

EUGENE WATER & ELECTRIC BOARD
BUDGET WORKSHOP
EWEB BOARD ROOM
JULY 19, 2005
7:30 P.M.

Board Members Present: Ron Farmer, Sandra Bishop, Mel Menegat, and John Simpson. Commissioner Patrick Lanning was excused.

Others present: Randy Berggren, Debra Smith, Dick Varner, Tom Buckhouse, Cathy Bloom, Laura Downs, Roseanna McArthur, Jim Origliosso, Jim Wiley, Dick Helgeson, and Krista Hince of the EWEB staff; and Ruth Atcherson, minutes recorder for the City of Eugene.

President Farmer convened the Budget Workshop for the Eugene Water & Electric Board (EWEB).

2006 BUDGET DEVELOPMENT AND ASSUMPTIONS:

- **Key Decisions/Actions Influencing Forecast**
- **Changes in 2006-2009 Since Fall 2004**

Facilities Services Supervisor Dick Varner introduced the topic and outlined the process the Budget Workshop would follow. He declared he had slept better after the key decision had been made to base the budget on an 85 percent hydro assumption. He said there was a significant probability that this forecast would be surpassed. He stated that the last rate increase had included an increment for reserve building for the electric utility. This had placed EWEB in a position wherein even if it had only experienced an 85 percent hydro year it would have been building reserves at a rate of \$3 million to \$5 million per year. He noted that information from the Bonneville Power Administration (BPA) on stream flows from 2001 through 2005, tracking flows from January to July on the Columbia River, had determined that flows were only one percent higher than the lowest period on record, 1937 through 1941. EWEB used that period as the planning basis for the 85 percent hydro assumption. He pointed out that the Board had doubled funding from rates for capital in the electric utility, which had set the utility up to better maintain its infrastructure over time.

Mr. Varner highlighted the actions that influenced the budget forecast. He said EWEB's contribution to the Public Employees Retirement System (PERS) costs, originally predicted to increase by five percent, and had actually increased by almost 12 percent. He indicated that this represented between 14 and 17 percent of payroll, but EWEB was paying another 12 percent of payroll above that to fund the unfunded liability. He explained that nearly half of the employer rate was paying for the liability. General Manager Randy Berggren called it a legacy cost as it was paying employees for past service.

Continuing, Mr. Varner stated that EWEB had received an adverse circuit court ruling on its post-retirement medical reforms. He said EWEB would appeal and the forecast assumed that the utility would receive a favorable ruling on appeal. He noted that the impact of that being sustained on appeal had not been factored into the budget forecast.

President Farmer asked why this had not been factored in. Mr. Varner replied that the attorneys believed that EWEB had a strong case on appeal. He said the financial implications of an adverse ruling on the appeal would more than double the unfunded liability, causing the utility to take radical actions to fund it. He anticipated that the court ruling would be rendered some time toward the end of 2006 and then there was a high likelihood it would be submitted to the Supreme Court. Mr. Berggren added that it would not weigh into the current budget and if EWEB had to shoulder such a financial impact, it would be considered and planned for in a long-term contingency plan.

Continuing, Mr. Varner stated that EWEB was in the midst of a year of poor water sales. He related that staff was looking to be more conservative in its sales assumptions in order to balance a budget in a poor year. He predicted that 2005 would wipe out the operating reserve in the water utility should sales continue to be low.

Mr. Varner said wholesale electricity prices were up approximately \$12 per megawatt hour (MWH). He predicted that for 2006 and 2007 the forward prices were \$12 higher than that and EWEB was in the process of hedging its 2006 portfolio and was working on hedging 2007 in order to lock in some of the favorable prices.

Additionally, Mr. Varner remarked that implications of the Carmen-Smith relicensing project were becoming more clearly understood.

- **Forecast Assumptions 2006-2010**

Mr. Varner said staff was building circa three percent per year for pay increases for staff into the forecast. He thought this was reasonable given the national data. He added that retirement costs were a “big deal,” and the full-year effect was predicted to hit in the next year. He stated that EWEB had been putting a little money aside to potentially pay down some of the unfunded liability and the forecast going forward did not plan to add any money to this amount because the increase in the employer rate was more than EWEB had been putting aside. He explained that unless the Board wanted to take a rate action that paid for funding the payments to PERS and putting some extra money aside, it would not be possible. He advised against doing so.

