

EUGENE WATER & ELECTRIC BOARD
WORK SESSION
EWEB BOARD ROOM
500 E. 4TH AVENUE
JULY 26, 2005
5:30 P.M.

Board Members present: Ron Farmer, Sandra Bishop, Mel Menegat, John Simpson, and Patrick Lanning.

Others present: Randy Berggren, Debra Smith, Dick Helgeson, Dick Varner, Jim Wiley, Tom Buckhouse, Mel Damewood (by phone), Marty Douglass, Jim Origliosso, Roseanna McArthur, and Krista Hince of the EWEB staff; Eric Gunderson and Mark Young, WBSG Architect Consultants; and Joe Sams, City of Eugene Minutes Recorder.

INTRODUCTIONS

President Farmer convened the meeting at 5:30 pm.

Debra Smith, Assistant to the General Manager, noted that there was a full meeting agenda for the evening. She said the goal was to reach consensus on issues but noted that, in the interests of meeting progress, some issues might be postponed to a later date.

Vice President Bishop and Commissioner Simpson had asked what the purpose of the information being presented was. Ms. Smith said, from staff's perspective, time would best be spent looking at options for a split operations scenario. She said a split operations scenario could also be viewed as a phased development approach and noted that there were various ways to phase a split operations scenario.

COMMENTS FROM BOARD REPRESENTATIVES

Commissioner Menegat commented that the process had begun by defining who/what EWEB was regarding goals and values. He said there was an underlying need for operational efficiency in the move and to look at options that had not been discussed before. Regarding costs, he said there was some concern over the financial ability of moving the utility and again stressed the need for operational efficiency in the utility. He remarked that he had been impressed by the level of cooperation among the participants so far and added that staff had put in a tremendous amount of work in developing the plan.

Commissioner Simpson noted that the Master Plan Headquarters Group had attended two forums in February to learn about Green Building Practices, Vision and Oversight. He took the opportunity to thank all staff in the organization that had participated so far.

BUILDING FOR THE FUTURE

Consultant Eric Gunderson expressed his appreciation for the Board to dedicate an entire meeting to the subject. He expressed his desire to give the Board the level of information that it was seeking.

Regarding building for the future, Mr. Gunderson explained that one issue would be to check if more capacity were needed. He said that designing for current space assumed that existing utilities were adequate and noted that there were some current deficits in workspace. He said the utility's goal was to have room for at least ten years of growth before thinking about expanding again. He noted that it was hard to predict for more than ten years and remarked that flexibility for the future was the most important thing to remember. He noted that thinking in a timeframe of less than ten years was not economical.

Showing an overhead photo of the Lane Transit District Glenwood site, Mr. Gunderson outlined the planning that had gone on for that utility as an example of planning for the future. He said the utility was designed for ten years of growth with a 2.5 percent annual growth figure used as a basis to establish space needs. He asked for input from the Commissioner about building for the future.

President Farmer said a comparison with the LTD utility made very little sense. He commented that LTD had a large potential curve for growth and said EWEB's growth would be flat at best. He said electricity was already being supplied for the development inside its service area. He said he did not see the need to assume a lot of future growth. He added that a project should not be designed to be 'constantly building' but should have the ability to build with growth.

Commissioner Lanning commented that any organization the size of EWEB was not based on growth but was based on development and meeting the needs of the community.

Mel Damewood, Master Plan Project Manager, said the question he needed to have a clear answer regarding whether a new utility should be built for current needs or whether it should be built to 2020 projections.

Commissioner Menegat said the main question was whether to build for existing needs or projected needs for 2020.

President Farmer agreed that the project needed to be built to the needs of 2020 but said he disagreed about what those needs would be.

Vice President Bishop said it would not make sense not to build for the future. She agreed that it was not efficient to build in phases but noted that if the full funding was not available then building in phases might be necessary. She said 15 to 20 years seemed to be a reasonable window for design planning.

President Farmer agreed with Vice President Bishop and reiterated Commissioner Simpson's comment about designing a utility that the utility could afford.

Commissioner Menegat commented that his statement about rates would not be raised to finance the move was made within the context of the purchase offer made by McKenzie Willamette/Triad. He said he was not in a position to say he would never raise rates if that were needed to complete the move.

Vice President Bishop agreed and added that she had not yet considered rates outside of that context.

Commissioner Simpson also agreed but stressed that rates were not an aspect of the move when applied to deferred maintenance of the current utility that had been put off for over five years. He said he would not consider that part of the cost of the move.

