

**SPRINGFIELD UTILITY BOARD**

223 A STREET, SUITE F  
SPRINGFIELD, OR 97477

**MINUTES**

January 10, 2018

The regular session of the Springfield Utility Board was called to order by Chair Willis at 6:17 p.m.

**ATTENDANCE:** Board: David Willis, Chair; John DeWenter, Vice Chair; Pat Riggs-Henson; Mike Eyster; Virginia Lauritsen. Staff: Jeff Nelson; Bob Fondren; Sanjeev King; Greg Miller; Dave Embleton; Nick Amann; Tracy Richardson; Cindy Flaherty; Joe Leahy, Attorney for the Board. Others: Bill Belcher, SUB Budget Committee; Jeff Griffin, Wilson-Heirgood Associates; Stephen Parac, XS Media.

**ACTION ITEMS:**

**CONSENT AGENDA**

**MINUTES:** December 13 Board Minutes

**ACCOUNTS PAID:** December 2017

**AWARD OF BIDS:**

1. Award of Bid No. 39.17, On-Call Service Truck: The Electric Division staff recommended award to Altec Industries for the lowest bid meeting specifications for the amount of \$139,280. (Exhibit A)
2. Award of Bid No. 41.17, Distribution Transformers: The Electric Division staff recommended purchase to McKaig-Evergreen / Central Moloney for the lowest bid meeting specifications for the amount of \$121,777. (Exhibit B)
3. Award of Bid No. 2018-01, Statements of Qualification Architect/Engineer: The Water Division has a number of projects planned in 2018 that will require Engineering, Surveying, Architectural, and other related services. To facilitate the design and construction of these projects, SUB Water Division has used a "Statement of Qualification" (SOQ) process of Architectural/Engineering related services to select a number of consultants for specific services through the term of the contract. Staff recommended the Board authorize \$548,000, for SOQ capital projects in 2018 for the Water Division. (Exhibit C)

\* Mike Eyster motioned, and Pat Riggs-Henson seconded, to approve the consent agenda, as presented. This motion **CARRIED** unanimously.

BUSINESS FROM  
THE AUDIENCE:

None.

BUSINESS FROM  
THE BOARD:

Election of Officers and  
Appointments

Chair Willis opened the election for the 2018 officers and appointments and asked for nominations for the position of Board Chair.

- \* Virginia Lauritsen nominated David Willis as Board Chair for 2018, and Pat Riggs-Henson seconded the nomination.

Chair Willis asked if there were any further nominations for the position of Board Chair. Hearing none, he closed the nominations and called for a vote. David Willis was unanimously elected to serve a second term as Board Chair for 2018.

Chair Willis asked for nominations for Board Vice-Chair.

- \* Virginia Lauritsen nominated John DeWenter as Board Vice-Chair for 2018, and Pat Riggs-Henson seconded the nomination.

Chair Willis asked if there were any further nominations for the position of Board Vice-Chair. Hearing none, he closed the nominations and called for a vote. John DeWenter was unanimously elected to serve a second term as Board Vice-Chair for 2018.

- \* Pat Riggs-Henson nominated Jeff Nelson as Secretary-Treasurer for 2018, and John DeWenter seconded the nomination. This motion **CARRIED** unanimously.
- \* Pat Riggs-Henson motioned, and Mike Eyster seconded, that the Board make the following appointments:
  - John DeWenter to continue as Liaison to the Springfield City Council.
  - Jeff Nelson, Virginia Lauritsen, Shawn Madison, Robin Musgrove, Amy Schaaf, Janis Brew, and Bob Fondren (Plan Administrator), to SUB's 2018 Retirement Plan Review Committee.

- John DeWenter to serve as SUB's Voting Delegate at the APPA Legislative & Resolutions Committee meetings for 2018.

This motion for appointments **CARRIED** unanimously.

Jeff Nelson updated the Board that Moss Adams' 3-year contract has expired, and action is needed regarding a contract for external auditing services. He then reviewed various options with the Board.

After discussion, the Board consensus was to authorize SUB staff to use a bid proposal process for a 3-year contract for external auditing services.

