motioned, and Ken Boyst seconded, to accept the January 9 regular Board minutes, as presented. This motion **CARRIED** unanimously.

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

BUSINESS FROM THE AUDIENCE:

Bob Linahan announced that he received a fax earlier in the day (Exhibit A) from Todd Alberts, general manager of Alberts Development. Mr. Alberts is a developer in the MountainGate subdivision who is having some financial problems, he said. As indicated in his fax, he installed a waterline and part of it failed and he had to redo part of it. He is responsible for installing the waterline, and SUB has not yet accepted it. We have sent him an invoice in the amount of \$35,000 for the engineering and inspection fee; however, to date we have not received payment. Mr. Alberts is now asking SUB to provide water service to his lots and when he gets the money, he will pay SUB back.

Mr. Linahan said he told Mr. Alberts that SUB could not do that, it would be a violation of Board Policy to make such an arrangement. If Board members would like more details, he recommended they contact Water Division Director Chuck Arrera.

Mr. Linahan asked the Board what they would like to do in this situation.

Board consensus was to not provide water to Mr. Alberts until after he has paid the \$35,000 engineering and inspection fee.

BUSINESS FROM THE
BOARD:

Presentation on Proposed
Modification to SUB's Net
Metering Policy and Adoption
of New Interconnection Policy

Bob Linahan said that staff is requesting the Board to approve a change to SUB's Net Metering Policy and to adopt a new Interconnection Policy. He explained that Net Metering allows electric customers to install small-scale generation in order to supply power to their home or business and sell any surplus back to SUB's distribution system. The basic policy that we currently have limits the amount of connected generation to 25 kilowatts (kW), he said. Jeff has received requests from individuals for larger amounts, so we are requesting the Board to allow us to go up to 250 kW. He introduced Jeff Nelson to give the Board more information on the proposed modification to SUB's Net Metering Policy as well as the new Interconnection Policy.

Mr. Nelson recognized employees Nick Amann, Tamara Johnson, Tim Nugent, and Ray Meduna for their assistance in developing the changes to the Net Metering and the Interconnection policies being presented.

Referring to his overhead presentation (Exhibit B), Mr. Nelson explained that Oregon law requires consumer-owned utilities to offer Net Metering to customers for small renewable power generation facilities up to 25kW. Staff has received a request to expand that amount and we are recommending that the Board amend its policy to accommodate requests for Net Metering for facilities up to 250 kW, he said. The current policy for Net Metering has some Interconnection standards; however, since Interconnection is a broader issue than just Net Metering, we've separated the two policies so that the Interconnection Policy can also address other types of interconnected generation that operates in parallel with SUB's system, he explained.

Mr. Nelson next described how Net Metering works. SUB installs a bi-directional meter that measures the energy delivered to a home or business as well as the energy delivered to SUB. If the generation exceeds the customer's usage at any

point in time. The energy delivered and received is priced at SUB's retail rate, and the credit for energy received is based on the rate as determined by staff, as if the generation did not exist, he said.

Mr. Nelson then explained that the new Interconnection Policy covers applications to connect generation that would operate in parallel with SUB's system. This includes Net Metering and potentially any situation where power generation would be directly connected to SUB's distribution system.

We are proposing no application fee for interconnections of 25 kW or less. For interconnections greater than 25 kW, we propose a \$500 application fee, said Mr. Nelson. The \$500 is intended to recover the costs associated with staff time to review applications.

Before reviewing the Interconnection Policy, Mr. Nelson referred to Exhibit B of Resolution 08-1, noting the language in red. He explained that this language was added to the new policy following a discussion with BPA, and after looking at the standards relating to the Western Electric Coordinating Council (WECC) when staff realized there was a possibility that third parties, such as BPA and WECC, could potentially assess charges or costs associated with the studies they are doing for interconnected facilities. The new language indicates that SUB would pass on the costs associated with interconnecting generation required by third parties.

In addition to that revision, he explained that the Interconnection Policy clarifies technical requirements; does not apply to backup generation; addresses safety and operational issues; specifies that SUB is indemnified from impacts associated with the operation of the generation facility; and that the customer will hold SUB harmless. This policy also states specifically that SUB staff is responsible for obtaining a written agreement with the customer in accordance with this policy prior to interconnection.

Staff recommends the Board adopt Resolution 08-1 approving modifications to SUB's Net Metering Policy and adopt the new

Interconnection Policy, subject to input from the public hearing on these policies, said Mr. Nelson.

