

EUGENE WATER & ELECTRIC BOARD
REGULAR BOARD MEETING
EWEB BOARD ROOM
OCTOBER 4, 2005
7:30 P.M.

Commissioners present: Sandra Bishop, John Simpson, Patrick Lanning, and Mel Menegat. President Ron Farmer was excused.

Others present: Randy Berggren, Dick Varner, Dick Helgeson, Will Bondioli, John Yanov, Roseanna McArthur, Debra Smith, Lance Robertson, Mike Logan, Krista Hince of the EWEB staff; Ruth Atcherson, Minutes Recorder for the City of Eugene.

Vice President Bishop convened the Regular Board Meeting of the Eugene Water & Electric Board (EWEB).

AGENDA CHECK

Mr. Berggren noted that Mr. Yanov would be presenting the Electric Rate Proposal. Mr. Varner had been listed as presenter in the draft agenda.

PUBLIC INPUT

Jean Schauerman, 1489 McKinley Street, wished to speak in regard to the EWEB lobbyist. She asked the Commissioners to be fiscally responsible. She opined that \$150,000 for eight months of work was too much to spend. She pointed out that this was over \$19,000 per month. Should the Commissioners hire a lobbying firm, she recommended the Board consider whom else the lobbying firm represented as pro-gambling or pro-tobacco lobbies would not be compatible with EWEB. She stated that the American Federation of State, County, and Municipal Employees (AFSCME) paid its lobbyist \$63,000 for 12 months of work and the lobbyist covered many issues of both regional and local significance. She related that she had requested the lobbyist's report and reviewed it. She said if this were all that the \$150,000 paid for she would like to see more.

Greg Giese, 42 West 19th Avenue, spoke on behalf of the executive committee of the Friendly Area Neighbors (FAN). He stated that according to a historical Web site the College Hill Reservoir had been built in 1939 and the following year it had been authorized for use as a playground. He observed that much of the discussion in regard to the reservoir had centered on the joint compound. He said in his work as a construction contractor and landscape contractor he had seen joint compounds go from good quality to bad quality and back because of federal regulations. He suggested that EWEB look to the manufacturer of bad joint compound and find out what kinds of compounds were used in order to see if it needed to be updated to a better solution. He noted that staff contended that wheels would damage joint compound on the surface of the reservoir cover. He said, while this was a possibility, it was "way down on the list" of things that could damage it. He thought the largest impact to joint compound was caused by expansion and contraction and water. Other things that impacted the cover included ultraviolet light, the weather, and birds and animals. He suggested these problems could be resolved by placing a cover over the cover. He submitted his testimony in writing.

Elizabeth Staley, 3462 Onyx Place, provided printed copies of her charges for six-month periods in 2003, 2004, and 2005. She had been shocked by the size of her bill in 2005. She had tried to talk to a customer service representative at EWEB but the clerk required her social security number for identification purposes. She related that the clerk's supervisor also required her social security number to work with her. She asserted that she did not provide that number for anyone. She asked to have "that straightened up." She alleged that her bill had experienced a phenomenal increase. She said she was now reading her meter herself. She clarified, for Commissioner Simpson, that her total bill had increased and not just the electric portion of it.

David Hinkley, 1350 Lawrence Street, #1, stated that he had sent the Board an email with comments regarding the lobbyists. He opined that it would be nice if there were an email address that would place emails into the permanent record. He commented that it was disconcerting to have a work session at which decisions would be made prior to public input even if the decisions were only a head nod. He conveyed the content of his email regarding lobbyists. He recommended that EWEB go out for a competitive bid, that it look at any potential conflicts of interest, and that staff and the Board review the government standards and practices lists for lobbyists.

Commissioner Simpson said he would forward both emails to staff. He indicated that he would research the question regarding whether emails could be included in the public record.

General Manager Randy Berggren stated that only the content of meetings was in the public record. He said simply forwarding an email to the Board would not make the email a part of the public record.

APPROVAL OF CONSENT CALENDAR

Minutes

1. Minutes of the September 6, 2005 Regular Board Meeting

Business Service Agreements

2. Thermo Fluids, Inc. – Recycling and Disposal of Hazardous Materials Environmental Management – Corporate Services - \$50,000
3. Advanced Security, Inc. – Armed Security Officer Services – Facilities – Corporate Services Division - \$75,000
4. SelecTemp – Temporary Services Energy Management Services – Power Resources Division - \$16,000

Grant Request

5. Water System Development Charge Grant Request – West Irwin Way Properties – Interagency Housing Policy Board – Water Division. The Lane County Interagency Housing Policy Board has requested a \$3,720 grant to offset Water System Development charges for two lots on West Irwin Way.

