

EUGENE WATER & ELECTRIC BOARD  
WORK SESSION  
EWEB BOARD ROOM  
NOVEMBER 1, 2005  
5:30 P.M.

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

Others present: Randy Berggren, Dick Helgeson, Dick Varner, Jim Wiley, Marty Douglass, Jim Origliosso, Jean Meyers, Debra Smith, Lance Robertson, Roseanna McArthur, Doug Caven, and Krista Hince of the EWEB staff; Ruth Atcherson, City of Eugene minutes recorder; and members of the public.

President Farmer convened the work session of the Eugene Water & Electric Board (EWEB).

### **SHARP Designation Recognition**

Safety Coordinator Doug Caven announced that EWEB had won the Safety and Health Achievement Recognition Program (SHARP) award for the second year in a row. He said EWEB had undergone a 58-point evaluation to attain this award.

Oregon Safety & Healthy Association representative (OSHA) Rodney Champagne stated that the SHARP used to enforce safety and handed out violations. He said the SHARP program now handed out awards.

President Farmer thanked staff for exercising diligence in earning this award. He stressed that it was the employees that deserved the award and asked General Manager Berggren to find an appropriate forum to give it to them. He reiterated his gratitude for the hard work of EWEB employees.

Commissioner Menegat asked that it be publicized that employees' hard work had garnered the award in addition to just giving them the award.

Vice President Bishop arrived.

Human Resource Manager Jean Meyers said while she appreciated that the employees had earned the award she felt Doug Caven's leadership should be highlighted. She declared that had it not been for him employees might not have received SHARP recognition.

Everyone in the room applauded.

### **BOARD GOVERNANCE**

Assistant to the General Manager Debra Smith stated that the discussion would center on proposed changes to *ELI*, an *Executive Limitations* policy on *Financial Controls*. She explained

that the *EL* placed limitations on the authority of the General Manager and were responsible in part for the number of budget amendments that had come before the Board over the course of the budget year. She said, time permitting; she hoped to initiate a discussion on another aspect of Executive Limitations policy that was the Contract Review authority the Board retained. She underscored that staff was not seeking a proposal at this point, but it was hoped a better sense would be gained of whether the Board wished to consider its contract review authority.

Treasurer Jim Origliosso said the Board had expressed an interest in the past in oversight over capital projects. He recalled some years earlier that a process whereby any capital project slated to cost more than \$50,000 had required Board approval and the Board, at that time, also reviewed EWEB's check register. He said EWEB had arrived at the current process in the late 1990s, wherein a list of major capital projects in the budget was monitored and if a project was predicted to go over budget, it required staff explanation and Board approval. He explained that staff had used creative ways to work within those constraints such as grouping projects together so that one could come in a little over budget and another could come in a little under budget. But this process seemed to obfuscate things. He related that in 2005 a more discreet list of projects had been submitted for approval and, with that, staff anticipated more budget amendments would have to be made. He reported that at times work had to stop on a project until its budget had been amended. He proposed to make the process less cumbersome, so that budget amendments would only be brought before the Board when the total budget for operations and maintenance or capital projects had been exceeded and not when individual projects exceeded projected costs. He indicated that the changes in the costs of projects, when they arose, would be included in the quarterly financial reviews.

In response to a question from Commissioner Simpson, Ms. Smith replied that progress on projects would be reported throughout the process and not just when they were completed.

Commissioner Lanning asked how the decision had been reached to propose striking out subsections 3, 5, and 6 of *ELI*. Ms. Smith responded that the deletion of Subsection 3 was merely housekeeping and the deletions of Subsection 5 and 6 were specifically seeking to manage the number of budget amendments that came before the Board.

Commissioner Lanning could not recall any discussion on Subsection 3. Ms. Smith underscored that the Board was still linked to the labor budget.

Commissioner Lanning expressed concern that the Subsection fell under the Board's fiduciary responsibility. General Manager Randy Berggren responded that the deletion meant staff would not have to bring a budget amendment before the Board for a change of one Full Time Equivalent (FTE) so long as the budgeted amount for labor was not exceeded.

Ms. Smith underscored that the Board would still be presented with a budget comprised of line items.

President Farmer surmised that the change was a shift from managing employees to managing money. Mr. Berggren affirmed this. He thought this arose to a certain extent from some of the discussions on governance at which the Board had expressed a desire to drive itself to a higher level. He hoped to reduce the number of times staff had to come before the Board with budget amendments.