Public Hearing on Proposed
Modification to SUB's Net
Metering Policy and Adoption
of New Interconnection
Policy

Chair Adams opened the public hearing at 7:25 p.m.

Donald Spiek, who said he lived in Eugene and was not a SUB customer, explained that he is working with Advanced Energy Systems to install the type of systems used for net metering, mostly for commercial applications. He spoke briefly about his work in this industry and said he supports SUB offering net metering to its customers and felt it would be in the best interests of the Utility and its customers for SUB to adopt the recommendations being presented by staff at this time.

The Board thanked Mr. Spiek for his comments.

As there was no further public comment, Chair Adams closed the public hearing at 7:29 p.m.

Consideration of
Resolution 08-1, Adopting
Modifications to SUB's
Net Metering Policy and
New Interconnection Policy

- * Joe Mathieu motioned, and Ted Johnson seconded, that the Board adopt Resolution 08-1 (Exhibit C), approving the revisions to Board Policy 4-2-2, Net Metering, and adopting Policy 4-2-3, the new Interconnection Policy, as presented. This motion **CARRIED** unanimously.

BUSINESS FROM THE
GENERAL MANAGER:

Recommendation for
Another Payment Option
for SUB Customers

Mr. Linahan said that staff gets lots of requests from customers asking SUB to allow them to pay their bills with credit cards, and for some time staff has considered offering customers that option. Until now, it wasn't feasible to do this due to the high

cost of credit card fees. However, staff has found a way to provide that service at no expense to SUB. He introduced Bob Fondren to review a no-cost solution for SUB to accept credit card payments. He recommended the Board consider adopting this payment option, following Mr. Fondren's presentation.

Bob Fondren referred to his overhead presentation (Exhibit D). Staff has conducted a lot of research on different alternatives to taking credit card payments, he said, and we found a company called Point & Pay that has been around for a number of years. Point & Pay collects payments for city governments, counties, etc., and they are beginning to work with utilities. They are a credit card clearing house and payments would be taken from SUB's website, over the phone and through our Customer Service personnel who have access to the website, he said.

Point & Pay takes all forms of credit cards, Mr. Fondren said. For our customers who wish to pay by credit card, Point & Pay will charge the customer a fee for each transaction of either \$2, or 2.95 percent of the transaction amount, whichever is greater. He noted that it is not unusual to charge a customer a fee to pay by credit card. For example, PP&L charges its customers \$2.95 per transaction for credit card payments. The only charge to SUB would be a set-up fee of \$4,000 for programming of the SUB website and initially setting up our account with them. Then this service would be free to SUB, he said. If SUB were to absorb the transaction fees for credit card payments, the cost to SUB would be approximately \$200,000 per year.

All credit card payments made by our customers would be posted by Point & Pay immediately, noted Mr. Fondren. So that if a customer was about to have their power turned off, SUB can validate instantly whether a payment has been made by credit card and avoid turning that customer's power off.

Mr. Fondren recommended the Board approve this no-cost option for SUB to allow customers to pay their bills by credit card through Point & Pay.

Following a brief discussion, Board members agreed by consensus that SUB will allow its customers the option to pay their bills by credit card through Point & Pay.

2007 Changes to the
Oregon Ethics Laws

Mr. Linahan introduced SUB's attorney, Bill Van Vactor, to review with the Board the 2007 revisions made by the Oregon Legislature to the State's Ethics Laws and how those revisions will impact Board members and staff.

Mr. Van Vactor explained that the Oregon Ethics Commission drafted some administrative rules in early January 2008 thinking that they would adopt them. They had a full day hearing and a lot of disagreements, and as a result they did not adopt any of the administrative rules that they proposed because there was such large disagreement on the law. However, the law went into effect on January 1, 2008, and we are all bound by it, he said. The Ethics Commission will not address its administrative rules again until February 29.

He then handed out to the Board a chart prepared by a Portland attorney (Exhibit E, Guide to Oregon Government Standards & Practices Act). The first major change is a reduction in the gift amount, he said. Prior to January 1, 2008, it was \$100; it is now \$50. In addition, the definition of a gift is very broad.

He noted on the chart under "Who Pays?" that if you are not a public official/public body or if the source does not have an administrative or legislative interest in the public official/public body, then there is no gift limit.

