

EUGENE WATER & ELECTRIC BOARD  
WORK SESSION  
EWEB BOARD ROOM  
DECEMBER 6, 2005  
6:15 P.M.

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

Others Present: Randy Berggren, Dick Helgeson, Dick Varner, Jim Wiley, Marty Douglass, Jim Origliosso, Debra Smith, Tom Buckhouse, Cathy Bloom, and Krista Hince of the EWEB staff; Trent Martin, Julie Desimone, Shelly Coleman, Auditors for Moss-Adams, LLP; Ruth Atcherson, City of Eugene minutes recorder.

President Farmer convened the work session of the Eugene Water & Electric Board (EWEB) at 6:40 p.m.

#### **GENERAL MANAGER'S GOALS FOR 2006**

General Manager Randy Berggren stated that Assistant to the General Manager Debra Smith had sent a memorandum, entitled *General Manager Goals for 2006* and dated *November 30, 2005*, that contained individual Commissioners' goals, a combined prioritization, and a draft of the goals for 2006. He hoped to gain Board agreement on what the goals should contain. Then staff planned to take them and "boil them down" into specific measurements or milestones to go with each goal.

Commissioner Menegat found the four goals selected for the draft to be the correct four. He said in going through the four he noted some other items that had been discussed that could be included in the listed goals. As an example, he suggested that (C) also included goals around building reserve equity though it referred directly to Carmen-Smith. He said some of the long-range strategic financial planning would apply to (C) and could be appropriate to have as a success measure. He also thought (D), which addressed the potential power decrement from the Bonneville Power Administration (BPA), tied in with lost opportunities and the Integrated Energy Resource Portfolio (IERP) process.

Commissioner Simpson expressed surprise that communication had fallen to sixth place in the list of priorities. He felt it was important that the utility continue to make it be known in the community that the utility's products had value. He wished to tout the utility's environmental ethics and its commitment to renewable power resources.

Mr. Berggren asked if Commissioner Simpson was suggesting that this should come up as a goal. Commissioner Simpson replied that he wanted to emphasize that the utility should promote the value on its products, included with this was a stronger emphasis on residential Demand-Side Management (DSM). He said it was part of rolling out an Integrated Electric Resource Plan (IERP) strategy. He felt it important not to only go after the "low hanging fruit" in the large customer DSM.

Mr. Berggren commented that the utility had “done nearly three-quarters” of all of the residences before moving into the commercial program and, as such, he would not characterize commercial DSM as low hanging fruit budget.

Commissioner Simpson was pleased to see Carmen-Smith relicensing and the Water Master Plan ranked high in priority.

President Farmer stressed the importance of recognizing that these goals were for the General Manager. He observed that the utility had many goals as well and advised the Board to consider which goals Mr. Berggren should focus on. He thought while the Board could say to the Public Affairs Manager, Marty Douglass that he should focus more on communication because it was important, it might not be the best focus for the General Manager. He leaned toward giving the General Manager fewer goals so that performance measurement would be more readily apparent.

Continuing, President Farmer commented that the Board should be careful to avoid behaving like the legislature, which puts out many unfunded mandates. He said the Board could not expect Mr. Berggren to implement an energy plan, as an example, if the Board was not willing to “put up the dollars for it.”

President Farmer supported the four goals in the draft. He felt the goal that focused on the Carmen-Smith relicensing needed wordsmithing. He did not think only submittal of the renewal application should be the goal, as this had to be done in any event. He thought what the Board expected from the General Manager in this regard should be more strategic in nature.

Mr. Berggren said he would take primary responsibility for insuring that the Board had ownership and provided direction for the content of the application. He stressed that relicensing was a significant event for the utility.

President Farmer underscored his support for the relocation of facilities, but he wanted to be careful when using the words “master plan.” He said if a master plan sought to work with this site in order to work with the City to get the best zoning for optimal value for the site he would support it. He thought the utility could move without selling the site, but it would not be cost effective. He could not support devising a plan for future use of the present site for operations. He opined that it was not money well spent. He reiterated that he supported doing whatever it took to maximize value but did not want to do a site design for the purpose of constructing a new operations facility on the site.

Commissioner Menegat concurred on this use of the words “master plan.” He agreed with President Farmer.

Commissioner Simpson envisioned the master plan process to include appropriate zoning and parceling of the property and developing a plan for the potential sale of surplus property.

President Farmer wished to have the Board involved in what defined success.

Mr. Berggren suggested that staff come back with some proposed results or measurements for the next meeting and if the Board was not ready to approve them, action should be postponed until after the new year.

