

EUGENE WATER & ELECTRIC BOARD
REGULAR BOARD MEETING
EWEB BOARD ROOM
JANUARY 3, 2006
7:30 P.M.

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

Others Present: Randy Berggren, Tom Buckhouse, Dick Helgeson, Jim Origliosso, Steve Newcomb, Ken Beeson, Lance Robertson, Jim Wiley, and Krista Hince of the EWEB staff; Ruth Atcherson, Minutes Recorder for the City of Eugene; and members of the public.

President Farmer convened the Regular Board Meeting of the Eugene Water & Electric Board (EWEB) at 7:50 p.m.

AGENDA CHECK

There were no changes to the agenda.

PUBLIC INPUT

Charles Biggs, 540 Antelope Way, opined that the best way for the Board to gain credibility in the 30 percent design work would be to include the public in the process. He felt the design work for the Roosevelt Boulevard site should have included more public input. He averred that the public should have been allowed to weigh in on the appraisals of the current site as well. He believed that EWEB could gain more money for its investment if the site was sold for what it was intended to be, i.e. a civic building. He said because of the earthquake standards the building had been built to it would be an appropriate site for the Eugene Police Department. He commented that government never seemed to sell a building for its value and it always seemed to pay more than necessary for construction projects.

APPROVAL OF CONSENT CALENDAR

Business Service Agreements

1. Benefit Help Solutions (BHS) – Administrative Services for FSA Benefits, COBRA, and Retiree Plans – Human Resources – Corporate Services Division - \$144,000
2. Davey Resource Group – Tree Work Pre-Inspection/Quality Control – Electric Operations – Electric Division - \$252,000
3. Devine Tarbell & Associates, Inc. – Consulting Services – Stone Creek Hydro – Environmental Management – Electric Division - \$150,000
4. Inclusivity Consulting Group, LLC – Leadership Development – Human Resources – Corporate Services Division - \$96,000
5. Western States Electric – Replenishment of Three-Phase Padmounted Distribution Transformers – Electric Division - \$138,744

Ratification Of Board Consultants

6. Ratification of Board Consultants for 2006:
 - 6.1 General Counsel – Calkins& Calkins
 - 6.2 Independent Auditor – Moss Adams
 - 6.3 Independent Engineer – Black & Veatch
 - 6.4 Consulting Engineer – Black & Veatch
 - 6.5 Certified Public Accountant – Moss Adams
 - 6.6 Special Counsel – Cable Huston Benedict Haagensen & Lloyd LLP
 - 6.7 Bond Counsel – Nixon Peabody
 - 6.8 Financial Advisor – Seattle Northwest
 - 6.9 Independent Actuaries – Clark Consulting

Ratification Of Retained Professionals

7. Retained Professionals and Attorneys for 2006:
 - 7.1 Jim Deason, Attorney at Law – Power Risk Counsel
 - 7.2 Harrang, Long, Gary and Rudnick - Human Resources Counsel
 - 7.3 Mersereau and Shannon - Bond Disclosure Counsel

Commissioner Simpson, seconded by Commissioner Menegat, moved to approve the Consent Calendar as presented. The motion passed unanimously, 5:0.

ITEMS FROM BOARD MEMBERS

Vice President Bishop noted with sadness the recent passing of noted attorney Charles Porter. She called him a “fantastic attorney and congressman.”

President Farmer indicated he would not be able to attend the meeting scheduled for January 17.

Commissioner Lanning announced that he had been elected Vice Chair for the Lane Council of Governments (LCOG) for 2006.

Commissioner Simpson stated that he would like to queue up a succession plan for the General Manager given the potential that General Manager Randy Berggren may choose to retire in the next few years. President Farmer concurred.

CORRESPONDENCE

General Manager Randy Berggren reported the following correspondence:

- The Board had been provided with the “fairly voluminous” update of EWEB’s public contracting rules. Mr. Berggren encouraged the Board to read it.
- Board packets included the confidential quarterly litigation report.

In response to a question from Vice President Bishop, Mr. Berggren suggested she bring her questions regarding the public contracting rules to him.

BOARD AGENDAS

Mr. Berggren reviewed the *Eugene Water & Electric Board Agenda Report for January 3, 2006*.

Commissioner Simpson ascertained from Mr. Berggren that the February 7 meeting would be held in Vida, Oregon.

ELECTION OF OFFICERS FOR 2006

President Farmer opened the nominations for president.

Commissioner Menegat, seconded by President Farmer, nominated Vice President Bishop to serve as President in 2006.

President Farmer stated that he had seconded the motion with the understanding that Vice President Bishop would conduct the business of the EWEB Board of Commissioners in a timely manner. He noted that it was more difficult to advocate from the position of Chair than from the position of Commissioner.