Authorization of Updated Retainer Agreement and Appointment of Leahy, Van Vactor, Cox and Melendy as Legal Counsel to the Board

Chair Willis shared that the Board has reviewed the updated retainer agreement with Leahy, Van Vactor, Cox and Melendy, and asked for Board action.

- \* Pat Riggs-Henson motioned, and Mike Eyster seconded, that the Board authorize the General Manager to execute the Updated Agreement with Leahy, Van Vactor, Cox and Melendy, as presented. This motion **CARRIED** unanimously.
- \* Pat Riggs-Henson motioned, and Mike Eyster seconded, that the Board appoint Leahy, Van Vactor, Cox and Melendy as legal counsel to the SUB Board of Directors. This motion **CARRIED** unanimously.

Consideration of Proposed Board Policies Discussed In the Special Session

During tonight's special session, the Board consensus was to take action during tonight's regular Board meeting regarding proposed Board policies.

- \* John DeWenter motioned, and Mike Eyster seconded, to adopt Board policy related to *General Manager Compensation*, as presented (Exhibit D). This motion **CARRIED** unanimously.
- \* John DeWenter motioned, and Pat Riggs-Henson seconded, to adopt the proposed Board policy, *Board Performance Evaluation*

(Exhibit E), as amended - the completion date should be June 30, instead of March 31; and to adopt Board policy to use the proposed *Board Self Evaluation Form*, as presented (Exhibit F) for use in the Board's performance evaluation. This motion **CARRIED** unanimously.

**BUSINESS FROM THE  
GENERAL MANAGER:**

**Update on SUB's Property  
and Liability Insurance**

Jeff Nelson introduced Jeff Griffin, CEO, of Wilson-Heirgood Associates (WHA), SUB's insurance agent of record. Mr. Griffin presented an overview of SUB's performance and premium, and reviewed the renewal contract with Special Districts Association of Oregon (SDAO) for SUB's property and liability insurance coverage, effective January 1, 2018, and runs through December 31, 2018.

Mr. Griffin provided a pamphlet to the Board on WHA's renewal proposal for SUB (Exhibit G), and explained that there are three key issues. The first key issue is Best Practices, where several benchmarks need to be met. SDAO has a program where certain things are done, it provides for a reduction of SUB's premium. SDAO offers five categories where SUB could receive 2% off on each category to reduce SUB's premium for a total discount of 10%. SDAO schedules those credits, based on where the public entity has had losses. However, we are not going to have those losses here, and that's a very key piece, moving forward with SUB's risk management process. The second key issue is the Longevity Credit, which is based on SUB's loss history and is compared with other entities. SUB has been with SDAO for a number of years and its loss ratio is below normal. In SUB's case, it will receive a check back from the Special Districts this year in the amount of \$15, 995.50. SUB's gross loss ratio is incredibly low at about 18.9% overall, significantly below SDAO's loss ratio of about 60%. Mr. Griffin announced that SUB is one of the lowest in the state with a loss ratio at 19%. The third key issue SDAO looks at is SUB's Experience Mod. This is on SUB's workers compensation and is based on losses that have occurred in the industry. It benchmarks every employer against the other. This benchmark is at a \$1.00 Experience Mod. SUB comes in at 0.86%, which is extremely difficult to reach. He said that SUB has done a phenomenal job of safety with its employees. The Board, all of SUB's employees, the management team, and SUB's legal counsel deserve the credit for that. He added that WHA made a

budget projection at the first the year in 2017, where they thought SUB's rates would go up about 5%. Most SDAO rates went up between 4 and 5%. However, SUB's did not go up. SUB's rate change was at 2.87% and much of that was in increased valuation. Moving forward, SUB is sitting in a very good position. WHA will be giving SUB a budget projection in the near future, and he wanted to suggest to the Board that workers compensation rates will be coming down.

Mr. Griffin then briefly reviewed WHA's Renewal Proposal for SUB with the Board. He then applauded SUB for taking the initiative to move forward with the Enterprise Risk Management (ERM) program. This is a process that takes a long time to vet in an organization and, moving forward, he looks forward to being a part of that.

