

EUGENE WATER & ELECTRIC BOARD
REGULAR BOARD MEETING
EWEB BOARD ROOM
JULY 19, 2005
5:30 P.M.

Board Members Present: Ron Farmer, President; Sandra Bishop, Vice President; John Simpson, Mel Menegat, Commissioners. Commissioner Patrick Lanning was excused due to illness.

Others Present: Randy Berggren, Debra Smith, Dick Varner, Jim Wiley, Tom Buckhouse, Jim Origliosso, Marty Douglass, Mark Freeman, Cathy Bloom, Dick Helgeson, Laura Downs, Krista Hince of the EWEB staff; Ruth Atcherson, minutes recorder for the City of Eugene.

President Farmer convened the Regular Board Meeting of the Eugene Water & Electric Board (EWEB) at 5:35 p.m.

AGENDA CHECK

There were no changes to the agenda.

PUBLIC INPUT

Eric Myers, 2490 Lincoln Street, spoke in regard to the utility's plan to build a fence around the College Hill Reservoir. He asked that EWEB consider an alternative solution to the fence and that the utility engage the public in the planning process. He said many citizens had used the reservoir area over the years, using the area to get exercise and enjoy the view, among many activities. He stressed that neighborhood residents actively used this area. He averred that given that the public owned EWEB, the public should take part in this decision. He added that neighbors kept an eye on the area and helped to prevent vandalism. He did not think the site would be monitored as well should it be fenced. He recommended the commissioners read a book called *The Death and Life of American Cities*.

Sally Myers, 2490 Lincoln Street, related that her family had enjoyed a 20-year relationship of cooperation with EWEB. She noted that during her recovery from heart surgery she had utilized the College Hill reservoir area as a place to exercise. She stated that other than a little "tagging" and the rare alcohol incident, her years as the reservoir's closest neighbor had been enjoyable. She said she and her family had cleaned up the area, had given water to workers there, and had generally enjoyed the surroundings. She wanted this relationship to continue and feared that the installation of a fence would close her eyes to activities on the hill. She thought there were opportunities to work with the community toward mutual resolution of the issues.

Vice President Bishop responded that this was an ongoing issue but the decision had been made. She said it was a safety consideration. She pointed out that the fence for the College Hill Reservoir had been planned for several years. She suggested that neighbors come back with a proposal that would address safety and liability issues.

APPROVAL OF CONSENT CALENDAR

Business Service Agreements

1. R.W. Beck – Engineering & Design Services for the new Willamette 115 kV Gas Insulated Switchgear (GIS) Substation – Electric Division - \$43,086
2. Colt Atlantic Services, Inc. – Transformer Leak Repairs in the Carmen and McKenzie Substations – Electric Division - \$26,100
3. Jaco Analytical Laboratory Inc. – Oil Testing Services – Electric Division \$46,000
4. Standard & Poor's – Analytical & Rating Services – Customer and Financial Services Division - \$30,000
5. SelecTemp – Temporary Services for Water Management Services – Water Division - \$8,000

Commissioner Simpson pulled Item 1.

Commissioner Menegat, seconded by Vice President Bishop, moved approval of the Consent Calendar absent Item 1, a contract for services with R.W. Beck. The motion passed unanimously, 4:0.

ITEMS FROM BOARD MEMBERS

Commissioner Menegat announced that the American Cancer Society Relay for Life would be held on July 29 and 30. He shared his pride in being a member of the EWEB relay team. He said the team would be walking from noon on July 29 to noon on July 30. He asked if anyone was interested in joining the team or donating.

Vice President Bishop apologized to staff that were working on the Carrie Shaw settlement. She explained that she had jumped to a conclusion at the previous meeting without knowing the details. She related that she now understood that the situation was more complicated than it appeared to be.

Vice President Bishop reported that the National Conference for State Legislators would be convened in Seattle from August 16 to August 20. She was considering attending some of the sessions. She listed some of the topics, such as telecommunications and renewable energy technologies. She also wished to bring to the Commissioners' attention that they could subscribe to a monthly periodical entitled *Governing* for free.

Commissioner Simpson noted that the Commissioners had approved, in the Consent Calendar vote, \$26,100 expenditure for the repair of oil leaks in the transformers. He reported that he had discussed this with staff and had scheduled a tour of the McKenzie Substation in order to examine the leaks.

President Farmer reported that he and General Manager Randy Berggren had met with

Eugene Mayor Kitty Piercy and City Manager Dennis Taylor in order to initiate a process hoped to lead to a better working relationship between the City Council and the EWEB Board. He related that they were receptive to that effort and had responded in an encouraging manner. He felt it made sense to have different Councilors and different Commissioners attend the meetings. He had left it to City Manager Taylor and General Manager Berggren to develop the meeting structure. He said he encouraged them to focus on issues that the City and EWEB could “get out in front of.”