Before he reviewed the series of exemptions listed on the chart, Mr. Van Vactor quickly noted that the easiest exemption to remember is for plaques and trophies. Beginning with the first category, *Food Beverage Admission Reception*, he explained that if Board members/staff are invited to attend an event where there will be food and beverage and some kind of reception, and if you are speaking or answering questions as part of the scheduled program, then food and beverage is allowable as an Exception to the Gift Rules.

Another exception is for food or beverage consumed in association with review or execution of financial documents, he said, including any business agreement between the public body or a private party or public entity. This exception will probably apply mostly to staff rather than Board members.

There is an exception for food or beverage if it is incidental or secondary to the main purpose of the reception and no cost is placed on the food and beverage, he said. This would be a situation where there is a social gathering where food and beverages are informally provided. This is allowable as an exception; however, if it is a plated, sit-down meal, the \$50 limit does apply, he cautioned.

The Board asked if they would have a problem while attending the APPA Legislative Rally later in February in Washington, DC.

Mr. Van Vactor cautioned that the \$50 limit will apply while they are in DC, if whoever is buying a meal, or holding a sit-down reception for Board members and/or staff has a legislative or administrative interest in what SUB does.

The next exception is food or beverage consumed during trade, promotion, fact-finding missions, economic development activity or negotiation, Mr. Van Vactor said. Presumably that could happen, he warned. There could be some kind of an economic development event or circumstance where the Utility's services were a critical part and the entity wanted to meet the SUB members. Board members can attend if they are officially representing the public body, but this body would need to authorize the food and beverage in advance by written approval. It would take a Board agenda item and it would have to provide for the Board's attendance at that event, he said. For example, if the Board was going to be attending events that qualified under this section, then the Board would need to pass a resolution saying that they were attending in their official capacity. If none of those circumstances happen, then the \$50 gift limit applies, he said.

Mr. Van Vactor then referred to the next category, *Travel Lodging Food Reasonable Expenses*. If the expenses are paid by the federal, state or local government, membership organization to which the party pays dues, or by a 501(c)(3), and the Board attends and makes a speech, presentation or participate in a panel, then that is an exception.

If the Board goes in that capacity and will represent the public body but not deliver a speech or make a presentation, then

Board members/staff must receive authorization in advance to represent the public body via written approval from “council” for Board members, or from “supervisor” for staff, he said.

Mr. Linahan asked if the Board members who are going back to Washington, DC, in a couple weeks on their annual lobbying trip, along with himself, will need authorization in advance to participate in that event.

Mr. Van Vactor responded that yes, they should do that, and since they would be leaving in a couple weeks, he recommended they pass a motion this evening. He suggested they do this in a resolution that would provide for more than just the APPA Legislative Rally, but would list the other agencies that hold events that the Board/staff typically attend, and do this perpetually rather than put a time limit on it.

Matt Cox, another member of SUB’s legal counsel, said that he and Mr. Van Vactor would draft an appropriate resolution following Mr. Van Vactor’s presentation, while the meeting is in progress, and before closing the meeting this evening, the Board can take action on the resolution.

Mr. Van Vactor also noted under this category that travel expenses paid by one public official to another for travel within Oregon are allowable as an exception.

He then referred to the next category, *Entertainment Spectator or Participant*. If entertainment is incidental, secondary or minor, to the main purpose of the event, it is an allowable exception. The other exception in this category is if the public official is viewing and/or participating in the entertainment for a ceremonial purpose with an official role in the entertainment event, he said. If you don’t qualify under one of these exceptions under this category, then it is not allowed.

Under the final category, *Unsolicited tokens or awards of appreciation*, any plaques, trophies, desk items, wall mementos, or similar, are allowable if they cost less than \$25, he said.

Mr. Van Vactor said the information he was presenting would be helpful to Board members and staff in that it begins the

discussion on the topic of ethics, and said that the Board and staff should not hesitate to call if they have any questions.

He advised the Board/staff that if they should receive an invitation to a dinner and they don't know the value of it, and there isn't any practical way to determine it, then until more clarification on the law is available, his conservative advice would be for the Board/staff to decline the invitation or ask if the host can let them know the cost. Then, if it's more than \$50, pay it themselves so it won't be considered a gift. He also noted that the \$50 limit is cumulative, so if someone takes a Board member to lunch for \$25, they have spent half their allowed limit for the year and can only spend another \$25. He also noted that in terms of committing a violation under the Oregon Ethics Law, not only is it a violation for you if you accept more than \$50 in a year, it is also a violation for that person to provide that gift, he explained.