FULL-TIME EMPLOYEES (FTE)

General Manager Randy Berggren said the current FTE for the utility was 480 people. He noted that this was less staff than the utility had 25 years previously. He said the question was still open whether the number of staff would be reduced or increased in the next 25 years.

Mr. Berggren said a number of program interviews had been made in each work section to determine staff needs for the future. He said projections had been made for 2020. He said there were two ways to view growth trends. The first was how growth trends related to a community view of growth and then growth trends as they were related to different work sections of the utility. He said the purpose of the program interviews had been to get some sense of future staff requirements. He said initial FTE count for 2020 was 680 FTE. He said that was not consistent with any of the data in long-term financial planning and noted that all of the sections had been interviewed for a second time and the resulting number was 575 FTE and said that number was supported by hard data.

Showing an overhead chart on Program Space Summary, Mr. Berggren said FTE was not the root topic that needed to be discussed. He said space requirements were also important. He noted that the Electric Utility had a substantial projected increase in employees but a projected reduction in space needs. He called attention to the Customer and Financial Services Division which had a 30 percent projected increase in employees but had only projected an extra 1,000 square feet of space. He said the result was that there was a 19 percent projected increase in FTE with a 16 percent projected increase in space needs for 2020. He said 30,000 square feet of the projected space needs for 2020 were shared utilities such as bathrooms, hallways, and conference rooms. He said FTE's were not the leading issue and said if the goal was to cut costs then projected FTE cuts were a place to look rather than looking at the factors for space requirements of new utility.

Ms. Smith said it was important to note that there was further review going on. She said the numbers being presented were being used as an example with consistent figures. She said ways to reduce some of the numbers had already been found.

Mr. Gunderson said it was a useful exercise to look at current space needs and compare it to future projections. He raised concern over getting too detailed in how growth projections were compared and said it would be an inexact science. He said an assumption of a 16 percent increase in space capacity would be accurate for the discussion.

Showing a graph of Eugene Population Projections until 2020, Mr. Gunderson said there was a 17 percent population growth projected. He said the data came from the Region 2050 Plan. He said there was some question whether population growth would affect future FTE counts but said he wanted the FTE projections to be in sync with general population trends.

President Farmer commented that the numbers from the urban growth scenario did not match EWEB's footprint numbers at all. He said the current service footprint was not the same number as the figure being used in population for the area.

Mr. Berggren said staff would do further research if so directed but stressed that the numbers presented were simply a reference. He said the intent was to show near and long-term projections for FTE and space requirements. He acknowledged that there was not a direct correlation between FTE growth and space needs for the current utility.

Mr. Gunderson said the increase in area would be greater with a split utility because of some functions that would need to be repeated at both utilities. He said the key point was that projected real growth of the utility was based on a key space shortage in the current utility and not projected additional employees. He cited fleet maintenance as an example of a part of the utility that was undersized.

President Farmer reiterated to Mr. Berggren that using FTE was not a good way to project future space needs. He said potential development in the community was the best way to project future space needs. He said he would challenge anyone to show him how there would be significant urban growth in EWEB's service area since there were regulations in place that prevented it.

Ms. Smith acknowledged President Farmer's comments but said staff was trying to work with a consistent set of assumptions when planning a new utility. She said those assumptions included compact urban growth and she would not feel comfortable bringing in a proposal that did not use those same assumptions.

President Farmer said he would much rather create a financial position that would 'hedge the bet'. He said the new site had the potential for a utility twice as large as what was currently being used. He said he did not want to build the utility to a future projection that was not going to happen.

In response to a question from Vice President Bishop regarding when the last time square footage had been added to the utility, Mr. Berggren said in 1988 an equipment repair building had been added and noted that there was also a building expansion to the fleet maintenance shop. He noted that one was a new building and one was an expansion of an existing building.

Vice President Bishop acknowledged that the expansion projections were making up for expansions that had not been made for existing needs. She commented that the projections were catching up with current needs.

In response to a question from Commissioner Simpson regarding the initial meetings where there had been discussion on maximizing the use of multi-use rooms that would be needed in the new utility, Mr. Gunderson used conference rooms as an example. He said a spreadsheet was being developed to determine each work section's need for conference rooms with the idea of using the rooms as a common resource.

Commissioner Simpson noted that there were some spaces that could be used for multiple functions by different work groups. Mr. Gunderson acknowledged there were some rooms that were designed for multiple uses. Using the incident command center as an example, Mr. Young added that there was no square footage assigned to the room because two conference rooms or the training room would be used. He noted that crew rooms could also be used as conference rooms. As a further example, Mr. Gunderson noted that multiple crew rooms could be opened up to create larger training areas that would eliminate the need for building a training utility.