Vice President Bishop pulled the Minutes of September 6, 2005 and Item 3, Advanced Security, Inc.

Commissioner Simpson, seconded by Commissioner Menegat, moved to approve the Consent Calendar with the exception of the minutes and Item 3. The motion passed unanimously, 4:0.

ITEMS FROM BOARD MEMBERS

Commissioner Menegat reported that the Compensation Subcommittee met with EWEB's legal counsel regarding the proposed contract language and would meet again on October 18. He said the item would come before the Board on November 1.

Commissioner Menegat related that he had attended the meeting in Vida regarding the relicensing requirement to identify a location for a boat launch. He said 20 people had come, staff made a presentation, and there were positive responses as to what area it should be in and what would be available.

He related that Ike's Landing seemed to be the most favored site. He commended staff for the hard work that had helped to create an atmosphere of trust in that area. He stated that people came ready to participate and spoke "about meaningful things."

Commissioner Menegat stated that the Western Generation Alliance (WGA) had met on October 3. He reported that the WGA Board had approved a Resolution to proceed with revenue bonds to offset the refund for the EWEB equity in that project. This matter would be presented before the Board for approval on October 18.

Commissioner Simpson shared that he had served water at the EWEB Oasis Booth at the Eugene Celebration. He said it was obvious to him that people liked EWEB's water. He called it one of "our most beautiful products." He recalled that EWEB's water was voted the best tasting water in the United States earlier in 2005. He was proud of this.

Commissioner Lanning announced that the Lane Council of Governments (LCOG) would hold one of its six meetings at the EWEB building, though it would not be until 2006. He noted that he had been nominated once again to the Executive Committee in the role of Vice Chair. He said the vote would be conducted in November.

Commissioner Lanning said he would miss the Major Customer Meeting because he was scheduled to conduct an accreditation meeting out of town.

Vice President Bishop reported that the Mayor's Sustainable Business Initiative Task Force (SBI) and its associated roundtables were in full swing. She said New Resource Projects Manger Jim Maloney was attending critical meetings and Intergovernmental Affairs Coordinator Deborrah Brewer was attending all of them. She thought it would be interesting to see the results.

Vice President Bishop related that she had attended the City Club presentation of riverfront principles and redevelopment guidelines conducted by the “Riparianistas.” She said they had targeted the EWEB property and the Valley River Center property as riverfront properties that would benefit from redevelopment. She shared the website with the Board: bluegreeneugene.blogspot.com should
Commissioners want to learn more.

Vice President Bishop said she had received a phone call from a very disturbed customer. Apparently EWEB had cut some trees on EWEB’s riverfront property. She thought it would be appropriate for the Board to be notified when a high-profile action was taken on EWEB’s property. Mr. Berggren said it was an oversight and he would ensure the Board was informed in the future.

Commissioner Lanning thanked Commissioners Menegat and Simpson for sending in their minute’s corrections. He thought submitting corrections prior to the meetings would help the Board’s process.

CORRESPONDENCE

Mr. Berggren reported the following:

- The Board had been sent the report on the 2005 legislative summary by EWEB’s Legislative Lobbyist Libby Henry.
- Assistant Secretary Krista Hince has been working on the meeting scheduled for October 14 at 7 a.m. and Mr. Douglass has sent out the draft materials relative to the “op-ed opportunities.”
- The Budget Workshop had been rescheduled for October 24 from 12:15 to 6 p.m.
- Assistant Treasurer Cathy Bloom sent an update on the 2004 Management Audit letter.
- New Resource Projects Manager Ken Beeson included a memorandum in Board packets regarding the Wauna project bond refinancing.

BOARD AGENDAS

Mr. Berggren reviewed the *Eugene Water & Electric Board Agenda Report for October 4, 2005*.

Vice President Bishop reiterated that the December 20 Work Session would feature another regional update.

STEAM FUELS CHARGE

Fiscal Services Supervisor Dick Varner briefly reviewed the *Steam Rate Proposal* with a PowerPoint presentation that had been presented at the September 20 meeting. He recommended Board approval.

Commissioner Lanning asked what methodology had been utilized to determine the new

basic charge, and apologized because he wasn't at the last meeting that discussed the Steam Rates. Steam Plant Supervisor Will Bondioli replied that staff had tried to put the cost in line with the electric utility's middle tier charge for three-phase service to large customers.