In addition, Mr. Van Vactor said the Ethics Law now applies to volunteers and agents. "Agents" has a lot of different meanings in Oregon law and we will have to wait and see how broad or how narrowly the Ethics Commission construes that statute.

Mr. Van Vactor's final point related to the Statement of Economic Interest (SEI) that Board members are required to file every April 15. He noted that Board members are now required to file a Quarterly Disclosure form four times a year rather than just annually, and the standards and the information that has to be provided has changed, he said. Since the Statute is a little ambiguous, he recommended that the Board wait until they actually receive the form to see exactly what information they are going to be asked to provide. When the form comes out, legal counsel will work with Bob Linahan to determine what assistance Board members may need to prepare their forms.

Presentation on BPA Slice Product

Mr. Linahan said that SUB is on a critical path to sign a new 20-year Bonneville Power Sales Contract by the end of the year. We want to review with the Board some of the different power options available. One of the power options is BPA's Slice Product. He introduced Jeff Nelson to review this power option.

Mr. Nelson referred to his overhead presentation (Exhibit F). We have been giving periodic presentations to the Board on the Regional Dialogue process and the change that is going to happen in October 2011 in terms of our relation with Bonneville. This presentation is just one in a series that we are making to keep the Board informed about Bonneville's different product offerings.

The Tier I Product selection will happen in December of this year. Prior to that time, we will be making a recommendation on a power option for the Board's consideration. In this presentation, he said he would talk mainly about the Slice Product, its costs and benefits, as well as SUB's role now and in the future

Mr. Nelson began by reviewing the timeline. In December 2008 SUB will sign a contract with Bonneville that selects our Tier I Product for a 17-year period that begins in 2011. In November of 2009, or before, SUB will commit to a 2-year Tier II Product where SUB would become obligated to meet our load growth with a certain product, either from Bonneville or some other source. Through the 17-year contract, staff will have decision points where the Board will be informed and then asked to make a decision on resource options.

We have looked at the Slice product since 1998, Mr. Nelson said. Under our current contract, we had an opportunity to purchase a slice product or a load-following product, and we elected to purchase a load-following product after presenting information to the Board. The Slice product gives customers a percentage of the output of the Bonneville power system. There is no guarantee that the amount of power made available under Slice will be sufficient to meet SUB's load on an hourly, daily, weekly, monthly, or annual basis, he said. This means that the customer manages surpluses and deficits of the power supply, market transactions and risk management for the power portfolio. The product requires more oversight than the load-following product that we purchased from Bonneville, which comes from either internal staffing or a third party. There is also long-term hedging strategy needed for Slice, he said.

Mr. Nelson then discussed the Slice and Block Power Sales Agreement (PSA). When a customer purchases a Tier I Slice Product, it is not a Slice-only product because Bonneville also requires those customers to purchase a portion of the Tier I power as a Block Product. The minimum that Bonneville is requiring is a 25 percent Block Product. That means the flexibility that a customer would have under a 100 percent Slice Product for Tier I is diminished because they have the flat Tier 1 Product that is Block. So it takes more work to see whether or not Slice has the flexibility to follow our loads and integrate resources over time.

Deliveries under the Slice and Block PSA will begin October 1, 2011, and continue through September 30, 2028, just like the Load Following Product, Mr. Nelson explained. And the Slice and Block purchasers will have a standard one-time option to switch to a different product.

Mr. Nelson then referred to the Benefit/Cost graph. The benefit/cost depends on the water year and the risk strategy, he said. In looking at the scenarios of water years and market price assumptions, you will get a series of runs through the analysis where you can evaluate what percentage of time you will be better off with the Slice Product versus being better off with the Load Following Product. Even though there is a rather broad range under the Benefit/Cost graph, the risk management strategy is really intended to limit the exposure on either side of the benefit and the costs of the Slice Product, he explained.

Both the Slice and Load Following products allow flexibility to choose Tier II products, Mr. Nelson said. So regardless our choice on the Tier I product, we have pretty much the same options in terms of Tier II. The exception is that the Slice customers are like a "mini BPA" in that we have more autonomy from the Load Following customers.