In response to a question from Vice President Bishop regarding the number of employees that would be moved if the split operations option were chosen, Ms. Smith said it would be approximately 50 percent.

SPACE ALLOCATIONS

Showing diagrams of typical office configurations, Mr. Gunderson noted that office space shown compared with the DAS Standard Office Sizes. He stressed that the projected office sizes were not extravagant or oversized.

Ms. Smith said the proposed office sizes were based on the work being done. She added that current office sizes varied considerably because of the efforts to fit in additional employees where needed.

Mr. Gunderson showed slides of existing conditions at the EWEB utility. He noted that there were major space issues with the Heavy Vehicle repair bays. He showed photo examples of adequate vehicle repair bay features. He noted that wash bays would be enclosed with an improved process of recycling water and separating pollutants.

Showing vehicle shelters, Mr. Gunderson stressed that there was a practical maintenance reason for sheltering fleet trucks. He said serious wear occurred when vehicles were constantly exposed to the elements.

Mr. Gunderson concluded that there were a number of existing utilities that did not meet current needs and needed to be expanded.

In response to a question from Vice President Bishop regarding if there was a possibility of shared equipment with other divisions, Mr. Berggren said it was possible but stressed that every piece of equipment had a specific application. He added that utilities were reluctant to loan out vehicles without the attending crews because of the potential for vehicle damage.

President Farmer commented that there was not much option between the worst-case scenario and the best-case scenario. He said there should be options presented that were between the worst-case scenario and the extravagant option. He said he wanted to see an objective view of what kind of equipment was needed.

Mr. Gunderson said there was a budget amount established for needed equipment. He said there were capital expenditure placeholders for needed equipment as well as needed space projections for the new utility.

President Farmer stressed the importance of not consolidating projected costs so much that people did not know what was being done. He said if the public was being asked to pay more for the utility then there needed to be an honest assessment of new equipment that was needed.

Ms. Smith said more specific financial details would be shown later in the meeting.

Mr. Berggren said there was a basic assumption that a great deal of equipment would be reused and only equipment that could not be moved would be replaced. He stressed that the projected cost figures shown had not been translated into design specifics. He said staff had wanted to involve the Commissioners early in the process before the numbers were refined.

SPLIT ACCOMMODATIONS VERSUS COMBINED

Mr. Damewood said staff had gone through a process where each section had been reviewed and asked how a split utility affected their operation and whether it would be appropriate to operate at the new or the current utility. He said the field crews would move to the new location in a split operation. He outlined examples of work groups who would move to the new site and noted that Human Resources, Information Services and Purchasing would have to operate at both sites.

Mr. Damewood said the initial decisions about who would move to the new site were based on the best operational efficiency into the future. He stressed that the decisions regarding who would move had been well thought out.

In response to a question from Vice President Bishop regarding the Power Resources Division, Mr. Damewood said the bulk of the Division would stay at the administration, (current) site.

In response to a question from Vice President Bishop regarding customer service at the new site, Mr. Damewood said that no customer service utilities were planned for the new site since it would be less efficient to run a shift at both sites. He said the other reason for keeping customer service at the current utility was that it was easier to secure the new utility if there were no walk in customers.

In response to a question from Commissioner Simpson regarding major generation project management and why it could not stay at the downtown location, Mr. Damewood said major generation was associated with projects at Carmen Smith and Leaburg/Waltermville and it was important to have that presence at the new site because it was near the rest of the engineers and others that were involved.

In response to a question from Commissioner Simpson regarding the reason why Environmental Management and Property Management would go to the new utility, Mr. Damewood said Environmental Management worked very closely with distribution, constructions crews, and water operations. He added that Property Management worked closely with engineers.

Ms. Smith added that the proposed recommendation for a split operation was staff's initial proposal. She acknowledged that there could be multiple variations to the initial recommendation.

In response to a question from President Farmer regarding how much square footage would be abandoned in the current headquarters building if the recommended departments were moved to the new utility, Mr. Gunderson said it would be approximately 15,000 square feet.

In response to a question from President Farmer regarding the reasoning behind the \$5.7 million figure for converting the emptied space, Mr. Damewood said the figure was mentioned to include costs for converting/rehabilitating part of the north building to house some of the features that were located in buildings recommended for demolition such as shower utilities and locker utilities. He added that the cost also included rehabilitating the buildings up to the level that new buildings would provide. He stressed that much of those costs were discretionary.