Vice President Bishop stated that she and Ms. Brewer had been working on the Mayor’s Task Force on Sustainable Business Initiatives. She explained that the Mayor had appointed approximately 12 people to the task force and intended to add a “layer” of technical advice. She said they would meet with the Mayor on August 9 to discuss the mechanics of this. She expressed disappointment that the sustainability effort was being limited to economic development, but the Mayor had assured her that this was only the beginning point.

President Farmer related that Ms. Brewer had asked him to attend a meeting of the Local Government Affairs Council on July 22, a group he used to belong to, in order to provide an overview of EWEB’s role in this process.

CORRESPONDENCE

General Manger Randy Berggren reported the following items of correspondence, included in Board agenda packets:

- Staff provided the Board with a progress report on the meter replacement program.
- Electric Division Director Jim Wiley compiled an update on the efforts to pursue the capital funding authorization and the lessons staff was learning in infrastructure requirements.
- Murphy Industrial Diving Services provided information on diving standards.
- Libby Henry, EWEB’s lobbyist, provided a legislative update.
- Community Educator John Femal included a backgrounder on the educational grant program.
- A copy of EWEB’s response to the offer made by Arlie & Co.

Mr. Berggren asked Mark Freeman, Customer Services/Field Services & Cash Collections Supervisor, to come forward. Mr. Freeman, representing the *Rely on Us* committee, provided Board members with jackets and thermal cups emblazoned with the *Rely on Us* logo.

BOARD AGENDAS

Mr. Berggren provided a brief overview of the *Eugene Water & Electric Board Agenda Report* dated *July 19, 2005*. He noted that the meeting scheduled for July 20 would center on the Master Plan for the potential move of part of all of the EWEB operations to the newly purchased site. He related that he had sent the Commissioners an email with his personal reaction to the report.

He reminded Board members that the meeting scheduled for August 2 would be held in Leaburg.

FINANCIAL POLICIES

Treasurer Jim Origliosso explained that he intended to bring before the Board the final draft of the financial policies. He reviewed the draft policies, contained in an attachment entitled *Financial Policies; Revised June 1, 2005* and an accompanying attachment that delineated the changes and edits. He said much of the revisions had merely been changes in wording, but one policy had been added and one had been deleted.

Mr. Origliosso stated that staff had sorted the policies into four categories: reserve policies, financial management policies, risk management policies, and accounting policies. He explained that reserve policies governed reserve levels and how certain reserve accounts would be funded. He said financial management policies referred to budgets, budget amendments, and cost management. Risk management policies had formerly been one policy and now were separated into enterprise risk management and power risk policies. He noted that the accounting policies were more technical policies as opposed to governance issues.

Mr. Origliosso reviewed the proposed changes in financial policy language.

In response to a question from Commissioner Simpson, Mr. Origliosso explained that the \$11 million number was not encoded in the policy. He stated that the discussion was in regard to how staff interpreted the policy. He said the number could change with more frequency than the policy and underscored that policies should be stable, while discussions on finances could change quite a bit from year to year.

President Farmer observed that the capital reserve policies as proposed talked in five-year blocks. He asked how larger projects, such as the Carmen Smith relicensing project could be incorporated into a five-year window. Mr. Origliosso responded that it was customary to look at the reserve in five-year increments but it did not preclude the utility from making a strategic plan that was longer in duration.

President Farmer remarked that he was not opposed to a five-year approach, but he wanted to encourage long-term planning. He thought something should be added to the policy that addressed such planning.

Regarding *Policy 1.4; Pension Liabilities Funding Policy*, Commissioner Simpson asked if those liabilities would come in waves or be paid in a lump sum. Mr. Origliosso replied that they would come in waves and the Board would need to decide whether to set aside money to meet that need or not.

President Farmer noted the efforts going on in the State Legislature to reduce the Public Employees Retirement System (PERS) liability. Mr. Origliosso responded that the dispute had moved from the Legislature to the courts and EWEB and others were awaiting the final judicial review at the Supreme Court level. He anticipated that things would settle down as the case wound to a close.

President Farmer thought the discussion on the pension liability in the financial policy could need updating.

Mr. Origliosso explained that one policy, regarding overall full time equivalent (FTE) employees, had been deleted. He clarified that the deleted policy had said that anytime the FTE in a budget would be exceeded it would be brought before the Board as a budget amendment. Instead, he said, a policy had been retained that addressed overall labor costs.

Regarding budget amendments, President Farmer commented that he found it strange that the Board was asked to review a change in a project and in doing so discussed the project itself, but that the Board never discussed projects when building the larger budget. Mr. Origliosso responded that one thing staff could do more of would be to specify which projects would be major capital projects when bringing capital plans and budgets before the Board.

Commissioner Simpson remarked that the draft looked like the result of a lot of good work.

Regarding *Financial Policy 2.1*, President Farmer asked why language had been deleted. Mr. Origliosso replied that staff had found that benchmarking with other utilities had, for important reasons, not been comparable with EWEB. He said the language had been struck because the EWEB budget was specific to EWEB and to compare comparable costs of other public utilities was not unlike comparing “apples to oranges.”

