

EUGENE WATER & ELECTRIC BOARD
WORK SESSION
EWEB BOARD ROOM
JANUARY 3, 2006
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, Debra Smith, Tom Buckhouse, Scott Spettel, Catrin Van Donkelaar, Ken Beeson, Steve Newcomb, Gale Banry, Lance Robertson, Deborah Brewer, and Krista Hince of the EWEB staff; and Ruth Atcherson, City of Eugene Minutes Recorder.

President Farmer convened the Work Session of the Eugene Water & Electric Board (EWEB).

CARMEN SMITH RELICENSING UPDATE

Assistant to the General Manger Debra Smith introduced the team members that had been working on the relicensing process. She hoped to frame the presentation as a governance item, **SD13**. She said the intent of policy development was to ground the Board in the goals, objectives, and the roles that both staff and the Board would have in the process of submittal of the application for a license and the potential negotiation of some of the areas of contention that could arise. She described the review process that had transpired at the staff level. She stated that staff would go through a high level review for the Board and then it was hoped that the Board would provide guidance and feedback. She stated that she would then make the changes that were suggested electronically. Staff wished to bring the item back before the Board for approval on January 17.

Electric Division Director Jim Wiley provided an overview of the *Carmen-Smith Relicensing Schedule*. He said staff was planning on using the Board's input as a guideline for decision analysis.

Mr. Wiley reviewed the *Goals/Objectives*. He stated that EWEB wished to take a collaborative approach with resource agencies and did not want to get into the position of bargaining with them. Rather, he hoped EWEB would come from the "higher ground." He stressed the importance of maximizing the generation from the facility while minimizing the environmental impact. He said the generation component was the real reason the project was there.

Relicensing Project Manager Gale Banry discussed the *Success Criteria*. He explained that long-term economic viability entailed keeping an eye on future power values and maximizing the generation of the project. He said the duration of the license, whether it was 30 or 50 years, was dependent on the amount EWEB invested in the relicensing project. He stated that all of the variables together would give a sense of cost ratio, the rate of return, cash flow, and so on and would provide a measure of the project's economic viability.

Ms. Smith reviewed the *Roles and Responsibilities* of both the Board and staff in relation to the relicensing process.

Mr. Banry clarified that the Federal Energy Regulatory Commission (FERC) definition of environmental was broad and included aesthetics and recreational aspects as well as those concerning fish and wildlife.

Commissioner Menegat said he had no problems with the proposed governance policy **SD13: Strategic Direction Carmen-Smith Hydroelectric Project Relicensing**. He was more concerned with keeping the balance between the cost effectiveness and the environmental impacts. He knew there were impacts that EWEB would not likely be able to solve in a cost effective manner. He asked if there was any underlying philosophy, such as doing things as cheaply as possible and with little impact or whether EWEB was trying to reduce the impact to a certain level. Mr. Banry replied that staff would not know the answer to the question until they knew more of what the issues would be. He added that EWEB could not achieve the goal of relicensing without a certain level of impact.

Mr. Wiley added that the \$100 million estimate was based on preliminary estimates that EWEB would spend \$75 million on environmental enhancements and \$25 million for life extension work.

Environmental Manager Steve Newcomb called this the “creative tension part.” He said outside of the engineering and economics EWEB would ask itself if it was biologically or environmentally sound in principle to say no to something.

Mr. Banry commented that the success of the Walterville relicensing process was largely due to the sound basis in science the actions EWEB took were based upon. He said the utility did not want to be capricious; rather it had to be credible when taking a position.

Commissioner Menegat asked if the various organizations that become involved in the relicensing process were responding or whether they were waiting to file a lawsuit. Catrin Van Donkelaar, Advanced Relicensing Project Coordinator, responded that EWEB had a huge email distribution list and a Website where all of the work that was underway or completed was posted. She stated staff received a tremendous response from the Federal and State agencies and that they had “been at the table” throughout the process to date. She said some of the places they pulled in more comments had been from the tribes. She related that staff had also received a lot of responses from the non-governmental organizations (NGOs), especially from American Whitewater. She noted that one study had been conducted that was specifically requested by American Whitewater and they had commented positively on the results.

In response to a question from Mr. Wiley, Ms. Van Donkelaar affirmed that EWEB had a good working relationship with the United States Forest Services (USFS).

Mr. Banry averred that once EWEB started making decisions regarding the recreational facilities staff would hear more from the public.

Commissioner Menegat asked if increased generation would affect the proposed decrement from the Bonneville Power Administration (BPA). Power Management and Planning Manager Scott Spettel replied that it probably would not.

Vice President Bishop requested more information on the final fish study. Ms. Van Donkelaar related that the backgrounder that she had written talked about the pilot study. She explained that it was known that bull trout lived in the Trailbridge facility and it was rumored that Chinook were there as well. She said the bull trout could exit Trailbridge over the spillway or through the turbine and what was not known was their survival rate. She stated that this would be measured by conducting "balloon tag" study, which would involve tagging the fish. The fish were difficult to catch and the pilot study sought to formulate a way to catch and tag a statistically valid number of them.