In response to a question from President Farmer regarding the difference in cost estimate in the appraisal done by Michael Roberts that amounted to \$1.1 million, Mr. Damewood said that was comparing apples and oranges. He said part of the \$5.7 million included moving emergency generation utilities and support services that were currently located in the Operations building that was scheduled to be demolished.

President Farmer reiterated that consolidated costs in the staff reports made it very difficult for the Commissioners to offer educated feedback and make decisions. He encouraged staff to not roll costs into one big number.

Ms. Smith said the specific work that needed to be done had not been priced out yet. She said there were individual projects that would be specifically costed out and brought before the Commissioners. President Farmer reiterated Commissioner Simpson's remark regarding validating who moved to the new utility. He commented that he would need to be convinced that the projections about who would be moving to the new utility were human nature impacts rather than actual needs.

Mr. Damewood said if people were erring on the side of human nature they would opt for staying at the downtown utility rather than moving to the new utility.

President Farmer called for a five-minute break.

QUALITY

Mr. Gunderson outlined the assumptions made about the level of quality desired for the new utility given the goals identified in the green forum workshops. Those assumptions were:

Administration

- Preliminary Conventional Foundation
- Exposed concrete frame, thermal mass
- Maximize open plan offices
- "Lean Finishes" raised floor
- Operable louvers for ventilation
- Lots of daylighting

Operations

- Mixed uses = mixed systems, some office, some shop
- Steel frame roof, concrete first and second floor
- Shop areas concrete masonry walls
- Industrial utilities (air, power, drainage, etc)

Fleet & Warehouse

- Structures Simple, concrete floors, steel roof, masonry
- Fleet has piped fluid systems, cranes, equipment power
- High ceilings
- Natural light and ventilation

In response to a question from President Farmer regarding whether there were any assumptions that would change under a split operations option, Mr. Gunderson said the change would be the absence of the administration building on the new site.

In response to a question from President Farmer regarding space needed for duplicate services on the new site, Mr. Gunderson said the current thinking was that the duplicate space would be located in the Operations building.

In response to a question from Commissioner Simpson regarding whether there would have to be deconstruction at the new site when the administration portion of the utility was eventually moved, Mr. Gunderson said, so far, the design had preserved a new investment in buildings so nothing would have to be torn down but acknowledged that there was still some work to be done regarding how that would all work when administration was moved to the new site. Mr. Young added that the Administration building would be a separate building. He said adding to an existing building on the site would add more costs. Ms. Smith said in a phased approach they front loaded some costs. She said the Operations Building would be a little larger to house some of the duplicate services and the later added Administration Building would be slightly smaller for the same reason. She said the specifics had not yet been defined.

Mr. Gunderson showed photo examples of utilities that used the building materials outlined above.

Commissioner Lanning left the meeting at 8 pm.

Commissioner Simpson said he advocated the proposed appearance but did not want the building to be drafty or uncomfortable. He raised concern over harsh acoustics in the building. He said the building should be an educational tool where the environmental control system and energy efficient mechanisms were brought to light but reiterated his concern over harsh acoustical sounds.

Mr. Gunderson said acoustical metal decking or other measures could address acoustics. President Farmer pointed out the examples being shown was for administration buildings. He added that he had no desire to see a \$275 per square foot building. He expressed his preference for \$140 per square foot.

SUSTAINABILITY

Consultant Mark Young defined sustainable design philosophy as: “. . . a design philosophy that seeks to maximize the quality of the built environment while minimizing or eliminating the negative impact to the natural environment.” He added that the purpose was not just to reduce environmental impact but also to increase the quality and function of the workspaces.

Mr. Young said sustainable design included how the buildings were situated, the quality of storm water runoff, building materials and whether they were recycled, energy efficiency and indoor environmental quality such as paints and finishes that did not create toxic fumes. He showed photo examples of LEED certified sustainable strategies.

Ms. Smith said specific sustainability measures had not yet been designed for the new utility

but said a high/low range had been established. She said the high ranges would represent the cost of a LEED Platinum building whereas the low range would represent the requirements for minimum certification.

Mr. Young clarified that LEED was a nationally recognized third party measuring system of sustainable building practices.

Vice President Bishop said one challenge would be to weigh having sustainable building standards and then communicating the value of those standards to customers. She expressed a hope that the economics of sustainable strategies would result in less energy use and cost savings over time.

Mr. Young said energy modeling would be a part of the process. He said a computer model would establish the payback period for sustainable building strategies that were used for the new utility.

