

EUGENE WATER & ELECTRIC BOARD
SPECIAL BOARD MEETING
EWEB BOARD ROOM
OCTOBER 14, 2005
7:00 A.M.

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

Others present: Randy Berggren, Debra Smith, Marty Douglass, Jim Wiley, Lance Robertson, Jim Origliosso, and Krista Hince of the EWEB staff; and Ruth Atcherson, Minutes Recorder for the City of Eugene.

President Farmer convened the Special Board Meeting of the Eugene Water & Electric Board (EWEB) at 7:05 a.m.

COMMUNICATION THEMES

General Manager Randy Berggren said two alternatives for an opinion piece (op-ed piece) had been sent out on September 27, one relevant to rates and the other a discussion of disaster preparedness. He related that President Farmer had proposed that the opinion piece to submit to the *Register-Guard* be focused on a move of the facilities, so Public Affairs Manager Marty Douglass had drafted a third op-ed piece on this topic that was sent to the Commissioners via e-mail on October 12. He stated that President Farmer had proposed several edits, called *Op-Ed Alternative #4*. He said Commissioner Simpson had indicated he liked President Farmer's alternative and had added several edits of his own. He hoped the Board would make a determination of which op-ed piece EWEB would submit next.

Mr. Berggren explained that the second decision he hoped the Board would reach, once the version had been chosen, would be a how an intermediate public outreach effort could be made to help the community more clearly understand EWEB's headquarters needs. He said the focus of the intermediate outreach should be considered as well, whether the theme should be the disaster-preparedness aspect or a more "plain speaking" view of the quarters move.

President Farmer thought staff should be careful with the use of the word 'headquarters.' He said when he thought of headquarters he thought of the main building. He recommended the use of 'field operations,' given that this was the primary element of EWEB's function that needed to move.

Commission Menegat favored taking the "plain speaking" approach to the information. He noted that this had been the approach taken with the recent public outreach for the rates.

Vice President Bishop did not think the disaster preparedness piece worked. She also did not believe the rates piece to be necessary. She thought it sent a mixed message to the public. Regarding the newest version of the "plain speaking" piece, she said she had a problem with pieces that contained elements in them that portrayed the Board when they had not actually taken action or made decisions. She believed there were elements in it that went beyond what decisions the Board

had made. She felt it went in the “right direction” but could potentially “back the Board into a decision.” She opined that it was ill advised to put this piece in print at this time.

Commissioner Lanning supported the “plain speaking” opinion piece. He thought it was important to demonstrate that the Board was thinking about the future needs of the utility. He indicated that he needed Vice President Bishop to elaborate on the issues she was concerned about. He had read Commissioner Simpson’s e-mail prior to coming to the meeting and, while he saw several points he wished to discuss, he had not seen anything that looked like it was a commitment to a direction he was not comfortable with.

Commissioner Simpson thought the rate piece was very well written and would serve the public well in terms of background and the rate drivers for EWEB. However, he opposed any type of publication that talks about the good times of lowering rates followed by the bad times of raising rates. He averred that one would want a single message if the rate piece were eventually produced.

Commissioner Simpson agreed with comments on the disaster preparedness piece. He also thought it was too complex and covered too many topics.

Commissioner Simpson supported use of the “plain speaking” op-ed piece. He wished to see more emphasis on the costs to upgrade the existing site and thought this could be accomplished with very few words. He averred that it was important for the piece to be as “decoupled” from the hospital as possible.

President Farmer stated that, when speaking to the public, he was continually frustrated by the lack of understanding about the potential move and that it was always couched in the terms of McKenzie-Willamette/Triad Hospital’s designs on the property. He related that he had pushed for some time to have an education process for the public that sought to emphasize that EWEB’s desire to move had nothing to do with the hospital. He said if the hospital helped to facilitate the move, just as anyone who purchased the property would help to facilitate such a move, then “so be it.” He wanted the public to understand that the utility did go out and buy 47 acres for the purpose of accommodating the utilities’ operational needs. He underscored that prior boards had also felt this was a problem as well. He wished to clarify this above all other issues at this time.

President Farmer thought the disaster preparedness piece got people’s attention, but it was the “wrong road to go down.” He related that the City Council had been trying to get traction on that issue for ten years, pointing out that City Hall would pancake on top of the police car garage in the event of a major earthquake, and had not been able to gain any ground. He said while it was important that any building constructed be designed to current seismic standards, he did not think people would pay for utility workers if they were not willing to pay for police facilities.