Commissioner Simpson wondered if there was an estimate as to how many customers might change to three-phase service. Mr. Berggren responded that such a switch would be capital intensive. Mr. Bondioli added that unless the customer switched to something other than electricity, there would still be a similar basic charge.

Commissioner Menegat moved to adopt Resolution No. 0513 regarding the Steam Rates. Vice President Bishop provided the second. The motion passed unanimously, 4:0.

ELECTRIC RATE PROPOSAL

Senior Rates/Financial Analyst John Yanov presented the *November 2005 Electric Rate Proposal*.

In response to a question from Vice President Bishop, Mr. Yanov stated that EWEB had separate service agreements with its large customers and power costs were treated differently from the general rate schedule in those contracts.

Mr. Yanov noted that the rate proposal would provide a two percent reduction for residential customers. He conveyed staff's recommendation for approval of the rate action.

Commissioner Simpson recalled public testimony that asserted that the percentage changes between larger and smaller customers were not fair and asked Mr. Yanov to speak to this. Mr. Yanov responded that larger customers had higher load factors and the power bill represented a large portion of cost overhead.

Mr. Berggren said the Board had indicated that rates should be based on the cost of services. He stated that the costs were based on all of the classes of the customer loads and it would require a detailed analysis to understand all costs associated with the different classifications.

Mr. Yanov added that each customer class received the same rate reduction per Kilowatt-hour.

Mr. Berggren suggested that if Commissioners needed more one on one time that they schedule it with Mr. Yanov in order to more fully understand the cost of service.

Commissioner Lanning noted that 1,250 Kilowatt-hours was often referenced as the average. He asked if this was a "Bell curve average." Mr. Berggren replied that the closest one could come to any sense of distribution would be found in work staff had done in the tiered rate study. He said this kind of calculation was the only way one could really do a comparative rate analysis with other utilities, but the result was simplistic. Mr. Yanov added that in order to do it right one would have to separate apartments from single-family residences and duplexes and so on.

Commissioner Lanning wondered if there was a value in doing so. He felt that most people did not know how many Kilowatt-hours they used. Vice President Bishop pointed out that this was noted on every bill.

Commissioner Simpson challenged all customers to know how much electricity they consumed every month.

SECOND PUBLIC HEARING ON ELECTRIC RATE PROPOSAL

Vice President opened the public hearing. Seeing no one who wished to speak, she closed the public hearing.

ELECTRIC RATE PROPOSAL

Mr. Berggren noted that staff recommended approval.

Commissioner Lanning moved approval of Resolution No. 0511, the November 2005 Electric Rate Revision. Commissioner Simpson provided the second. The motion passed unanimously, 4:0.

Vice President Bishop declared the Resolution to be in line with the Board policy of passing through Bonneville Power Administration (BPA) rate changes whether increases or reductions.

WATER SYSTEMS DEVELOPMENT CHARGES

Mr. Yanov provided a brief overview of the *December 2005 Water System Development Charge Proposal*. He said it had been five years since the last increase. He noted that President Farmer had asked why the Springfield Utility Board (SUB) charges were low by comparison. He called it "not quite an apples to apples comparison." He stated that SUB had base level Systems Development Charges (SDCs) and then added charges related to elevation. He averred that EWEB would also have a lower base level charge had it opted to use elevation charges.

Commissioner Lanning observed that in looking at the comparison sheet, it looked like what was graphed was Level 1, but Level 3 was what was being proposed. He asked why there was an inconsistency. Mr. Yanov replied that the graph represented what SUB reported. He thought that another utility might have used the average of all four levels.

Commissioner Lanning acknowledged the difficulty in trying to make such a comparison. Mr. Berggren commented, in response, that staff had spent substantial time with the analysis. He felt the fact that the Home Builders Association (HBA) was not present to testify indicated that the HBA thought the proposed changes were reasonable.

Commissioner Lanning thanked staff for their work. He affirmed that part of the reason the SDC changes were being brought in line was to further the goal of the Capital Improvement Plan to ensure the maintenance of quality service to the community.

SECOND PUBLIC HEARING ON WATER SYSTEM DEVELOPMENT CHARGES

Vice President Bishop opened the public hearing.