Vice President Bishop opined that the advantage to retaining Subsection 3 was that employees were protected. She felt various types of shifts and changes could happen within the budget for employees that might not be compatible with the Board's philosophy. She cited, as an example, the use of temp agency employees.

Mr. Berggren pointed out that temporary service contracts come before the Board on the Consent Calendar. Ms. Smith reiterated that quarterly financial reports included the labor budget.

In response to a question from Commissioner Simpson, Mr. Origliosso stated that a standing item in the quarterly report would be cost overruns. He thought most likely staff would provide a power point presentation with the information contained in the report.

Commissioner Simpson surmised that the Board could, in theory, experience a three-month delay before being informed of a cost overrun. Ms. Smith responded that the procurement process took time so there would always be "quite a bit of lead time" before any commitment had been made or work initiated.

Commissioner Simpson expressed concern that this would create a lack of visibility at the Board level, though he respected the aspect of efficiency the change would provide.

Vice President Bishop was uncomfortable with the deletion of Subsection 5. She preferred to increase the numbers that brought a budget amendment before the Board than to strike the Subsection. She remained unconvinced that the quarterly report would be adequate to maintain Board involvement with cost overruns.

Commissioner Lanning asked what required the Board to be presented with a quarterly financial report. He wanted to ensure that the report was presented. He thought regular quarterly reports would provide the Board with the opportunity for the kind of oversight needed. He pointed out that the Board was not likely to stop a project because it had cost more than was projected.

Mr. Berggren said staff had increased the informational content of the quarterly report, but he was uncertain as to whether the report and its frequency had been codified.

President Farmer was interested in having a process in which the Board approved things once with a relatively comprehensive look and then reviewed from there, as opposed to continuing to approve. He did not feel the current budget process provided the Board with a comprehensive look. He commented that to some degree what was being discussed was trust. He was willing to take that

step but he wanted a reporting process on those projects approved through the budget process. He preferred that it be a standing agenda item in order to provide the comprehensive review budget trends and changes should it require. He wanted a comprehensive look at all of the projects. He thought along with the policy, some underlying procedures needed to be outlined.

In response to a question from President Farmer, Mr. Origliosso affirmed that money allocated to a project that was deleted could be reallocated to a different project within the same budget year. Ms. Smith clarified that money going forward into the next year would be reallocated according to the five-year capital plan.

President Farmer asked if a project deferred to the next year would not retain its original funding model. Mr. Origliosso responded that this was not necessarily so. He said EWEB did not budget a multi-year project with a multi-year cost projection. Rather, he explained, staff provided the Board with a current year view.

Mr. Berggren clarified that the five-year capital plan gave the longer term overview, including phasing of larger projects. Ms. Smith stated that the Board did not approve the five-year capital plan when it was presented in the fall, but the Board was charged with approving the annual budget, drawn from the five-year plan.

President Farmer asked, as an example, what would happen if a five-year project was budgeted at 20 percent per year and one year, over the course of the project, weather prevented work on that specific project and the money was transferred to a different capital project. He asked if this would then cause rates to increase to pay for the last 20 percent of the work on the original project. Mr. Berggren responded that priorities change within the five-year view and within the one-year budget and the project that money would be shifted to would be taken from the five-year list of projects.

President Farmer averred that this could be, in essence, *de facto* approval by the Board of a project that never was approved during the budget process. He said he was “pretty comfortable” letting staff do what was needed for the rest of the year, but he struggled with the concept of an unapproved project moving forward.

Mr. Origliosso cited as an example the Weyerhaeuser Cogeneration Project. He pointed out that it was not budgeted at the beginning of the year. He said the contract had come the same night as staff had taken the budget amendment before the Board. He explained that this process would have been handled differently if *ELI* was changed as staff would not have had to bring a budget amendment forward, rather the change in expenditure would be reported to the Board along with an explanation of why it had changed.

President Farmer asked what the logic behind breaking the labor budget away from operations and maintenance. Mr. Origliosso replied that this had been a Board directive.

Vice President Bishop reiterated her concerns regarding the deletion of Subsection 5. She saw no problem with the proposed increase in the scope of the quarterly reports.

Mr. Berggren said he would not push hard for this change, but without it budget amendments would continue to crop up fairly regularly for Board approval.

Ms. Smith suggested that she work up language for the codification of the reporting requirement. She underscored that the Board could decide not to change *ELI* or she could try to rewrite the changes from the feedback she had received. Her main concern was that, if it was to be changed, that this change be in place by the beginning of 2006.