Mr. Nelson said that Load Following costs are rolled into the Load Following pool. This means that Bonneville is going to make assumptions on the Load Following Product and allocate costs to all customers in the Load Following cost pool. As costs change in each rate period, everyone in that pool is subject to those costs.

As a Slice customer, you have more of a forward view of your risk exposure and can manage it on a look-ahead basis. Mr. Nelson stressed that this is an important distinction between the Slice Product and the Load Following Product.

Mr. Nelson said that SUB's next steps are to continue to evaluate the Slice/Block Product as well as the Load Following Product. And throughout the new contract we will be managing a portfolio of BPA and/or non-BPA resources, regardless of the product selection for Tier I, he said.

All of this leads to the question, What are SUB's core functions? Are we a distribution utility that provides electric service to our customers (Load Following), or is the Board's view that SUB's role is a distribution utility and also a power generator (Slice)? This depends on what the Board thinks are SUB's core functions. Is SUB a distribution utility, or a distribution utility and a power generator? If SUB is just a distribution utility, this will lean us towards the Load Following Product. If SUB wants to be a distribution utility and a power generator, then we want to integrate resources and take on that role. If that is the Board's vision, we would want to take a harder look at the Slice Product.

The Board thanked Mr. Nelson for his presentation.

Award of Bid No. 2-07957
for 4th Street Waterline

Mr. Linahan said that the Water Division recently solicited bids for the installation of a 16-inch water line at 4th Street, between South A and B Streets that requires drilling under the existing utilities and installing 30-inch casing at South A and at Main Street. Staff recommends the Board award this bid to Kamph Construction Company, Inc., for the lowest bid meeting specification in the amount of \$307,754.

- * Virginia Lauritsen motioned, and Ken Boyst seconded, to award Bid No. 2-07957 to Kamph Construction Company, Inc., for the lowest bid meeting specification in the amount of \$307,754 for the installation of a 16-inch water line at 4th Street, between South A and B Streets (Exhibit G). This motion **CARRIED** unanimously.

Award of Purchase of UV
Unit for Willamette Water
Treatment Plant

Mr. Linahan said that when the Willamette Water Treatment Plant was designed with three UV units, the UV system was configured so that the fourth and final unit, a B400XL UV reactor vessel, would be added later, when the plant load increased. The water demand has increased to the point now that the UV unit should be added this year. The unit is only available from WEDECO ITT Industries, it is compatible with the existing bank of three UV units, and the cost is \$71,900. The Water Utility has included the expense for this equipment in their budget for 2008.

Before the Board can award this purchase, a motion needs to be made to exempt this purchase from the competitive bidding process based upon the finding under Board Policies 3-7-5, 3-7-5.2(A) and (B), that this UV unit is only available through a single-source provider, WEDECO ITT Industries, and it is compatible with the Water Utility's three existing UV units.

Staff recommends the Board award the purchase of the WEDECO-ITT B400XL UV reactor vessel to WEDECO ITT Industries, as the sole provider, in the amount of \$71,900, Mr. Linahan said.

- * Virginia Lauritsen motioned, and Joe Mathieu seconded, that the Board exempt this purchase from the competitive bidding process, based on the finding under Board Policies 3-7-5 and 3-7-5.2(A) and (B), that the WEDECO-ITT B400XL UV reactor vessel and its automatic controls, software and proprietary programming, is only available from WEDECO ITT Industries, a single-source provider, and this equipment is compatible with the Water Utility's three existing UV units. This motion **CARRIED** unanimously.
- * Virginia Lauritsen motioned, and Joe Mathieu seconded, that based on the findings in the previous motion, the Board award the purchase of the WEDECO-ITT B400XL UV reactor vessel to WEDECO ITT Industries, as the sole provider, in the amount of \$71,900 (Exhibit H). This motion **CARRIED** unanimously.

Regarding Ethics Limitations
and Standards of ORS
Chapter 244

- * Virginia Lauritsen motioned, and Joe Mathieu seconded, to adopt Resolution 08-2 at legal counsel's recommendation in response to revisions made by the Oregon Legislature to the State's Ethics Laws in 2007 and how those revisions will impact Board members and staff as they attend events during 2008 that will be held by specific organizations, as listed in the Resolution. This motion **CARRIED** unanimously.

ADJOURNMENT:

The meeting was adjourned by consensus at 8:40 p.m.

Bobbie Adams, Board Chair

ATTEST:

Robert C. Linahan, Board Secretary