David Hinkley, 1350 Lawrence Street, #1, commented that it was good that EWEB was considering the opinions of the HBA but it had left out the Friends of Eugene. He averred that the proposed charges were low. He noted that he had served on the Public Works Rates Advisory Committee (PWRAC) for the last four years and had worked extensively on SDCs. He felt the problem lay in the reimbursement component. He said EWEB was using \$95 million as the replacement cost of existing infrastructure instead of \$199 million. He thought it looked reasonable to use the depreciated value, but the reality was that EWEB had to maintain the system. He recommended higher SDCs.

Vice President Bishop clarified that the Home Builders Association had come to EWEB in response to this issue and the Friends of Eugene had not. She stressed that any group was more than welcome to speak to an issue.

Vice President Bishop closed the public hearing.

WATER SYSTEMS DEVELOPMENT CHARGES

Mr. Yanov stated, in response to Mr. Hinkley's testimony, that in looking at different methodologies, he had seen variations in how various utilities calculated SDCs. He said one way was to use replacement value. He noted that EWEB's original analysis, conducted by LCOG as a consultant, derived the current calculation. He stated that EWEB had additional consultants, Black & Veatch, and they had confirmed EWEB's methodology as standard. He averred that the methodology was commonly used. He observed that a higher SDC would bring in significantly more revenue, but it would create a hardship at the same time.

Mr. Berggren remarked that the methodology could be done differently but that would require policy revision at the Board level.

Commissioner Simpson asked how often the SDC charges came forward to the Board for revision. Mr. Yanov replied that it was suggested to be reviewed every three to five years. He said, in the interim, without a full methodology review the Board had the discretion to increase the SDCs by some construction cost index. He thought the Board could, in the future, allow for an annual adjustment in the form of a straight percent adjustment.

Vice President Bishop suggested that the Board alert the staff that it wanted to review the SDC methodology in three years.

Commissioner Simpson moved approval of Resolution No. 0512, the December 2005 System Development Charge Revision as recommended by staff; and that the Board shall take up in a future Board meeting whether to consider further analysis of the Systems Development Charge methodology within a three-year timeframe. Commissioner Lanning provided the second.

Vice President Bishop moved to amend the motion to direct staff to enter into a detailed Systems Development Charge methodology review no later than three years from the present date.

Commissioner Simpson indicated that his motion was the same as Vice President Bishop's amended motion. He restated his motion, which sought to approve the December 2005 Water Systems Development Charge proposal and to direct staff to review Water Systems Development Charge methodology at a time not to exceed three years from this date.

Commissioner Menegat expressed concern that the direction given to staff was not very clear. He noted that Mr. Yanov had stated that there were different methodologies and he was uncertain what staff would be "running around for the next three years" reviewing.

Mr. Berggren clarified that staff would be back before the Board with a detailed methodology assessment for an updated SDC charge within three years from the approval of this proposed SDC charge. He did not hear direction to use a particular methodology. He said as a part of the initiative staff would likely check in with the Board to determine what methodology would be preferred for use.

Commissioner Lanning felt Commissioner Menegat was raising a point regarding the amount of work staff would be required to do. Mr. Berggren acknowledged that it would be work to do the assessment, but averred that it was the Board's discretion as to when such a review should be conducted and the Board was indicating, with the passage of this motion, that it should occur in three years.

Commissioner Lanning called for the question.

The motion passed unanimously, 4:0.

ITEMS REMOVED FROM THE CONSENT CALENDAR

Vice President Bishop provided the following correction for the minutes from the Regular Board Meeting held on August 16, 2005:

- Page 2, paragraph 7: “Vice President Bishop also thanked those who testified *for representing their neighborhood* in regard to the College Hill Reservoir. She liked the suggestion to conduct some analysis *and asked staff to clarify facts on the fact sheet that was handed out.*”

Commissioner Simpson moved to approve the minutes of the Regular Board Meeting held on September 6, 2005, as amended including changes submitted electronically and incorporated into the record. Commissioner Lanning provided the second. The motion passed unanimously, 4:0.

Regarding Item 3, Advanced Security, Inc., Vice President Bishop indicated that she supported the contract. She called it significant, however, in that this was a change in security from unarmed personnel to armed personnel. She wanted to ensure there was adequate signage for the security at the Roosevelt Boulevard site in order to avoid confrontations.

Vice President Bishop moved to approve Consent Calendar Item 3, a business service agreement with Advanced Security, Incorporated. Commissioner Simpson provided the second. The motion passed unanimously, 4:0.

Vic President Bishop adjourned the meeting at 9:04 p.m.

Assistant Secretary

President