The Board thanked Mr. Griffin for his informative presentation.

Other Business –  
Travel Awards Policy

Mr. Nelson wanted to address, for the record, that the Board discussed two options for a proposed new Employee Policy 30-8 related to travel awards during the January 10 special session. The Board consensus was to authorize the general manager to move forward with implementation of Option 2 for the new Employee Policy 30-8 – Travel Awards, as presented (Exhibit H).

SUB's 2016 Utility Rate  
Comparison and  
Productivity Incentives

Jeff Nelson began his presentation by referring to his overheads (Exhibit I), and explained that the productivity incentive program was adopted by the Board. The incentive program was created in 1987. SUB was addressing significant increases in BPA costs in the 1980's, and SUB's water rates were higher than comparable utilities. The incentive program was intended to promote long term fiscal responsibility for the utility. Mr. Nelson reviewed the transition years of the 1990's where electric rates were comparable to other local utilities and water rates were competitive. Electric rates continued to trend lower than comparable utilities as the years progressed. The need for water capital and operation costs increased. The existing incentive program was revisited. In 2015 the Board reviewed the program and modified it for 2016. There are now two thresholds: Threshold #1 is the combined Electric and Water Utility bill savings and financial health (E/R Ratio); and Threshold #2 is divisional goals. All the divisions met their goals for 2017.

As for Threshold #1, said Mr. Nelson, the E/R Ratio is the ratio of Net Equity to Rate Revenue. If rate revenue increases, and equity increases, the E/R ratio can remain high; but if the rate revenue increases, and the equity decreases, then this points to revenues going toward operating costs. We want to try to capture all that complex dynamics with the E/R ratio, which is essentially a lens where you can have the unbiased metric of financial health.

Division goals are established each year with approval from the general manager and formal agreement with divisions. They focus on customer service, reliability, project milestones, forecasting accuracy, energy efficiency, as well as other benchmarks. Mr. Nelson explained that what's important with Threshold #2 divisional goals is that it provides a roadmap for an annual work plan, and establishes those benchmarks in order to evaluate success over the course of the year.

Mr. Nelson reviewed his graph on residential electric rate comparison for 1500 kilowatt hours billed in the month of December 2017. SUB is still the lowest in the region. He then shared his graph on residential water rate comparison for 14,960 gallons per month, for a monthly bill based on 20 units per month for the month of December 2017. Here it indicates rising rates a little, but SUB remains competitive. He also shared his graph on bill savings over time for residential customers. He explained that the blue line indicates water bill savings and the red line represents electric bill savings. Next, he reviewed a chart on the 2017 Incentive Program and explained how the point system weighs in with the two thresholds. Mr. Nelson then shared another graph on residential customer bill savings that showed the bill savings overtime, from 1994 and projected out to 2021.

#### SUB's Emergency Operations Plan

Mr. Nelson noted that SUB's Utility Planner Tracy Richardson has been working on SUB's Emergency Operations Plan. Tonight, she will give a general overview of SUB's Emergency Operations Plan. He added that at February's Board meeting she will provide an annex or example of that plan; and walk through a partial activation of that plan and how that applies to a specific circumstance.

Ms. Richardson wanted it to be known that SUB has had a plan which existed in the past, and that what she is presenting tonight is just a revision and an update of that plan. Previously, it was created in 2016 and was referred to as The Disaster Recovery

Plan. In order to be consistent with other plans in the area, it has been revised to be called the Emergency Operations Plan (EOP), and referred to her overheads (Exhibit J).