President Farmer observed that choosing inaction could defer the liability to future ratepayers. Mr. Varner responded that absent something, such as a “go go stock market” which would increase the unfunded liability, should the actuarial assumptions be reasonable EWEB would pay the liability down over the next 24 years at a level percentage of payroll.

Mr. Varner averred that medical insurance was “still a worry.” Staff had yet to receive data from EWEB’s insurance consultants regarding the implications of the plan changes made in the previous year. He explained that the utility was keeping to a low to mid-teens percent increase in employee medical costs in the current assumptions. He anticipated that the consultants would be able

to provide more information within the month. Regarding retiree medical costs, he said the assumption was still that EWEB would prevail on appeal. He related that the assumption was that EWEB would continue to put approximately \$1 million aside per year out of the electric and water utilities so that the liability would be funded over the next 20 years.

Mr. Varner predicted a modest one to one-and-a-half percent increase in sales growth for the electric utility. He thought the water utility, based on 2004 actuals, would experience a similar sales growth. He thought using the 85 percent hydro year as an assumption for the electric utility and basing the water utility budget on 2004 actuals would be prudent going forward.

Mr. Varner called the BPA prices an “interesting uncertainty.” He expected the first information on the Safety Net Cost Recovery Adjustment Clause (SNCRAC) and the Financial Based Cost Recovery Adjustment Clause (FBCRAC) to arrive on August 9 and he hoped that within one or two weeks after that the utility would “get a read” on what the current and next year’s Slice True-up would look like. He thought that staff could potentially predict what a rate action for the fall could look like. He said preliminary information indicated either a flat cost or a slight decrease. He surmised that there was potential for another small decrease in the fall. He noted that there was a wide range of uncertainty in the costs, currently predicted to be between \$27 to \$38 per MWH depending upon how much risk the BPA’s customers were willing to take on. EWEB was currently paying approximately \$30 per MWH.

President Farmer asked how much EWEB spent on fuel. Mr. Varner replied that EWEB spent circa \$500,000.

Mr. Varner explained that the forecast assumed the most optimistic timeline for the Carmen-Smith relicensing project, with the license being acquired on schedule in 2008, design work being conducted in 2009, and construction being undertaken and completed between 2010 and 2012. He thought it would cost \$90 million with approximately 20 percent in an equity contribution. He stressed that these were “ballpark numbers.” He added that one big impact of the relicensing would be that the Carmen-Smith facility would not be generating power while improvements were being undertaken, a loss of \$10 million per year to the Operation and Maintenance budget. He said this had caused management to consider building a “war chest” to cover this loss of revenue in addition to the equity contribution.

Regarding the Headquarters Master Plan, Mr. Varner stated that staff was continuing with the assumption that it would not cause a net impact to the budget.

Mr. Varner explained that the budget assumed that EWEB would continue to look for “lost opportunity” renewables. He said the budget contained a \$1.5 million placeholder to cover the above market costs of renewable energy sources. He indicated that EWEB would continue with its five percent conservation policy, as instructed by the Board, with the exception of Weyerhaeuser. He clarified that Weyerhaeuser was obliged to deliver its conservation in MWH and not dollars. He expected that EWEB would continue to participate in the BPA conservation augmentation program

in 2006, though he felt this issue merited more staff discussion. He commented that it was a good program if cash was needed in the short-term, but more questionable in the long-term. It appeared to him that the BPA wanted to pay less for Con-Aug in the out years and this could make it more prudent for EWEB to keep its conservation for itself than it would be to sell it.

- **Goals and Initiatives**

Assistant to the General Manager Debra Smith reviewed the attachment entitled ***2006 Goals and Initiatives***. She said management decided to focus on “not biting off more than it could chew.”

Because of this, the goals and initiatives did not contain a lot of new material. She hoped to change the planning process and cycle so that it would take a more integrated view, with 2006 planned to be a full strategic planning cycle.

Regarding Goal 1, Ms. Smith pointed out that 1.1, the establishment of EWEB’s market position as a value added utility, was a new goal. She explained that it was an acknowledgement that, given the utility’s rate position, it should provide maximum value to its customers. She thought there could be some budgetary implications as it could motivate EWEB to perform additional customer surveys. She said rolling out the “Rely on Us.” campaign into the community was a part of this goal.

Ms. Smith stated that the second goal under Goal 1, having to do with identifying and tracking new technologies, addressed the newer energy technologies in addition to information technologies. She indicated that Goal 1.3 was largely focused on enhancing customer service utilizing the Internet.