Sandra Bishop was elected President of the Board of the Eugene Water & Electric Board by a unanimous vote, 5:0.

Newly elected President Bishop opened the nominations for Vice President.

Commissioner Lanning, seconded by Commissioner Farmer, nominated Commissioner Menegat to serve as Vice President of the Board of the Eugene Water & Electric Board in 2006. The motion passed unanimously, 5:0.

President Bishop said if the Vice President were available, she would appreciate having the Vice President participate in agenda setting meetings with the President and General Manager. She also suggested that the Vice President aid in keeping time at the meetings.

Commissioner Simpson offered to serve as a back up for agenda-setting meetings should President Bishop or Vice President Menegat be unable to attend. He approved of the idea of having two Board members meet with the General Manager to set Board Meeting Agendas.

APPOINTMENTS OF COMMISSIONERS TO BOARD LIAISON ASSIGNMENTS AND COMMITTEES

Commissioner Farmer proposed that the appointments for 2006 remain the same as they had been for 2005.

Vice President Menegat stated that he had served as a Board Member for the Western Generation Agency (WGA), as did staff members Ken Beeson and Cathy Bloom. He said three members from the Clatskanie Peoples' Utility District (CPUD) also served on the Board.

Commissioner Lanning observed that Commissioner Farmer only served as an alternate. Commissioner Farmer responded that he was comfortable with that.

Commissioner Simpson noted that the McKenzie Watershed Council (MWC) required an elected official to serve on its Executive Board and as of this year he would likely be appointed.

Commissioner Lanning suggested that the list of Board appointments to committees and Boards include the number of years Commissioners had served on them.

Mr. Berggren noted that the Board had indicated it might add an alternate to serve as liaison for Municipal Water Rights Issues. Commissioner Farmer said he was willing to serve as alternate.

Commissioner Farmer moved to proceed with the appointments of Commissioners to Boards and Committees as outlined in the list from 2005. Commissioner Simpson provided the second. The motion passed unanimously, 5:0.

For 2006, Commissioner Lanning will continue to serve as representative to LCOG and Vice President Menegat will serve as the alternate.

Vice President Menegat will continue to serve on the Board for the WGA.

President Bishop will continue to serve as representative to the Northwest Energy Coalition (NWEC) and Commissioner Simpson will serve as the alternate.

Commissioner Simpson will continue to serve as representative to the MWC, with Commissioner Farmer as an alternate.

Commissioner Lanning will continue to serve as the liaison to special districts (i.e. water districts).

Vice President Menegat and Commissioner Simpson will continue to serve on the General Manager's Performance Evaluation and Compensation Committee.

President Bishop will serve as Board liaison for water rights issues, with Commissioner Farmer serving as the alternate.

CONTRACT AWARD FOR VA TECH HYDRO USA CORPORATION

Electric Division Director Jim Wiley explained that the Smith Creek project was located in Northern Idaho. He said it had been purchased from an independent power producer in 1994. Inspections conducted in 2004 had indicated that the turbine blades on the Pelton wheel were beginning to show erosion. He reported that the inspections had determined that the blades would likely fail some time in 2007.

In response to a question from Commissioner Simpson, Mr. Wiley stated that the facility would fail if a blade failed.

Continuing, Mr. Wiley stated that after getting a “couple of non-responsive bids in,” EWEB staff had gone into a joint negotiation with the original equipment manufacturer, VA Tech (not actually the original manufacturer as they had since purchased the original company). He stressed that the repair project would require a 14-month lead time and should the contract not be approved and awarded at the present meeting there was a possibility that the spring flow in 2007 would be lost.

Mr. Wiley further explained that the budget had not been approved to cover the cost of the project. He said it had originally been projected to cost \$1.3 million but the actual cost would be \$1.8 million.

Commissioner Farmer asked how the estimate had been so far off. Mr. Wiley replied that the budget figures had been based on non-responsive bids EWEB had received. He described the process by which the former bids had proposed to handle the repairs, with companies in several nations functioning in different capacities toward completion of the final project.

Commissioner Farmer asked if it had been a learning experience. Mr. Wiley replied that given the directive to bid work competitively in an open process, he did not believe it could have transpired differently.

Commissioner Simpson asked if VA Tech Hydro was the only company that made the Pelton runners. Mr. Wiley responded that no one else had submitted the bid and VA Tech Hydro had the original equipment manufacturer. He added that the company had experience with Pelton mills, noting that the Pelton mill was used more in Europe than in the United States.

Mr. Berggren asked if there was a reason EWEB did not have numbers from VA Tech Hydro when it had done its work in August. Mr. Wiley replied that EWEB was in a contract dispute with them regarding the final costs of the work performed at Leaburg/Waltermville. Those negotiations were finalized in October and November.