Mr. Berggren did not perceive a level of Board comfort with the changes. He was uncertain whether more time should be devoted to it at this point.

President Farmer said he was relatively comfortable with the changes. He suggested that it would be good to look at a couple of options, such as Vice President Bishop's recommendation to change the dollar limits of Subsection 5 rather than deleting it.

Commissioner Menegat conveyed his sense of comfort with the amendment as proposed and including the quarterly reporting. He thought it important to have it documented that the quarterly report would be a regular agenda item.

Commissioner Simpson was amenable to striking Subsection 3 but he opposed striking Subsections 5 and 6 of *ELI*. He felt deletion of those two subsections was tantamount to giving up too much control at the Board level. However, if the majority supported the deletions, he indicated that he was willing to try utilizing the quarterly report model for a year. He thought EWEB was still too close to the large cost overrun that had occurred approximately seven years earlier. He expressed interest in looking into raising the dollar amounts at which a budget amendment had to be brought before the Board. He was uncertain what numbers were reasonable. He agreed with Commissioner Menegat that there would be more visibility in a reporting process.

Commissioner Lanning concurred with Commissioner Menegat.

Ms. Smith said she would work up two options and return them to the Board in the next couple of weeks.

Vice President Bishop asked if the reporting requirement would be written up and included as an agenda item. Ms. Smith affirmed that it would.

In response to a question from Vice President Bishop, Mr. Berggren said there were no other governing policies that placed items in the agenda.

In response to another question from Vice President Bishop, Mr. Origliosso said staff did track the dollar amounts of budget amendments associated with major capital projects that had come before the Board.

Vice President Bishop asked if anyone had a sense of how much the trigger amounts on budget amendments should be increased. Mr. Origliosso responded that staff could use the construction index and arrive at a proposal for an increase. He added that he thought the current numbers were too low.

Ms. Smith stated, in response to Vice President Bishop, that she would try to queue this item on an agenda in December.

President Farmer reiterated his recommendation to base the budget on seasons and not months. He averred that to do otherwise meant being on or off budget and did not have meaning.

## **COMMUNICATION THEMES FOR 2006**

Public Affairs Manager Marty Douglass and External Communications Coordinator Lance Robertson reviewed the *Communications Themes for 2006*, delineated in a memorandum dated *October 26, 2005*. The themes were, as follows:

1. Post 30-percent design decisions;
2. Electric and water rates;
3. Repositioning EWEB as a value-added utility:
  - a) Reliable power and water
  - b) Low-income assistance
  - c) Energy and water conservation services and products
  - d) Efforts to protect drinking water
  - e) Customer service;
4. The benefits of public power;
5. Carmen-Smith relicensing.

Vice President Bishop commented that the themes sounded good, but focusing on rates was always “really dicey.” She felt that everyone expected rates to increase by a certain amount. Regarding (3), she thought the Low Income Energy Assistance Program (LIEAP) resonated with many people even when they were able to pay their bills. She thought EWEB’s work to increase its renewable energy resources should be part of the focus of the third theme. She suggested the public be given information about the recent Integrated Energy Resource Portfolio work. She also felt there was room for more education regarding EWEB’s energy resources as it was important to remind people that EWEB was not just dependent upon the Bonneville Power Administration (BPA) for its power.

Mr. Douglass agreed that the results from the IERP process were a component of being a

value-added utility. He said a communication strategy about it had been prepared and would be put into motion in the coming year.

Commissioner Simpson wished to convey his emphatic support for the first communication theme, the 30 percent design process. He shared Vice President Bishop's concerns regarding rates as a communication theme. He liked the 'value-added' theme and was especially drawn to promoting EWEB as a reliable source for water and power. He remarked that a light that stays on and does not turn off for three years in a row was a "pretty miraculous thing." He averred that it was the utility's job to get out and say that the public's hard-earned dollars were at work and were not being wasted. He felt that the fourth theme was very important and expressed some disappointment that there was no focus on a specific campaign. He said some people did not even realize that EWEB was a publicly owned utility. He stressed that the key component in this piece was that public power provided power at cost and that the people owned it. He thought it must not be forgotten that EWEB water had been voted as the best tasting public water in the country. He also supported the Carmen-Smith relicensing as a communication theme as it should be kept in the forefront of peoples' minds.

Commissioner Lanning said he would rank 3 (Repositioning EWEB as a value-added utility) as the highest of the five communication themes. He asked how feedback from the backs of bills and other modes of response were utilized. Mr. Douglass responded that staff tracked them and feedback helped to mold the messages that were crafted for speakers. He stated that if a real significant issue were prominent over a longer period of time staff would likely write a bill insert in response. He underscored that staff paid close attention to them.