President Farmer indicated that he was amenable to the changes that Commissioner Simpson had suggested.

Vice President Bishop said her main issue was that the piece talked as if there had been a decision to move and this decision had not been made.

Commissioner Lanning asked where the language she found problematic was. Vice President Bishop replied that language on page 2 in paragraph 4 of Op-Ed Alternative #4 "Plain Speaking" indicated the cost of an upgrade would be \$10 to \$15 million. She wanted more specificity.

Mr. Berggren remarked that at this point he was skeptical that \$10 to \$15 million to upgrade existing facilities was a good number. He thought now it could be much more and that it was not yet known.

Vice President Bishop said this was the point; that no one was certain what the costs would be at this point. She recommended waiting a month, until the 30 percent design work was completed. She was concerned about sending a message to rate payers that something was going to cost them millions of dollars.

Commissioner Simpson responded that while the Board did not know how much the cost would ultimately be, one could be sure it would cost millions.

Vice President Bishop averred that the Board did not know what it would cost but it was not a good investment.

Mr. Berggren pointed out that the Board deliberately decided to focus on spending its money to figure out the costs at the new site.

President Farmer felt the bottom line was that it was known that it would cost millions of dollars. He said anyone who had built anything in the last several years would know this. He stated that the majority of the Board believed that it did not make good sense to upgrade existing facilities.

Vice President Bishop averred that this decision had not been made.

President Farmer read the following from the piece: "we will not make a binding commitment to anybody to sell or to move until we know what the cost is." He pointed out that it also indicated that the Board would meet to decide "when, where, and if" it would move forward.

Vice President Bishop suggested softening up the paragraph that said it would cost that much money.

President Farmer did not want to hide this fact from people. He wanted the public to know that staying at the current site would cost millions of dollars in reconstruction.

Mr. Berggren suggested using the original numbers, that in 2002 it was estimated to cost \$12 million, and that it was now known that those numbers were low.

Commissioner Lanning liked Mr. Berggren's suggestion. He thought it would be good to "stick to the facts."

Vice President Bishop noted that there were references in the Op Ed Alternative #3: "Plain Speaking" to raising rates in paragraphs 6 and 8. She did not want to make this assertion given that the Board had not voted on this. She also pointed out that the hospital was mentioned in the first paragraph. She called this suicide, as the public would extrapolate from this that EWEB would sell to the hospital and raise rates to pay for the move. She felt it was premature.

President Farmer wanted to be honest with the public. He pointed out that the piece clearly said in the 7th paragraph that the Board would make a decision on a move after getting the results of the 30 percent design analysis. He stressed that the Board had met and heard a report that said it would cost 1.1 to 1.9 percent and three of the four Commissioners present had indicated they would consider a rate increase provided the utility was building to a 50-year window and would have all new facilities. He averred that the Board should be honest with the public and let them know this had been said.

In response to a question from Commissioner Simpson, President Farmer said this rate increase had been based on receiving an amount of money like that which the hospital had offered.

Commissioner Lanning said ultimately the op-ed piece would come from President Farmer. He did not feel that it would lock him into voting one way or another. He felt comfortable with the piece. He agreed with President Farmer's point that being open with the public put the Board in a better position in the long run.

Commissioner Simpson recognized that publishing potential rate increases could be shocking to the public, but he thought the public would understand that public buildings would cost them. He suggested that language to soften the percentages, such as words like 'might' and 'approximately,' be used.

Mr. Berggren said anecdotally that Lindholm Research had tagged questions on the recent surveys that had provided a sense of the confusion the public had around the issues of a hospital offer for the land, EWEB's move, and a rate action. He stressed that there would not be an operational move without a rate action and this was an "uphill challenge."

Vice President Bishop averred that the Board had demonstrated its confusion. She opined that there was "no way the public had a command" of the nuances. She felt the public would think the Board had gone back on its word should it come out with an op-ed piece that mentioned the hospital. She suggested the piece talk about the move and that it indicates that a rate action would be one way to afford it.

President Farmer remarked that he had always said that if it took a small rate increase to have an all-new facility he would support it. He said there had never been a vote on this.