Ms. Smith related that Goal 1.4 was new, having been brought forward by the new environmental manager, Steve Newcomb. She said a pilot project that only looked at the Leaburg/Waltermville projects and sought to develop a template that could be used throughout the organization was being developed. She commented that EWEB often spoke of sustainability and maintaining the health of the environment, but EWEB had not, to date, had a way of measuring how it approached project implementation while maintaining alignment to its philosophical underpinnings.

President Farmer remarked that he thought of a goal as being related to an area that needed improvement. He asked if it was felt that EWEB’s operations were not aligned with customer expectations. Ms. Smith responded that staff had been concerned that the utility was not thought of as favorably as it had been before. She attributed this to the rate actions the utility had taken. She thought the benchmark surveys had provided a better idea of how customers felt. Mr. Berggren pointed out that customers continued to give satisfaction ratings of 4 and 5 on a scale of 1 to 5. He did not think, however, that customer expectations of the utility would remain static.

Ms. Smith noted that customer surveys continued to demonstrate a high level of concern for the environment. She felt Goal 1.4 would help EWEB to better align with this customer concern in

the future.

President Farmer remained unconvinced on whether he truly knew what customer expectations were. He suggested that the benchmark survey should be more “hardball.” He thought, given that Goal 1 was weighted at 25 percent of the overall goals for the year, the utility should try to get a better sense of customer expectations. Ms. Smith agreed, but pointed out that the utility had put “a couple of years” into getting better information.

Mr. Berggren observed that while it was one of four goals, it was not likely to be given 25 percent of the resources available.

Vice President Bishop commented that much of customer satisfaction could be measured in the lack of controversy.

In response to Mr. Berggren, President Farmer asked that this item be flagged for further discussion.

Ms. Smith highlighted the second goal, which sought to support excellence in the workforce and to be viewed as an employer of choice. She noted that Goal 2.1 sought to address the need for diversity. She commented that EWEB was losing its diversity, largely through retirement, and wanted to formulate a work plan for this goal. Goal 2.2 addressed the larger issue of retirement and the need to be prepared for the loss of intellectual resources that goes along with it through strategic staffing plans.

Ms. Smith explained that Goal 2.3 was a combination of leadership development as well as training, as EWEB needed to keep providing training to employees.

President Farmer asked if EWEB did not currently consider itself to be an employer of choice and, if so, why. Corporate Services Director Roseanna McArthur responded that in her old capacity as interim human resources manager she had witnessed people turning down jobs at EWEB. She said EWEB now had to reach farther in its recruitment. Mr. Berggren agreed, adding that EWEB was not viewed as being above the curve for journey line technicians, as an example.

Ms. McArthur related that an employee survey had been conducted and over 20 percent of the respondents did not feel comfortable in the work place for a variety of reasons. She surmised from this that EWEB needed to work on the areas of cultural competency.

President Farmer suggested that it would be beneficial to determine how employees of other regional utilities viewed employment at EWEB.

In response to a question from Vice President Bishop, Ms. McArthur said staff had data on recruitment and offered to share it with the Board. President Farmer asked for data on whether there were employees who left EWEB to work for another utility because it was a better place to work.

Ms. McArthur stated that EWEB conducts exit interviews, but the data was subjective and often people hesitated to state honestly why they were departing. She noted that an employee could choose not to engage in an exit interview.

Vice President Bishop remarked that she had heard that people were dissatisfied due to cuts in the benefit package.

Mr. Berggren suggested that this goal be flagged for further discussion.

Ms. Smith reviewed Goal 3, which focused on maintaining a stable and diverse source of supply for electricity and water. She noted that Goal 3.2, to develop and submit the Carmen-Smith relicensing application, was a short-term goal because it was unknown as to how it would pan out beyond that step.

President Farmer asked how staff was defining 'stable.' Mr. Varner replied that a stable source was one that was available on demand to meet customer needs so that the utility would not have to pay "a fortune" for power or find itself in a water curtailment situation.

President Farmer did not like the use of the word 'maintain' in the words of a goal, as a goal should seek to make something better and not just maintain it.

Ms. Smith highlighted Goal 4, which sought to stabilize customer rates and funding for operations. She averred that Goal 4.1, the development of a long-term strategy to address financial uncertainties, was part of stabilization of rates. She said the Board would be presented a model of a strategy in September and that the emphasis in 2006 would be to use that model to make some key decisions.