Mr. Berggren stressed that the utility still utilized benchmarks.

President Farmer believed that some mechanism was necessary to compare EWEB with other utilities, though not necessarily on an annual basis. He pointed out that other agencies compared EWEB’s performance as a utility within the industry.

President Farmer asked if EWEB or its accountants had asked other entities how EWEB “stacked up” against other utilities. Mr. Origliosso affirmed that this was done. He noted that rating agencies in particular sought such information. He said EWEB was noted for its lack of restrictive bond covenants, but EWEB policed itself in this respect. He added that EWEB was in the 90th percentile with this kind of documentation and typically EWEB was consulted by other utilities more than it reached out to consult with other utilities.

In response to a follow-up question from President Farmer, Mr. Origliosso said there were not a lot of hot issues on the horizon. He commented that recent issues had given rise to more extensive power risk management policies.

In response to a question from Vice President Bishop, Mr. Origliosso affirmed that though the wholesale power risk management guidelines had been moved to an appendix, nothing in them had changed.

Vice President Bishop, seconded by Commissioner Menegat, moved to approve the Financial Policies as presented in the revised draft dated June 1, 2005. The motion passed unanimously, 4:0.

Ms. Smith asked for a further motion to specifically adopt and delete the policies as proposed.

Vice President Bishop, seconded by Commissioner Menegat, moved to adopt Financial Policies Strategic Direction (SD) 6, Executive Limitations (EL) 1, and to delete Financial Policy Executive Limitations (EL) 4. The motion passed unanimously, 4:0.

SHORT-TERM CONTINGENCY PLAN BUDGET AMENDMENT NO. 7

Mr. Origliosso explained that the budget amendment finalized the contingency plan. Mr. Berggren said it responded to a Board-directed goal for the General Manager to establish a short-term contingency plan.

In response to a question from President Farmer, Mr. Origliosso affirmed that bracketed numbers contained in the attached *Budget Amendment Form* indicated spending that exceeded planned spending.

President Farmer asked if these items would be passed through on the Consent Calendar. Mr. Origliosso replied that such items would be “under the radar.”

Mr. Berggren stated that the budget amendment represented the limit of what could be done to provide a reasonable contingency number.

Vice President Bishop, seconded by Commissioner Simpson, moved approval of Budget Amendment No. 7 dated July 13, 2005 and dedicated toward the Short-Term Contingency Plan. The motion passed unanimously, 4:0.

ITEMS REMOVED FROM THE CONSENT CALENDAR

Commissioner Simpson clarified that the purpose behind pulling Item 1 (R.W. Beck) off the Consent Calendar was to stimulate a Board-level discussion on the scope of the project. He acknowledged that the Willamette Substation was old and in need of being rebuilt. He questioned

whether the more expensive Gas Insulated Switchgear (GIS) equipment should be used in place of the current technology, the Air Insulated architecture, currently in use in all of the substations. He wished to be assured that staff was skilled in the operation and maintenance of it and those alternative options had been considered. He also wanted a greater understanding of what the \$43,000 would purchase. He thanked staff for supplying background information to the Board.

Mr. Wiley stated that \$43,000 would be spent on the 30 percent design work needed to formulate an accurate budget prior to the actual construction, now scheduled for 2007. He explained that there were still a lot of unknowns, such as what site the substation would be built on. He said some idea of what the utility would proceed with was necessary to keep moving the project forward. He stated that GIS equipment had been used for downtown area substations in other cities for which real estate was a primary concern.

Commissioner Simpson asked if there was a way to use the existing substation site. Mr. Wiley replied that it would not be possible.

In response to a follow-up question from Commissioner Simpson, Mr. Berggren said one option to use the older Air Insulation equipment had been considered, but it had reliability implications. He added that the utility could build it, but it would not be the preferred design.

Commissioner Simpson called it a philosophical question. He wondered if EWEB should be required to pick up the tab for something that was planned to be built largely to be more esthetically pleasing. He expressed concern about the proposed cost, adding that he wished to be sure it was worth the money.

President Farmer asked if there was a significant technical reason to choose GIS equipment over the AIS equipment. Mr. Wiley replied that there was not.

Commissioner Simpson asked if the GIS equipment provided greater reliability. Mr. Wiley responded that there was not a measurable increase in reliability.

Commissioner Simpson, seconded by Commissioner Menegat, moved approval of Consent Calendar Item 1, a contract with R.W. Beck for engineering and design services for the new Willamette 15 kV Gas Insulated Switchgear Substation.

Vice President Bishop thought it was important to minimize the size of the substation. She suggested it be incorporated into another structure. She indicated her support for the motion.

Regular Board Meeting
July 19, 2005
Page 8

President Farmer observed that the study sought to examine all options.

The motion passed unanimously, 4:0.

President Farmer adjourned the meeting at 7 p.m.

Assistant Secretary

President