Commissioner Simpson asked if the generators at the facility were turned off in the summer. Mr. Wiley explained that the flow of the stream was low in the summer. Commissioner Simpson asked when the installation would be conducted. Mr. Wiley replied that it would be planned for the winter timeframe. Mr. Berggren added that the greatest production from the facility happened during the spring run-off.

Commissioner Simpson asked if the design was a copy of the original. He wondered why the original had worn out so quickly. Mr. Wiley responded that sand erosion had contributed to the shorter lifespan of the equipment. He explained that the intake to the penstock was at a high elevation and took in much runoff containing sand and grit. He said there was an acre holding pond there and it also filled with sand, which went right into the penstock. He stated that EWEB planned to allocate \$40,000 to \$50,000 to conduct a study to see if the sand could be controlled better.

President Bishop commended staff for the work done on this contract. She felt the process by which staff had come back to the original manufacturers had been good. She suggested the Board take a tour of some of EWEB's outlying projects.

Vice President Menegat, seconded by Commissioner Lanning, moved to approve the contract with VA Tech Hydro in the amount of \$1,232,552. The motion passed unanimously, 5:0.

MCKENZIE RIVER TRUST STATUS REPORT

Environmental Manager Steve Newcomb introduced Executive Director for the McKenzie River Trust (MRT), Joe Moll, and McKenzie River Trust Board President, Bob Parker. He called MRT the example of a successful venture and pointed out that MRT had tripled EWEB's original investment.

Mr. Parker stated that EWEB had awarded the MRT \$500,000 in matching grants in 2000. He provided an overview of the trust with power points. The presentation was also outlined in the attachment entitled *McKenzie River Trust Presentation* dated *December 28, 2005*.

Mr. Moll said without the EWEB grant MRT would not be where it was today. He added that he liked to work with conservation projects that had a "people connection." He called the Green Island effort a legacy project.

Commissioner Simpson asked if water could flow over the island and wipe out improvements. Mr. Moll replied that it could. He underscored that an amount of water that great would present larger issues than inundation of Green Island.

Continuing, Mr. Moll reported that full restoration of the island could cost several million. He showed a slide that showed native vegetation that had sprung up after blackberries had been removed, noting that MRT workers had been surprised that the old seed stock had still been there.

Mr. Moll stated that he could not thank the Board and EWEB enough.

Commissioner Farmer noted that it said the project would have a “direct economic link to EWEB ratepayers” in the executive summary. He asked to what this referred. Mr. Moll responded that EWEB was helping to take care of a buffer to the drinking water. He remarked that the way people thought about an economic return had shifted. People now thought there was a great economic value in retaining a natural system. He added that the restoration would play a potential role in helping the island serve as flood mitigation.

In response to a question from Commissioner Simpson, Mr. Moll stated that the confluence of the two rivers was a mix of private and Department of State Lands (DSL) property. He observed that the River Road/Santa Clara area was continuing to expand. He averred that the protected riparian area by the river, in addition to buffering the river from the City also increased the values of adjacent property.

Commissioner Farmer pointed out that the project was ten miles below the Hayden Bridge Water Treatment facility intake, though a goal of the grant had been to protect the drinking water. Mr. Moll replied that it required a shift in perspective as to what watershed protection meant. He acknowledged that one of the goals had been to protect the source, and some work had been done upriver. But, he said, other goals had included habitat protection and conservation in the McKenzie River basin. He stated that in a time during which the Endangered Species Act was “coming down hard” on the economy, this had been a way to invest in the community that would attract further investment in the community.

Mr. Parker stated that the agreement between EWEB and the MRT required a Board of Trustees and that Board demanded accountability in the projects. The trustees had demanded to review every project they brought before them. He added that the Green Island project had been ranked the highest of any property and the trustees had given it unanimous support.

Mr. Berggren recalled that the Board, from the time at which the grant had been made, had strong environmental underpinnings.

In response to a question from Commissioner Farmer, Mr. Moll explained that Wildish Sand and Gravel owned 700 acres and had proposed to expand. In the process of this expansion they felt they needed to build a dike to protect operations and in order to do this they proposed to excavate and change a river channel. He stated that this portion of the river channel was a flood conveyance and had caused the MRT to bring forward questions and concerns, given the investment that had been made downstream from Wildish. Since then, Wildish had withdrawn its application and had decided to propose to do nothing along that channel with the exception of excavating several pond sites to allow some capture.

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President Bishop asked how many people served on the Board of Trustees. Mr. Parker replied that ten people were currently serving and all positions were filled, though their Bylaws indicated that up to 20 members could serve.

President Bishop conveyed her appreciation for the update.

ITEMS REMOVED FROM THE CONSENT CALENDAR

There were no items removed from the Consent Calendar.

President Bishop adjourned the meeting at 9:09 p.m.

Assistant Secretary

President