Mr. Berggren underscored that there was no way to keep rates from increasing, but it was important to provide stability by trending the increases and removing the volatility from the rates.

President Farmer related that he preferred to think on how much other utility's rates were increasing in comparison to EWEB.

Regarding Goal 4.2, Electric Division Director Jim Wiley explained that part of this goal was the development of a measuring system for the planning of the work. He explained that it had been frustrating to have to come before the Board with seven budget amendments over the course of 2005. He predicted that this initiative would take more than a year. Ms Smith added that one reason more budget amendments had come before the Board was that staff was more on top of such things.

Ms. Smith said Goal 4.3 related to the Water Master Plan that would be presented to the Board in the fall. She remarked that the plan was not new, but it was newly included with this particular goal.

Ms. Smith noted that Goal 4.4, the development of a Headquarters Master Plan, would not be completed in 2005.

Vice President Bishop asked that Goal 4.4 be placed in the “parking lot” for further discussion given that it would not be completed. Mr. Berggren stated that the Board meeting scheduled for the following evening would focus on this.

- **Electric Forecast 2006-2015**

Mr. Varner stated that the addition to reserves would exceed the projected amount at the end of 2005 and that the debt to assets ratio and service coverage “looked good.” He predicted that these budgetary elements would continue to look good in the years 2006 to 2010. He noted that the chart, contained in the *July Financial Work Session* attachment, added in the equity contribution for years 2009 and 2010. He explained that the reason the debt to assets ration did not decline from 2006 to 2007 because of a new accounting standard EWEB had to implement in that timeframe wherein the unfunded medical liability had to be included on the balance sheet. He clarified that it increased both the assets and the liabilities.

Commissioner Simpson asked why the utility would not begin its equity contribution prior to 2009. Mr. Varner responded that in the best of cases 2009 was the projected year to begin design work for the Carmen-Smith project. He said the assumption was that the utility would be contributing 20 percent of the capital costs of the actual improvements out of its cash. He noted that the reserve was projected to reach \$57 million by 2009 and in 2010 the utility would begin to draw on the reserves.

President Farmer asked what would cause the jump in the level of reserve funds in 2007. Mr. Varner replied that the utility would already have sold forward a fair amount of the 2006 surplus during 2005. He said the utility would not see the jump in forward prices as much in 2006 as they did in 2007. He explained that staff was doing its best to lock in the extra \$3 million in higher energy prices with hedging underneath.

President Farmer said he was accustomed to seeing a gross margin. Mr. Varner suggested that the forecast could be represented in the same way that staff had presented the budget during the last round of budget planning. He felt it was easier to see the gross margin with the other expenses below it. President Farmer averred it was easier to understand a gross margin when it was also presented as a percentage of revenue.

In response to a question from Commissioner Simpson, Mr. Varner explained that the payments to the Lane Electric Cooperative (LEC) were part of the agreement to purchase the Willow Creek area. He said EWEB had agreed to pay 8 percent of the revenues from that area to LEC and this agreement would be completed in 2009. He noted that the dollar amount was large because Hynix Semiconductor Incorporated was located in that area.

Mr. Varner suggested that the Board might want to consider thinking about making the 2008 rate increase a little larger in order to build funds to mitigate increases that were projected to occur in 2010 and 2012. He thought this could also aid in building the “war chest” to address the needs of the Carmen-Smith relicensing project.

Ms. Smith underscored the importance of understanding that what was being presented was the “medium case scenario.” She said the “most likely scenario” was in development would create a different set of numbers for the outer years though the first five years would remain mostly stable.

President Farmer related that he had attended a class at the recent American Public Power Association (APPA) conference that presented empirical data indicating public acceptance for rate increases. He said it was possible to raise rates by a larger percentage provided this was meted out over several years, i.e. a 10 percent increase parsed into 2.5 percent increases over four years.

Mr. Varner agreed. He suggested that the Board and management discuss the merits of annual or biannual increases.

Vice President Bishop wished to “parking lot” this issue for further discussion.

In conclusion, Mr. Varner remained open to the possibility that further information in regard to the Carmen-Smith relicensing project could lead to a determination that reserve funding should be greater than \$50 million going into it.

In response to a question from Vice President Bishop, Mr. Varner stated that construction at the Waltherville/Leaburg facility transpired over the course of two years.