When she began the revision, explained Ms. Richardson, she looked at the other plans in the area, and the following are the interdependencies that she found in relationship to other plans: Federal, State, County, and Regional/Metropolitan. With Federal she looked at the National Incident Management System (NIMS) and the National Response Framework (NRF). NIMS is the parent to the NRF that FEMA has set. In order to receive any type of reimbursement after an event, there's a long check list that she went through to make sure that all of those considerations were in the plan. She also attended a couple of meetings with the State of Oregon Emergency Operations Plan; and copy and pasted a lot of what they had done to be consistent with them and also sought guidance from them when needed. The county also has the Lane County Emergency Operations Plan, but most related to SUB would be the regional and metropolitan plan: the Eugene-Springfield Multi-Jurisdictional Emergency Operations Plan. This is where most of the guidance came from because this is what the City of Eugene and the City of Springfield use. The City of Springfield's Emergency Manager Ken Vogeney is over the City's Emergency Operations Center; and she started with the City of Springfield's plan to make sure SUB's Emergency Operations Plan was consistent with theirs.

The old version had contacts listed on a phone list that was outdated, so she stripped out all of the outdated information, and what you will find now in Phase 1 is the basic plan. The basic plan is made up of the following: purpose of the plan, situation and assumptions, concept of operations, assignment and /or delegation of responsibilities, administration and logistics, plan development and maintenance, authorities and references. She reminded the Board that they have a copy of the basic plan in their binders (Exhibit K).

Ms. Richardson shared a list of events that were considered, going forward, that could happen that would activate the plan; either partially or fully. Roles and responsibilities are broken down into Command Staff and General Staff (which is NIMS compliant), and reviewed those lists with the Board.

Phase 2 of the plan includes appendices with detailed information specific to the performance of functions during a

hazard, and functional annexes that include SUB's operating procedures and plans.

The most important piece is the coordination among agencies. SUB's priority would be the restoration of service and personal safety, but SUB would be taking the lead from the City of Springfield emergency operations. The City of Springfield has an emergency response and coordination and quick reference guide that has recently been revised. It talks about how we will work interdependently. She and Jeff Nelson participated in a tabletop exercise with the City in September 2017, and it allowed them to identify some deficiencies in our communication with each other. Based on that exercise, there were tabletop lessons learned and some action items that came out of that; and they were able to make revisions in order to communicate better with each other.

Jeff Nelson added that part of this exercise, and having this conversation with this larger overview, is that at the end of this discussion he'd like to get a pulse from the Board about what they mean by "what's our disaster plan?" Because SUB has an overall plan and some annexes, and 99.9% of the time, these are what SUB works under. However, when considering a larger event, we may be looking at a six-month power outage compared to four or five days, and then a major concern is the ability to get fuel to provide and refill the backup generation, at a time when there may not be resources coming in.

Sanjeev King offered explanation regarding the minimum power SUB would need to run its critical functions. He explained that all of SUB's critical functions are on the water side, and they've been putting in backup generations in all of the new facilities. Electric has supported them on the fleet side with the running of those generators routinely. The Electric Division has a generator located at the 10<sup>th</sup> and Main Street location, and also a couple of mobile generators. The Electric Division is able to run their main operation center on a generator, and that backup generation is tested monthly. He noted that generators can run as long as there is available fuel.

If you look within SUB's distribution system, Mr. King explained, SUB is working with the City to understand their critical loads, so that in an event that may occur, we can use our facilities that we do, or might have, in operation; even though we don't know what facilities those are going to be. In terms of working with other utilities, it really isn't a SUB only question, it SUB, BPA, EWEB,

and EPUD, and there will be loads that will be critical to the region, not just to one utility or the other. There is collaborative work being done between these agencies to look at scenarios on how we could interconnect our system in these extreme events.

After discussion, the Board thanked Ms. Richardson for her presentation.

Additional Item

Mr. Nelson wanted to share information on a couple of SUB sponsorships that the Board might be interested in attending. SUB has sponsored the Start Making A Reader Today (SMART) fundraiser, "SMART Sip." This event is scheduled to be held on Tuesday, February 20, 2018, at the Holiday Inn in Springfield. The other event that SUB has sponsored is "Books & Brews." This event is being held at the Springfield Public Library, from 6:00 to 9:00 p.m. on January 27. Mr. Nelson explained that there are tickets available as a sponsor benefit, and if none of the Board members were interested in attending or if there were any tickets left over, then in that type of situation where we have advance notice, SUB will open it up for employees to have a chance to attend.