Commissioner Menegat did not agree that electric and water rates should not be themes. He thought communicating about the rates told the ratepayers that staff was looking ahead and doing its job. He felt it was an opportunity to let ratepayers know who the people behind EWEB were and what the utility was doing. He encouraged staff to include the one percent rate increase for 'lost opportunity' in communications about rates. He approved of the 'value-added' theme and thought the educational grants, outreach to the schools, and cooperation with Lane should be featured. Regarding (3)(e), he recommended waiting until the costs were known before publicizing it.

President Farmer related that he had told Mr. Berggren that he thought this conversation was premature. He viewed communication as a tool to aid the utility in achieving its goals and given that the goal-setting process for 2006 had not yet been held, the communication discussion was early. That being said, he thought the 30 percent design process was important, but he was uncertain what the message would be at this point. He agreed that electric rates should be de-emphasized as a message. Regarding the third theme, he encouraged staff to be careful not to have too many components to the message as it could create confusion. He had been surprised to see that cost was missing from the 'value-added' message. He thought cost was the second thing that was valued behind reliability. He did not believe EWEB could "toot its horn" cost-wise at this point. He suggested that theme (4) be given a rest for a while because, though it was important, it had been used a lot recently. He definitely supported (5) as a communication theme.

President Farmer returned to the third theme. He recommended building the theme on the momentum begun with the *Rely on Us* campaign. He noted that a theme that jumped out for him was water and EWEB's potential to become a regional water provider. He said there was a better opportunity to expand the water revenue than the electric revenue, though the two were of a different scale.

Mr. Douglass said, regarding the rates piece, he was reminded of the meeting the Board held to review opinion pieces to submit to the *Register-Guard*. He recalled that the Board was vehemently opposed to the piece that discussed rates. He agreed that timing was critical when discussing rates, but maintained it was important to acknowledge rates when the time for a rate action grew closer.

Mr. Berggren noted that EWEB had undergone a financial planning process and asked what relationship the communication themes should have with that work. President Farmer said when he looked at rate projections and realized that .8 percent of the rate increase would be as a result of the BPA rate action and everything else was subject to what the Board chose to do, he was reluctant to project to the public what the BPA might do. He did not think the Board had made any final decisions on rates.

Mr. Berggren said the Board and staff knew that there would be a rate action in the spring of 2006. He asked if the Board would stay in the narrower context of that rate action and its drivers or whether the Board wanted to take a longer-term vision of financial planning for stability.

President Farmer recommended building the long-term financial planning into the messages about the projects that were driving rates. He cited the 30 percent design process as an example of a process that should include more information on the financial impacts it would have on ratepayers.

Commissioner Simpson said the projects that were on the table were needed to provide for growth and long-term stability. He averred that the public was willing, albeit begrudgingly, to pay for them. He asserted that customers were not willing to allow the Board to waste money or spend it unwisely. He related that people were not angry about the Carmen-Smith project, though they were unenthused about the price tag, but an optional item such as a fence would raise their ire.

Commissioner Menegat felt discussing rate increases should entail tying them in to EWEB's long-term plan. He observed that oftentimes the public discovers their electric rates have been increased through an article in the *Register-Guard*. He averred that it was important to let the public know what EWEB was doing and why.

In response to a question from Vice President Bishop, Mr. Berggren stated that staff would begin communicating about the Carmen-Smith relicensing project early in 2006 by providing mostly informational pieces. He said there would be a lot of opportunities for public involvement.

Vice President Bishop opined that EWEB should publicly "lay to rest" the possible sale of

the EWEB property to McKenzie-Willamette/Triad Hospital by the end of the year.

Commissioner Simpson added that he wished for the ‘value-added’ essence of EWEB to “stand on its own feet.” He did not want it to be “towed” behind the ***Rely on Us*** campaign. He wanted the ***Rely on Us*** slogan to be something that the ratepayers inherently believed.

Commissioner Simpson favored early outreach for the Carmen-Smith relicensing project. He acknowledged that this involved rate increases and supported sharing this information with the public. He wanted to clearly distinguish that he was not interested in a rates theme that would be oriented toward power-based rate increases.

Vice President Bishop asked that publications include Commissioners’ names and the wards they represented.

President Farmer adjourned the meeting at 7:31 p.m.

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Assistant Secretary

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President