Ms. Smith perceived that there was a great deal of overlap between the General Manager's goals and the goals of the organization. She stated that all four goals were the corporate initiatives for 2006, as was an initiative for making EWEB more of a value-added utility. She pointed out that staff had a meeting set for the following week at which work plans would be presented on these initiatives.

Mr. Berggren clarified that in the original reference to the Carmen-Smith facility, staff had narrowed the definition of the goal. He had heard the Board speak to the sense of value on the Carmen-Smith reserve and the funding strategy. He was beginning to feel that this was sufficiently different than what the goal had been narrowed to; that it could be worth the Board bringing forward item 7 from the original goal sheet, which would be a continuation of what had been done through the present year. He suggested that the Board continue to carry a fifth goal on financial stability, which would speak to the utility's expected reserve positions for 2006.

President Farmer said if this goal was tied into a fifth goal he wanted specific actions to be taken that ensured that the goal of having reserves for Carmen-Smith was realized. He asked if there were action steps that could be taken beyond what had already been done to work toward the goal of reserve building. Mr. Berggren replied that it would depend on how the water year panned out. He said some proposals could be put together to determine if it merited more consideration.

President Farmer asked if any other staff wished to comment.

Power Resources Division Director Dick Helgeson said the goals were right and the discussion on the action items had been helpful. He thought the potential loss of the BPA entitlement under a new allocation could result in a range of possible outcomes, which could exceed what had been characterized as a lost opportunity path. He thought the utility needed to consider what funding capability was required to address the gap as it became more tangible. He was glad to see that embedded in the goals.

## **2005 AUDIT PLANNING**

Ms. Bloom introduced Trent Martin, Julie Desimone, and Shelly Coleman, auditors for Moss-Adams, LLP.

Mr. Martin said the company was excited about the opportunity to be EWEB's auditors. He and Ms. Desimone provided a power point presentation on Moss-Adams and its audit process.

Ms. Desimone credited EWEB staff with being very helpful and well prepared for the audit.

Mr. Desimone stated that fraud testing, called the SAS 99, was a part of the audit and any fraud would be brought to the Board's attention immediately.

Mr. Martin said SAS 99 required looking at two areas, revenue recognition and management override and control. He commented that most of the information gained in this area came from employee interviews.

Ms. Desimone reviewed the *Areas of Emphasis*. She said the audit would ensure the billing was done correctly and whether risk management policies in power trading were sufficient to make sure the utility was protected.

In response to a question from Commissioner Simpson, Ms. Desimone explained that revenue recognition was about how the utility was capturing the data and recording it in the system. She commented that a major source of concern lay in that most utilities had two sources of information, the billing system, accounts, and meters, and the operation system. She said it was a highly integrated system and it was important to make sure that information came out right on the other end.

President Farmer asked what surprises the auditors had found in other businesses. Ms. Desimone replied that she had been surprised by some of the other utilities' credit card policies. She cited one example in which a client board had told auditors that five to ten employees had credit cards when in fact all of the employees had them and the cards had no limits.

President Farmer asked how forward looking the auditors would be particularly in relation to contingent liabilities, such as the relicensing of the dam. Ms. Desimone responded that the company had good accounting standards that specifically addressed contingent liabilities. She said anything of this sort would be on the company's radar. In regard to the relicensing issue, she stated that the company would send EWEB's attorney's letters asking them to outline what they had been working on. She noted that this was the primary resource for information on whether an issue was a footnote or should be contained in the report. Mr. Martin added that the auditors relied on discussions with management, board members, and review of board minutes.

President Farmer asked if the auditors would provide a report on how EWEB "stacked up against" other utilities in terms of operations, efficiencies, spending, and others. Ms. Desimone responded that Moss-Adams was developing a benchmarking study between all of the utilities and hoped to disseminate the information to all of its clients in the coming year.

Ms. Desimone said, in closing, that there had been some last minute issues at the end of the last year, regarding Trojan and some eliminations. She wanted to stress to the Board that Moss-Adams was taking a look into them and were looking into the reporting treatment of Trojan. She hoped to have that information by the end of the week.

Treasurer Jim Origliosso reminded the Board that the previous year's audit had been produced and then EWEB had asked for it back because it had to be restated. He said the principle issue was how Trojan was treated. He noted that in prior years it had been in a separate report and not even included it in the general-purpose financial statement.

Mr. Martin said historically Trojan had been treated as a liability.

Ms. Bloom related that Price-Waterhouse had averred that there was a chance that the BPA or the federal government would leave EWEB "on the hook." She said they felt, in reading the contract, a chance existed that the BPA would not pay its obligation in the Trojan Nuclear Plant.

President Farmer adjourned the meeting at 7:33 p.m.

---

Assistant Secretary

---

President