

EUGENE WATER & ELECTRIC BOARD
REGULAR BOARD MEETING
EWEB BOARD ROOM
DECEMBER 6, 2005
7:30 P.M.

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

Others Present: Randy Berggren, Dick Varner, Debra Smith, Tom Buckhouse, Jim Wiley, Marty Douglass, Jean Meyers, and Krista Hince of the EWEB staff; and Ruth Atcherson, minutes recorder for the City of Eugene.

President Farmer convened the Regular Board Meeting of the Eugene Water & Electric Board (EWEB) at 7:39 p.m.

AGENDA CHECK

There were no changes to the agenda.

PUBLIC INPUT

There were no members of the public who wished to speak.

APPROVAL OF CONSENT CALENDAR

Business Service Agreements

1. Dolphin Software, Inc. – MSDS Processing – Safety Department – Corporate Services - \$25,500
2. OBEC Consulting Engineers – Walterville Fish Return Channel Review – Water Engineering – Electric Division - \$22,353
3. Pennington Cross-Arm Co. – Douglas Fir Cross-Arms – Electric Engineering – Electric Division - \$100,670
4. U.S. Department of the Interior – USGS – Carmen Smith/Leaburg Fees & Licenses – Generation Department – Electric Division – 396,750

Resolution

5. Resolution No. 0516 – Authorizing amendment and restatement of agreements including a Revolving Line of Credit not to exceed \$30 million to provide financing for Electric Power Purchase Costs. This Resolution provides for a one-year renewal of an existing line of credit in the amount of \$30 million. Draws on this line of credit are restricted to Power Supply Cost Contingencies as defined in the authorizing Resolution of the City Council

Commissioner Menegat, seconded by Commissioner Simpson, moved to approve the Consent Calendar. The motion passed unanimously, 3:0.

ITEMS FROM BOARD MEMBERS

There were no items from Commissioners.

CORRESPONDENCE

General Manager Randy Berggren reported the following:

- A memorandum from Debra Smith on Board Governance was included in Board packets.
- A memorandum from Bob Lorenzen and John Mitchell providing background information on the closing of the Energy Outlet was also included in Board packets.

President Farmer said he had provided Ms. Smith some feedback on the memorandum. He encouraged the other commissioners to do the same.

BOARD AGENDAS

Mr. Berggren reviewed the *Eugene Water & Electric Board Agenda Report for December 6, 2005*. He noted that the last Board meeting of the year had been moved from December 20 to December 21.

2006 BUDGET AND WORK PLAN

Fiscal Services Supervisor Dick Varner stated that there were no substantive changes to the document since it had last been presented. He noted several cosmetic changes, however, such as combining the utility budgets for a comprehensive budget total. Mr. Varner said the electric budget was \$290 million, the water budget was \$21.5 million and this included a 9.8 percent rate action, and the steam budget was \$8 million and included the rate action the Board had already taken.

Commissioner Simpson asked if staff intended to reevaluate the steam utility. Mr. Varner responded that it was evaluated every year and would be again in fall of 2006.

President Farmer observed that the water utility appeared to have “under-performed.” He asked if the utility should take a different approach toward budgeting for it. Mr. Varner replied that in terms of long-term water planning, staff took the first step this year and determined it needed to come down in the sales assumptions for the year. He commented that the utility could not afford to be “optimistic at all.”

SECOND PUBLIC HEARING ON THE 2006 DRAFT BUDGET

President Farmer opened the public hearing. Seeing no one who wished to testify, he closed the public hearing.

2006 BUDGET AND WORK PLAN

Mr. Varner noted an oversight that had been brought to his attention earlier in the day and the appropriate resolution had been crafted to adopt the 2006 budget. He read Resolution No. 0517 into the record.

Commissioner Simpson moved approval of Resolution No. 0517, a resolution to approve the budget for 2006. Commissioner Menegat provided the second. The motion passed unanimously, 3:0.

GENERAL MANAGER'S 2006-2008 EMPLOYMENT CONTRACT

Human Resource Manager Jean Meyer's reviewed the *General Manager's Employment Agreement* as proposed and outlined the changes.

President Farmer asked for a clarification on the portion of (*E*) that referred to the annual average percentage increase for the salary as provided by the American Public Power Association (APPA). Ms. Meyers explained that in addition to obtaining median salary data and 75th salary data that allowed staff to set the base salary range at the 55th percentile for the General Manager, she also requests the General Manager mean salary increase from APPA. For 2005, of the 26 utilities reporting the same revenue class (\$100,000-\$300,000) as EWEB, 19 utilities reported the same GM mean salary increase was 5.4%. This average salary increase is the salary accelerator for the performance matrix the Board uses when determining a potential merit increase for the GM. The 5.4% is set to the "meets expectations" performance level in the merit matrix each year.

President Farmer asked what the five levels of performance were. Ms. Meyers replied that they are 'outstanding,' 'exceeds expectations,' 'meets expectations,' 'below expectations' and 'unacceptable.'

President Farmer said the reason he asked the question was that only one rating had been called out in the contract language, 'exceeds expectations.' Mr. Berggren felt that it meant the APPA average increase number was used, based upon the 'exceeds expectation' benchmark. Ms. Meyers explained the Board initially took a conservative approach in setting the merit increase.

Commissioner Menegat thought 'exceeds expectation' was an error and the language should really be tied to the 'meets expectations' level of performance. Ms. Meyers agreed that it should read 'meets expectations.'

Commissioner Menegat stated that he had two changes to the document, the aforementioned change of performance levels and the last sentence of (*E*). He said the last sentence, indicating the Board would provide its reasons should it not approve a merit increase, should be more appropriately addressed in governance work.

Commissioner Simpson noted that he had submitted minor changes to the contract language electronically. The Board deemed them, without objection, approved.

Commissioner Simpson moved to approve the General Manager's 2006-2008 Employment Contract with the changes noted above. Commissioner Menegat provided the second. The motion passed unanimously, 3:0.

BUDGET AMENDMENT NO. 10

Treasurer Jim Origliosso stated that this amendment fell under the heading of a housekeeping amendment. He explained that the amendment brought forward in July for the Carmen-Smith relicensing had not included the internal labor in the capitalized portion of the project. He said the budget for internal labor was \$394,000. He related that the previous auditors had indicated that once the internal labor was included in the capital project this practice had to be continued for consistency for the duration of the project. This had led to a variance of \$91,000 for internal labor. He indicated that the budget amendment sought to include that amount in the capitalized amount of the project, held as construction work in process along with the other costs of obtaining the license. He said the labor came from reallocated labor assignments from one set of activities to another and did not require any additional staff or financial resources.

Commissioner Menegat moved to approve Budget Amendment No. 10. Commissioner Simpson provided the second. The motion passed unanimously, 3:0.

ITEMS REMOVED FROM THE CONSENT CALENDAR

There were no items removed from the Consent Calendar.

President Farmer adjourned the meeting at 8:09 p.m.

Assistant Secretary

President