Ms. Smith said Energy Management Services employees had been actively involved in design work for the new utility. She said EWEB should practice what it advocated in the community regarding sustainable practices.

Mr. Young said there were some basic assumptions that would save energy without adding costs to the building such as windows that were placed at the angle with the right glazing that would reduce need for electric lighting and heating. He said integrated design meant that building design and inside systems were designed together. In addition, he noted that it was often less expensive to treat storm water on site. He went on to show photo examples of sustainable practices.

Commissioner Simpson said there was no doubt that EWEB's ethics was in parallel with sustainable design and added that customer surveys showed that sustainable practices were a value that EWEB customers appreciated. He stressed the importance of taking a leadership role in the community in using sustainable practices when constructing the new utility. He said this would attract employees who desired to work in such an environment. He said the functionality of that type of sustainability was invisible and stressed the importance of making as much of those practices as visible to the public as possible. He said any visitor to the utility should be able to readily see how much energy the building practices used on the utility was saving. He said he believed strongly in public art but that did not necessarily mean paintings on the walls but could mean a tastefully designed storm water collection system.

President Farmer noted that, in a split move, the general public would not be visiting the new utility on a regular basis.

Mr. Berggren said there would be very little need for public access at the new utility.

Commissioner Simpson maintained that some sustainable features could be located where the

public could see them.

In response to a question from President Farmer regarding the distinction between using sustainable practices and the payback for the savings, Mr. Young said it would vary but noted that longer-term paybacks for public buildings were more acceptable than private industry. He said a ten to twenty year standard would be acceptable.

President Farmer stressed that if the utility could not afford to pay for the strategies then they were not sustainable.

COST ESTIMATE

In response to a question from Vice President Bishop regarding the feasibility of a phased development, Mr. Berggren said there were options to phasing. He said there could be savings gained by delaying the move of some parts of the utility. He said a rate action would probably have to be considered if the entire move were to happen in the next ten years. He acknowledged that this could be disproved but said questions of value and sustainability would become harder. He said it was entirely possible to get the move done with a rate increase of less than one percent. He stressed the need for direction from the Commissioners so staff could focus their efforts on one option and develop specific details. He reiterated that there was nothing foreseen in the next ten years that would indicate making a move any easier.

Vice President Bishop said spending more money on looking at a combined operations move did not make sense but said there should be some preliminary design for a headquarters building to be constructed later.

Mr. Berggren said he would not build the new utility without maintaining the ability to move the utility's administration to the site at a later date.

FUNDING

Fiscal Services Supervisor Dick Varner outlined options for funding the move. He noted that there was an offer for purchase of the current site and the possibility of refinancing existing debt service without changing the existing rates.

Mr. Varner called attention to an overhead spreadsheet showing cost figures for financing the construction of a new utility and a partial move. He said if work started immediately and the utility was ready to move into the new utility in 2008 there would be a \$29.3 million funding gap that would have to be covered by another funding source. He said rates would be affected by less than two percent.

Mr. Varner also showed cost projection figures for the building in 2011 with no property appreciation as well as *with* property appreciation. He noted that there would still be a 1-1.7 percent rate increase. He noted that the escalation in property value and the escalation in costs were roughly the same.

In response to a question from President Farmer regarding the assumptions for property sale and how the numbers were chosen, Mr. Varner said the Triad offer had been used and the appraisal information had been used to proportion that between the operations yard and the headquarters utility.

Vice President Bishop said she did not anticipate looking at a rate increase any time in the immediate future. She said the offers for the property were too low and stressed that appraisal numbers were not market value numbers. She said she would be pushing for getting the full value out of the land. She suggested that individual parcels could be sold that would amount to more than the entire site cost.

Mr. Berggren said even if the property value went up 20-40 percent the added value would still not cover the cost gap of financing the move to a new site.

President Farmer commented that even if the price were doubled there would still be a cost gap that would have to be dealt with. He stressed that the property value would not cover the costs of moving the utility.

Mr. Varner added that even using a 2005-08 timeframe, 40 percent of the useful life of the current building would be used up and it would be very difficult to get complete building replacement costs for the new site by selling the old site.

Mr. Berggren said the opportunity/timing for making the decision to sell later did not get any better. He said costs would escalate at a similar rate as land appreciation. He said there was no obvious advantage to waiting to sell. He said, under those circumstances, a split operations concept began to look better than combined operations.