Commissioner Menegat recalled that his position had been that he was unwilling to raise rates to make the hospital sale go. He felt that the public had a general feeling that somewhere along the line rates would be raised but they did not know when or how much. He noted that a 1.9 percent increase would translate to an average increase of \$1.57. He averred that most people would be willing to live with such an increase. He supported inclusion of this number so that the ratepayers had a sense of what lay ahead.

Mr. Berggren commented that part of the problem was not so much what the Board said but the sensitivity of the *Register-Guard* to the nuances of Board discussion. He added that there was no question that a move would cause a rate action. He believed the Board needed to be honest now and not delay. He thought the numbers that were in the piece were in the ballpark for what it would take to implement the scenarios the Board was looking at.

Commissioner Lanning agreed with Vice President Bishop's concern that whatever was submitted to be printed should be clear. He suggested the following addition to Op-Ed Alternative #4:

- Page 3, paragraph 2: "EWEB will not be making a binding commitment to McKenzie-Willamette or any other potential buyer until we know how much it will cost the utility to move. ***Furthermore, the Board is committed to not raising rates to facilitate a sale to the hospital.***"

President Farmer did not want to highlight the hospital. He said every repetition of the hospital drew more focus to it. He stressed that EWEB would not be able to sell its old buildings for a price that would pay for a new building. He felt what the Board was saying is that if it looked like it would be too costly, the move would not happen.

Vice President Bishop maintained that the piece was about the hospital. She declared that the "lead" for the article should not be the hospital. She suggested that the order of the paragraph be changed. She asked to hear from Marty Douglass and Communications Coordinator Lance Robertson about how the changes suggested by the Board would play out and what kind of message the public would take away from it.

Mr. Douglass thought that staff could craft an opening sentence that centered on the forward thinking that EWEB had been involved with for the past several years regarding its space needs. He felt, in the context of an op-ed piece, EWEB was setting itself out there with its need to grow and move. He did not think the rate increase should be included in great detail. He agreed that it could be tied in the public's mind with the hospital. He felt an op-ed piece was good and it would be okay to refer to the possibility that a rate action might be ultimately necessary.

Mr. Robertson added that he did not know how this kind of story could be written without some reference to the hospital. He pointed out that everyone was focused on this. He thought it prudent to include the preliminary numbers in the piece.

President Farmer questioned the wisdom of leaving out what was known as it could leave a void of what was unknown with the reader. He averred that most people knew there would be a rate increase at some point and that not knowing how much might be more trouble.

Mr. Douglass suggested saying that the numbers were only what was known as of today and not going any deeper than that.

Commissioner Menegat pointed out that EWEB had received two offers on the property and was talking about the redevelopment of all or part of the property regardless of what transpired. He suggested that this information be included.

President Farmer said EWEB wanted to say to the citizens of Eugene that it was moving and the citizens needed to stop thinking of this in terms of the hospital's designs on this property.

Commissioner Lanning moved to take the discussion points made at this meeting and direct staff to summarize them and generate an opinion piece for the local newspaper. Commissioner Menegat provided the second.

Commissioner Simpson stressed that any move would require a sale of all or part of the property.

Mr. Berggren concurred, adding that the presumption in the 1.9 percent rate increase was a sale.

Vice President Bishop asked if the Board would see the piece before publishing. Mr. Berggren responded that staff would likely proceed with this feedback and it would not be brought before the Board again.

President Farmer observed that the Board had not previously conducted a final edit on such a story.

Vice President Bishop reiterated her objection to having the hospital mentioned in the end of the piece.

The motion passed unanimously, 5:0.

Mr. Berggren asked the Board to consider whether they wanted staff to design a public outreach to place the Board and staff out in the community with a message that reinforced EWEB's need for a new facility and to distinguish the move from the hospital.

President Farmer supported this. He said anything the Board could do to get the same message out to the community should happen.

Commissioner Simpson concurred.

Commissioner Lanning had to leave the meeting at 8:10 a.m.

Vice President Bishop reiterated that she supported this outreach so long as it did not speak on a decision that had not yet been made by the Board.

President Farmer stressed the need to clarify when a Commissioner was sharing the Board's opinion or his or her own opinion.

President Farmer adjourned the meeting at 8:12 a.m.

Assistant Secretary

President