

EUGENE WATER & ELECTRIC BOARD
REGULAR BOARD MEETING
EWEB BOARD ROOM
DECEMBER 21, 2005
7:30 P.M.

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

Others present: Randy Berggren, Tom Buckhouse, Marty Douglass, Brad Taylor, Terry Bequette, Dick Helgeson, Jim Origliosso, Tom Williams, and Krista Hince of the EWEB staff; Ruth Atcherson, Minutes Recorder for the City of Eugene.

President Farmer convened the Regular Board Meeting of the Eugene Water & Electric Board (EWEB) at 7:45 p.m.

AGENDA CHECK

There were no changes to the agenda.

PUBLIC INPUT

Brad Myers, 2490 Lincoln Street, stated that the local community had formed the College Hill Reservoir Safety Committee (CHRSC). He indicated that a list of members and their email addresses would be provided to the Board. He underscored that it was their intent to look at safety issues on the reservoir and said he hoped to discuss safety options with the Board. He looked forward to assisting staff in determining what the goals should be for the site and what solutions could be found in lieu of a fence. He thanked the Board for the opportunity to speak.

Carlos Ferrera, 2470 Olive Street, spoke on behalf of the Friendly Area Neighborhood Association (FAN). He commented that the Board had a tough job. He acknowledged that it was difficult to balance the need to provide the public with safe drinking water with the public's need for high places where they can see different horizons and find spiritual renewal. He averred that the College Hill Reservoir was an invaluable open space and had been a public space for over 65 years. He believed that it had originally been designed that way, and that the public believed that it would always be open to them as an all-weather recreation space. He questioned the assessment that people now were living in a less safe age. He wondered if we were not giving into ignorance and fear mongering. He pointed out that fear had once caused the creation of Japanese internment camps. He hoped that EWEB would not close access to this "cherished public place."

APPROVAL OF CONSENT CALENDAR

Minutes

1. Minutes of the October 18, 2005, Executive Session and Regular Board Meeting, the November 1, 2005, Work Session and Regular Board Meeting, the November 15, 2005, Executive Session, and the December 6, 2005, Executive Session.

Business Service Agreements

2. CH2M-Hill – Rebuild of City View 800’ Reservoir – Water Division - \$145,000
3. Kanner & Associates – Federal Legislative Support for Issues of Concern to EWEB – Public Affairs – General Manager’s Division - \$100,000
4. Lane Council of Governments (LCOG) – 2006 Water Quality Monitoring Technical Assistance Activities – Environmental Management – Corporate Services - \$172,368
5. Normandeau Associates – Fish Survival Study – Electric Division - \$467,125.82
6. SelecTemp – Temporary Services – Meter Reading – Customer Services Division - \$40,000
7. Wells Fargo Bank, N.A. – Trustee Services – Financial Services – Customer Services Division - \$40,000
8. Willis of Oregon, Inc. – Health & Welfare Benefits Broker/Consultant Services – Human Resources – Corporate Services - \$247,500

Commissioner Simpson, seconded by Commissioner Menegat, moved to approve the Consent Calendar. The motion passed unanimously, 4:0.

President Farmer noted that the third Consent Calendar item would be providing key items of information and wished to ensure that this information would be relayed to the Board.

ITEMS FROM BOARD MEMBERS

Vice President Bishop said she had received an invitation to the LCOG appreciation dinner.

Vice President Bishop also indicated that she was considering attendance to the conference on public contracting and procurement regulations. She felt there had been confusion regarding rules governing procurement on the part of the Board.

Vice President Bishop observed that there had been several announcements from the Public Utility Commission (PUC) as a result of the activity generated by the passage of Senate Bill (SB) 408. She said Pacific Corp Portland General Electric, and Northwest Natural Gas were all filing for automatic adjustments “to come into sync with that bill.” She noted that the PUC staff had also recommended changes to late payments and the interest that deposits accrued.

Commissioner Simpson indicated an interest in seeing a staff memorandum comparing EWEB with other utilities in this regard.

President Farmer announced that he would not be attending the January 17 meeting because he would not be in town.

President Farmer remarked that an issue was “bubbling” regarding a change of some of the computer systems. He said it had to do with how the utility billed landlords when tenants move out.

General Manager Randy Berggren explained, in response to Vice President Bishop, that it was a software issue in the customer service function. He indicated he would provide a memorandum to the Board to further clarify it.

CORRESPONDENCE

Mr. Berggren reported no correspondence.

BOARD AGENDAS

Mr. Berggren reviewed the *Eugene Water & Electric Board Agenda Report for December 21, 2005*. He noted that the officer elections would be held during the first meeting of 2006.

GENERAL MANAGER'S 2006 GOALS

Mr. Berggren summarized the work done on the General Manager's Goals to date. He remarked that it was not possible to give a measurement of success in the 30 percent design work given that the decision on whether or not to move all or part of the EWEB facility was still pending. He noted that the Board had selected three goals that involved issues that were in the developmental phases. He thought by the end of the year, the Board and staff would have a good sense of strategy proposals.

President Farmer said given the fact that the goals were at a fairly high level, he would prefer to see far reaching strategies. He viewed the General Manager as being a strategic thinking position while approximately 470 other employees could deal with the day-to-day operational things.

President Farmer expressed his concern regarding II (D) BPA Post 2011. He wished to ensure EWEB was on top of the conservation funding and that staff was addressing the future of its contract with the Bonneville Power Administration (BPA) in its strategic thinking. In particular, he wanted to narrow down EWEB's preferred alternatives to the potential power decrement from the BPA.

Commissioner Menegat observed that each of the goals were all highly involved in the long-term financial strategies, but there was nothing at the end of them that indicated how the strategies would be integrated.