- **Water Forecast 2006-2010**

Mr. Varner said when the water utility had a good-sized operating reserve, it had one to two years of latitude for a lean water year. He stated that given what the utility had experienced in 2004 and that it was currently 6 or 7 percent below the 2005 forecast. He thought the forecasted sales would be under-run by 10 percent.

Commissioner Simpson suggested that this could be cause for conservation proponents to celebrate. Mr. Berggren responded that the drop in sales was not a result of conservation; rather it had resulted from the climate change and other factors that changed the traditional patterns of revenue. He remarked that conservationists could celebrate in theory, but they could not take credit for the drop in sales. He felt it indicated that the utility should change its base line projection for budgeting purposes as it had with the electric utility.

Water & Steam Division Director Tom. Buckhouse added that, unlike the electric utility, the water utility did not save on the purchase side nor did it sell excess water. He said selling 700 million gallons less in the first six months had hurt the bottom line. Mr. Varner noted that one Kilogallon sold for \$1, and it cost seven to 10 cents to produce it.

President Farmer asked if there was potential to have excess sales. Mr. Buckhouse replied that EWEB could not sell its excess because of the rules given to EWEB by the City Council. He thought this could change with the planning work of the Region 2050 group.

Commissioner Simpson asked if this was a result of people consuming less water. Mr. Berggren responded that it was purely the result of less irrigation due to the late rains in the season. Mr. Buckhouse explained that EWEB was usually selling 50 million gallons per day through the summer and it had only just reached that level two days earlier.

Mr. Varner said EWEB was looking at a substantial rate increase for the water utility in the spring, a good portion of which would seek to lower expectations for sales in addition to mitigating cost escalation.

Continuing, Mr. Varner stated that as the utility had refinanced the bonds for 2000, it saved some money on debt service but it also meant that the utility was not paying money out of its capital reserve to pay for debt service. He said those two things offset "a lot." He explained that the utility originally planned to pay for things that were going to come out of systems development charges (SDCs) and draw money out of the SDC reserves when it had issued the 2000 bonds. He said that, in fact, the utility had paid for part of the things that were going to come out of the SDCs, but some things had come in much cheaper. Some of the bond money had been used to fund things that were normally paid for out of rates, building up some of the capital reserve for the water utility. He noted that the last time a rate increase had been enacted, it had not been increased to cover the full amount of debt service, but rather it had drawn on the capital reserve. He stated that with the refinancing it was no longer necessary to draw on the capital reserve, which provided a small increment for capital in 2006. In looking at the Water Master Plan, he observed, it might not be as much as the plan would call for. He thought that unless the Board was willing to take a rate action in excess of 10 percent, the water utility may need to draw on the capital reserve in the early years to keep the plan going.

Mr. Varner clarified, for President Farmer, that "other income" included the billing fee to the City for its sewer billing, hook up fees, account processing fees, among others.

President Farmer asked who set the SDC amounts. Mr. Varner replied that this was the responsibility of the Board. He said a proposal would come before the Board in August for its first public hearing and for action on October 4 on the rates for 2006. He noted that staff had already spoken with the Home Builders Association regarding the SDC rates and no issues had been raised.

Vice President Bishop asked that water rates charged to other water districts be placed in the "parking lot" for future discussion.

- **Budget Targets 2006**
- **Budget Assumptions 2006**

Mr. Varner said from a staff perspective it would be reasonable to bring a 2006 budget forward that would be funded by a 5.5 percent rate increase in May of 2006 and that would pass through any BPA rate actions. He projected that this would provide approximately \$6.5 million additionally to the reserve funds in 2006, would show at least three times the debt service coverage on a *pro forma* basis, and would get the debt to assets ratio under 60 percent on a *pro forma* basis.

Mr. Varner affirmed, for President Farmer, that going forward to 2008 and 2009, a 5.5 percent increase would generate an additional \$8 million in reserves.

Mr. Varner asked the Board if this increase was within their “realm of comfort.”

Commissioner Menegat indicated he was comfortable with this rate increase. He recalled that the Board and staff had talked earlier of a 3.7 percent operations and maintenance (O & M) increase for May of 2006. Mr. Varner replied that the increase originally had factored in a 5.5 percent increase to cover O&M costs and debt service and a small reduction that was a BPA pass through, netting a 3.7 percent increase. He underscored that the 5.5 percent number was the same number that had been discussed the previous year.

Commissioner Menegat observed that the utility had been looking at a \$13 million power reserve, reduced by \$2 million due to the Weyerhaeuser contract. He asked if that reduction carried through 2010. Mr. Varner affirmed that it did and the \$50 million reserve target was actually \$48.9 million as a result.