Mr. Berggren shared Vice President Bishop's concern over market value but stressed that the Commissioners should not say that rates would not be raised. He stressed that for ten years the Commissioners did not raise rates to meet the needs of the utility and now had to address those deferred costs. He also stressed that there was a cost to maintaining buildings and continuing services. He cautioned the Commissioners to not say rates were never going to be raised.

CONCLUSION

Vice President Bishop said the only practical thing to do was to scale back the design. She said she did not have questions about the assumptions that had been made but reiterated that the design would have to be scaled down.

Mr. Berggren said, given the desire for split operations, staff would begin to develop a strategic approach for that option that could happen over a specific period of time.

Vice President Bishop stressed the need for safe working environments for employees as well as efficient operations. She raised concern over environmental constraints on the site.

Mr. Berggren said there was a high degree of knowledge regarding the constraints on the site that came out of the due diligence process.

Vice President Bishop said moving the heavy industrial portions of the utility to the new site was the most pressing need.

In response to a question from President Farmer regarding how the need to borrow the funding to pay for the move would affect the work on the Carmen Smith Project, Mr. Varner said his preference would be to borrow on the low end of the estimate until Carmen Smith was completed. He said this also argued for a split operation.

In response to a question from President Farmer regarding whether the financing would create any difficulty in dealing with the Carmen Smith project, Mr. Varner said it would work unless there were unforeseen serious difficulties with the Carmen Smith Project.

President Farmer said he was in favor of continuing both sides of the study regarding the move. He said if there was a willing buyer for the property then a deal was probable. He said he would be willing to accept a small rate increase if it meant all new utilities on the new site. He said a less than two percent rate increase was worth having all new utilities. He said he did not buy the growth assumptions about what would be happening in 2020. He expressed his confidence that a higher price for the current site could be attained. He commented that there was not much difference in rate impact between a split operations option and a combined operations option but said he was not necessarily against split operations. He stressed the importance of building what the utility could afford.

Commissioner Menegat said he did not disagree with the idea of continuing to study the option of a combined operation. He said it was important to have a more specific cost estimate in terms of combined operations. He said doing things right might be a little more expensive but raised concern making cuts in costs before knowing what was actually needed.

Concerning FTE, Commissioner Menegat raised concern with discounting the staff work that had been done. He said he did not want to find himself second guessing staff. He expressed a hope that there would be more information to support the staff recommendations.

Commissioner Simpson said he wanted to see both numbers between split and combined operations. He said he recognized that if it came to a rate action, the difference between split and combined operations would be a small matter but stressed that it was more than a financial decision. He said there was also the question of the utility abandoning its downtown presence. He said he advocated for the split operation option ever since he had heard from the public that it wanted EWEB to continue to be on its current location. He said he was open to a combined move in the future but stressed the importance of continuing a downtown presence somewhere. He said it was important to realize that no amount of delay would make the process better. He said he was not against a rate action to help finance the move and expressed his pleasure with the rate increase estimates proposed by staff.

In response to a question from President Farmer regarding what would be the next step, Mr. Berggren said staff would continue to develop figures for both combined and split operations. He said discussion that evening had been very helpful and added that there were still some open questions that needed to be answered regarding whether to design to 2010 or 2020. He said he preferred to stay with the 2020 design but acknowledged that there was still some debate about the costs necessary to design to that date. He said there was opportunity to minimize costs under the split operations but said the combined operations option offered a different scenario regarding costs. He said staff would look at all options before accepting that a rate increase was necessary.

President Farmer stressed that he also advocated building to 2020 but disagreed on what was necessary to do that. He stressed that a land sale was still possible but raised concern that the public thought there was no possibility of a sale.

Vice President Bishop said it was clear to her that the utility could not afford to move out of the current headquarters in any timeframe that would allow a hospital to be built on the site. She opined that EWEB operating its headquarters was incompatible with a working hospital sharing the site. She said she did not see any possibility of a sale.

Mr. Berggren said McKenzie Willamette/Triad would have to make that call.

President Farmer disagreed that a deal with McKenzie Willamette could not be made.

Vice President Bishop maintained that a hospital and EWEB headquarters could work compatibly on the same site.

Commissioner Menegat said he had not been willing to raise rates in the context of a sale of the property to McKenzie Willamette. He said in another context he would not be entirely against a rate increase.

Ms. Smith said the original schedule submitted by staff was no longer realistic. She said staff would continue with a split operations scenario but could not look at split and combined operations and still generate options around a phased approach. She said if the Commissioners directed split operations then staff would generate options for a phased building approach.

The meeting adjourned at 9:30 pm.

Assistant Secretary

President