Assistant to the General Manager Debra Smith pointed out that long-term financial strategies were embedded in Mr. Berggren's goals.

Commissioner Simpson agreed that each goal represented a long-term view. He was a little concerned that the II (A)(4) date for the *Water Supply Plan Review/Approval* was ambitious. Mr. Berggren responded that this date was merely the plan review and that the plan would be

implemented over the next five years.

Vice President Bishop felt the draft melded the concerns expressed by individual Commissioners. She had been surprised to see the goal under II (B) given that the Board had not approved a move. She thought a deadline for the Board to decide how to proceed should be included.

President Farmer noted that Mr. Berggren had set a timeline for working on this. He said if the Board could not meet the timeline, then the goal should be taken off. But until it was known whether the Board could meet the timeline, he averred it was appropriate to keep it in there.

Vice President Bishop recommended that if the Board did not have clarity on the issue by the end of the first quarter, it should be taken off as a goal.

President Farmer pointed out that it was not like this had not been looked at. He noted that the Board had voted unanimously on what it meant by the creation of a Master Plan Strategy at the previous meeting.

Commissioner Simpson asked when the peer review of the 30 percent design work would come back before the Board. Mr. Berggren replied that he was still working on it. He said he would meet with President Farmer regarding the information he had gained from meetings earlier in the day regarding peer review. He wanted to work through the areas of confusion and the areas the Board had a lack of confidence in the numbers. His view was that as soon as the Board had confidence in the 30 percent design work, the second phase would be initiated and the Board would make its decision.

President Farmer commented that the process had not undergone a monumental delay. He predicted it would be resolved within the first quarter of the new year.

Commissioner Simpson expressed concern that the item was not listed in the January agendas. Mr. Berggren said he would curtail a presentation at one of the two meetings in order to provide an opportunity to provide a progress report to the Board.

UNIVERSITY OF OREGON CONTRACT

Power Resources Director Dick Helgeson explained that EWEB had four large contracts and the University of Oregon held one of them. He noted that the Board had spent time on the contract with another large customer, Weyerhaeuser, during the previous year. He asked Tom Williams, Key Account Manager for the University of Oregon, to present the item.

Mr. Williams briefly reviewed the history of EWEB's relationship with the University of Oregon. He stated that EWEB had been partners with the University for a long time, noting that some faculty had actually served on the Board. He said EWEB had been successful working with demand side programs with the University. He cited the Lillis Building and a special project with the

student population around the Erb Memorial Union as examples of such programs. He related that he had enjoyed developing the relationship with the University and he was pleased at how this process had come together. He said one of the key meetings held with the University had been about the COSA (Cost of Service Analysis) process and it had been fruitful. He indicated that the agreement would cover the main campus, but not the athletics department.

Mr. Helgeson said the areas of the contract that had been affected most had been largely in the rate provisions and in one aspect relating to their internal generation. He underscored that the rates in the contract continued to be cost-based and continued to be developed in accordance with EWEB's cost of service methodologies. He indicated that the particulars were addressed in Section 7 of the contract, which spoke to rates and charges. He reviewed the bases for the energy and delivery charges.

In response to a question from Commissioner Simpson, Mr. Helgeson pointed to a footnote in the rate exhibit that explained that the initial rates from the effective dates of the agreement through April 30, 2006, would be the current rates now in effect and that the rates for the rest of the year would be established based on the regular COSA process and thereafter by the methods delineated in Section 7.

Fiscal Services Supervisor Dick Varner noted that the most unique aspect of the contract was that the University would share the risk on the secondary revenues. In other words, if the revenues were better than planned, EWEB would write the University a check for their share in it and if it was worse than planned the University would write a check to EWEB.

President Farmer likened it to selling a hedge.

Commissioner Simpson asked if internal generation included photovoltaic (PV) resources. Mr. Williams responded that it did not. He said EWEB put meters on the PV projects all over town and the University had "a couple of PV projects." He commented that EWEB paid a little extra for it but received the green tags for the projects in return.

Mr. Helgeson remarked that from a trading for dispatch standpoint, the energy was only half a megawatt. He said the way EWEB operated on the trading floor would not change; rather it simply provided a mechanism to pass through to the University the price signal. He stated that the University would buy more power from EWEB on the retail side and then would get 90 percent of the "mid-C value" for the generation. He noted that one other reason for doing this was that EWEB staff thought that in the long run there was some potential for co-generation and an opportunity for EWEB and the University to partner in a mutually beneficial way.

In response to a question from Vice President Bishop, Mr. Varner explained that the six-year length of the contract had to do with the renegotiation of the contract with the BPA in 2011.

Continuing, Mr. Helgeson stated that the University and EWEB had disagreed about dispute resolution and language regarding the use of binding arbitration. He reported that the University's counsel responded that the State of Oregon did not "do" binding arbitration. Because of this, the language was changed to include non-binding arbitration to the extent of the law.

President Farmer asked if the hazardous waste issue had affected EWEB's relationship with the University. Mr. Williams replied that it had not affected it yet, though he was certain that the negotiators had been aware of it. He understood that EWEB's environmental specialists were working with the Riverfront Research people on it.

Vice President Bishop, seconded by Commissioner Menegat, moved to approve Resolution No. 0518, a resolution approving and authorizing a new power sales agreement between the Eugene Water & Electric Board and the University of Oregon.

Vice President Bishop conveyed her appreciation for the staff work that had gone into the agreement.

The motion passed unanimously, 4:0.

ITEMS REMOVED FROM THE CONSENT CALENDAR

There were no items removed from the Consent Calendar.

President Farmer adjourned the meeting at 8:49 p.m.

Assistant Secretary

President