Vice President Bishop felt some discomfort with a 5.5 percent rate increase. She wished to see more justification for such a large increase.

Commissioner Simpson asked if some of the increase would be saved for the Carmen-Smith project. Mr. Varner replied that it did not directly go to it, but over time it would buffer the capital program and help keep the Carmen-Smith project from impacting it. He added that a normal hydro year would provide the Board the “happy choice” of placing some of the money in reserve for the Carmen-Smith project.

Commissioner Simpson indicated that he was generally comfortable with the forecast.

President Farmer concurred. He added that he wanted to level out rate increases and make them more frequent and smaller. He asked that the Board discuss this issue further.

Commissioner Simpson supported making even annual rate increases.

Vice President Bishop asked if the water utility had an assumption it based its budget on. Mr. Varner responded that just as the issue had been faced in the fall of 2004 for the electric utility, the water utility also had to face the issue of what to base its budget on given the changes in water usage caused by changes in weather. He averred that one could not plan for average weather when the money was not in the bank to back it up.

Commissioner Simpson asked for a historical perspective on water supply and demand. Mr. Buckhouse said staff would do so. He reiterated that the water utility had faced revenue shortfalls for two consecutive years and would be at the end of its reserves at the end of 2005. He noted that EWEB had started July 680 million gallons behind and by July 15, the utility was 770 million gallons behind. While the utility was now at the point where it was gaining circa one or two million gallons per day, he averred with less than 700 days left in the year there would be no way the revenue could recover.

Vice President Bishop wished to see more data on the climate change. Mr. Varner replied that there was some information available from the Climate Center at the University of Washington.

- **Wrap-up**
- **Schedule/Next Steps**

Mr. Varner stated that staff would compile the notes and provide a summation of the budget workshop over the next two weeks. He asked that Commissioners provide feedback if they could.

Mr. Varner said staff would return in September 2005, with the draft Capital plans. He noted that anything that rose out of the Capital Plan work or the budget development that was substantially different from the financial picture would be flagged for the Board. He stated that four to eight hours would be set-aside in October to review the draft budget. Staff would then present the draft budget on November 4, followed by public hearings on November 15 and December 6. He indicated that it was hoped the budget would be adopted after the December 6 public hearing.

President Farmer asked how the “parking lot” issues would be worked into the Board meetings. Mr. Varner responded that staff would try to work those items into meetings on September 20 and the October 19 workshop.

With that the Budget Workshop was closed. President Farmer noted that Vice President Bishop had one additional item she wished to bring to the attention of the Board.

Vice President Bishop stated that people had arrived at 7:15 p.m. to speak during the Public Input section of the meeting regarding the College Hill reservoir. She related that members of the Temple family wanted to convey their opposition to the planned fencing of the reservoir. She said they would submit their testimony in writing. She had encouraged the Temples to come back before the Board with other creative solutions and they had informed her that neighbors were gathering to form some proposals.

Mr. Buckhouse acknowledged that the neighbors were meeting on July 25 and had specifically requested that no EWEB staff attend. He said staff had been invited to attend another meeting on August 8.

In response to a question from President Farmer, Mr. Buckhouse explained that all EWEB planned to fence were the tops of the two reservoirs. He underscored that the tops were most vulnerable. He offered to provide a diagram of the layout of the property and pictures.

Mr. Berggren surmised from comments that the neighborhood residents thought EWEB would fence off the entire area.

Commissioner Simpson commented that should EWEB consider putting in a ramp, the estimated expenses would need to be known. He believed that it should either be fenced off or somehow improved.

President Farmer related that he had not been contacted by anyone regarding this issue. He opined that fencing only the tops of the reservoirs would not prevent use of the area and that stargazing was not greatly enhanced by being 15 feet closer to the stars.

Mr. Buckhouse underscored that it was not a matter of money, it was a matter of safety of the water supply. He felt this was the single driving force for the fencing project.

Vice President Bishop asserted that the community had not been adequately informed.

President Farmer reiterated that EWEB did not want people on top of the reservoir.

Commissioner Simpson remarked that while it was sad to close the reservoirs, he understood that it had to be closed. He recalled one statement that had been told to him of the reservoir roof flexing under the weight of a large group of people. He said that statement alone made him want to close the reservoir tops.

President Farmer adjourned the meeting at 9:35 p.m.

Assistant Secretary

President