Springfield  
Telecommunications  
Enhancement Project Update

Mr. Nelson shared that having additional meetings with internet providers, as well as the City of Springfield, SUB is moving forward with discussions regarding a framework where we are looking at implementing a conduit space lease agreement with an Internet Service Provider (ISP) where they would use SUB's conduit that we've installed, and the ISP would install their fiber to the home. We are still in discussions regarding once that fiber is installed, who is the owner of that fiber; would it be SUB or the internet provider. At this time we're leaning towards SUB being the owner of the fiber and the conduit, so that if there was damage done to the conduit and also damage the fiber, then only one entity would be responsible. This would allow a cleaner demarcation of where the public asset begins and ends, and eliminates potential conflict or competition that may exist if a third party is extending that last portion of fiber. That element may be an added expense that the Board may need to consider. Mr. Nelson is hoping to have more information in a couple of months and at that point he will update the Board and possibly request Board authorization to help finance up to a certain amount, as well as have further discussions and receive feedback from the Board.

After discussion, Mr. Nelson introduced Stephen Parac with XS Media and asked if he would like to comment. Mr. Parac shared that XS Media is a high speed internet provider. They've engaged SUB and the City of Springfield about bringing their service to Springfield. They've been working closely with Eugene for about three years on the Downtown Fiber Project. XS Media is currently servicing over 200 businesses in downtown Eugene, as well as several businesses in other areas in Eugene. They currently leverage EWEB fiber and they're very interested in 2018 to expand their services into Springfield and leverage SUB fiber to deliver high speed internet to the community. Right now, XS Media is offering a gigabit for \$79.00 to businesses. For residential, it would be somewhere in the \$39.00 to \$59.00 per month range. If everything works out, and he's hopeful it does, added Mr. Parac, they're excited to partner with SUB.

The Board thanked Mr. Parac for his comments.

#### SUB Grant to Springfield Public Schools

Jeff Nelson shared that he had met with SPS Superintendent Sue Rieke-Smith and School District staff to talk about the next evolution of the 5-year Intergovernmental Agreement (IGA) that SUB has with the Springfield Public Schools for a grant program for the WELL Project. The School District is very appreciative of the SUB Board's investment in the program, said Mr. Nelson, and they are currently working on Exhibit A; which is, essentially, their framework on what they plan to do with the funding. At this time, Mr. Nelson would like to ask the board for authorization to move forward on a 5-year IGA with the School District, once Exhibit A is completed by the School District. Mr. Nelson explained that the final Exhibit A will be materially similar to the preceding IGA's Exhibit A, which the Board previously approved.

Vice Chair DeWenter noted that sentence two in paragraph number 11 of the IGA should be amended as it is not a sentence and should be revised.

- \* Virginia Lauritsen motioned, and Mike Eyster seconded, authorizing SUB's General Manager to sign an Intergovernmental Agreement for a grant program with Springfield Public Schools, as amended with revision of sentence two in paragraph number 11, (Exhibit L) and to include Exhibit A, once complete. This motion **CARRIED** unanimously.

TEAM Springfield  
Update

Jeff Nelson updated the Board that the next regular TEAM Springfield meeting of the Chief Administrative Officers is scheduled for January 17, at SUB. The Chief Elected Officials, which includes SUB's Board members, are not expected to attend this meeting.

Additional Item

Mr. Nelson updated the Board on upcoming community events:

- January 17, 2018: SUB Employee Years of Service Awards. (Employee / Board Event) 8:00 – 9:30 a.m. at Roaring Rapids Pizza Company, 4006 Franklin Boulevard, Eugene.
- January 19, 2018: 68th Annual Springfield Area Chamber of Commerce Awards & Installation Banquet. (Community Event) Held at Lane Community College Center for Meeting and Learning, 4000 East 30th Avenue, Eugene, from 5:45 to 9:00 p.m.

ADJOURNMENT:

The meeting was adjourned by consensus at 7:50 p.m.

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David Willis, Board Chair

ATTEST:

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Jeff Nelson, Board Secretary