Vice President Bishop asked if the study had been conducted before. Ms. Van Donkelaar replied that this was a new study and was spendy. She added that the study plan had been signed off on by the environmental agencies. In response to a follow-up question from Vice President Bishop, Ms. Donkelaar listed the involved agencies: the USFS, the United States Department of Fish and Wildlife (USDFW), and the Oregon Department of Fish and Wildlife (ODFW).

President Farmer asked if the project had been originally designed with the idea that fish would be going over it. Mr. Banry responded that the focus at that time was on salmon and the bull trout was considered a "trash fish."

Ms. Van Donkelaar stated that all three reservoirs were used for recreation and were stocked with rainbow trout by the ODFW.

Vice President Bishop asked if the term for the license was known. Mr. Banry responded that \$100 million might lock it in at 40 years. He said the real question was whether this was the project the utility could live with over time.

President Farmer remarked that he did not have a problem with the "loosey-goosy" nature of financial estimates at the moment but ultimately the Board would need an amount to "hang its hat on." He averred that the specifics needed to be much stronger than they were at present.

In response to a question from President Farmer, Mr. Banry affirmed that the license was based on economics and how much time the utility would need to recover its investment. In other words, if it took 30 years to recover, EWEB would be issued a 30-year license and so on.

Commissioner Lanning commended staff for the great work on the document. He noted that staff had talked of creative tensions and asked if it was through the relicensing process that these creative tensions would rise to the Board's attention. Mr. Banry responded that the whole process came down to the multiple uses of the river and how some of those uses sometimes ran counter to each other. He stated that an interest-based group generally formed around one interest such as fly-fishing or boating and would likely have different views about the river and reservoirs than another group

Ms. Smith said when the license was submitted in November and even when the preliminary license was submitted in May EWEB would be able to take some of the success criteria and translate them into assumptions and what economic viability looked like. She thought policy could be created on this at that time, but then based on the public input policy some of that could change between May and November. She commented that in some ways the assumptions were a moving target. Mr. Banry added that it was important that the Board stayed apprised.

Mr. Wiley commented that creative tension creates creative solutions.

General Manager Randy Berggren remarked that the most frustrating aspect of the Leaburg/Waltermville relicensing had been working with changing personnel in the agencies EWEB had to work with.

Ms. Smith stated that more opportunities for Commissioners to ask questions would arise in the one-on-one sessions with the task team.

Commissioner Simpson thanked staff and in particular the task team for their work on the document. He agreed that it was "loosy-goosy," but said it still captured the critical placeholders for this stage of the game. He agreed that it was important to focus on environmental sustainability and economics. He felt that in the end everyone was looking for the way to beat the market. He thought the ratepayers could be convinced to pay more based on the environmental values they espoused. He averred that everything that had been said was in line with his philosophy regarding this project and that EWEB was on the right course.

In response to a question from Commissioner Simpson, Mr. Banry stated that staff wanted to complete the fish mortality study as soon as possible.

Commissioner Simpson said he could not underscore enough the importance of maintaining relationships between agencies.

President Farmer ascertained from Mr. Berggren that there had not been a policy reference for the Leaburg/Waltermville project. He was unconvinced that the Carmen-Smith relicensing process needed to be guided by a strategic direction policy. He considered a policy to be a governance item that would be applied to operations "forever" subject to a new Board changing it.

Ms. Smith commented that President Farmer was correct in that at some point in time the policy would become moot. She said, however, that when reviewing the policies to come up with a policy manual it was thought if the Board passed resolutions and it was not captured in a permanent form, new Commissioners would not have access to it. She explained that the intent of the policy development was to provide a way of capturing long-term directives.

President Farmer reiterated his opposition to creating a new policy “for every new project.”

Mr. Berggren did not disagree, but he wanted to underscore that Carmen-Smith could be the largest project of the decade.

Commissioner Menegat asserted that it made the Board transparent to set it forth as a policy.

President Farmer noted that the document talked metaphorically about a three-legged stool, with the legs being the environmental, economic, and social aspects of the relicensing process. He asked for a definition of ‘social.’ Mr. Newcomb explained that the social aspect lay in the national forest and in the recreational area, its esthetics and its recreational aspects. He noted that a group was looking at camping and the revenue it generated as part of the social aspect.

Ms. Smith said staff would work on defining that.

President Farmer hoped that at the steering committee level they would take responsibility for managing the creative tension and think on how to sell this project to the agencies and to the public. He encouraged them to think about what made the project unique and a great project. He stressed that EWEB did not want to put a new dam in, but rather wanted to maintain what was in its time a leading project.

Vice President Bishop requested a list of the agencies and the NGOs. Mr. Wiley noted that staff did not yet know all of the stakeholders at this point.

Vice President Bishop expressed her discomfort at having one-on-one meetings. She asserted that it led to “serial decision making.” She indicated her willingness to meet with staff to become better educated but did not wish to make decisions “by default” in this manner. Mr. Berggren assured her that the one-on-one sessions were purely to share a great deal of information with the Commissioners.

President Farmer asked if EWEB could withdraw its application at any time. Mr. Banry replied that it could and it also had the right to amend it at any time. Mr. Wiley cited the change in the level that the Leaburg Lake was raised as an example of such an amendment.

Mr. Banry stated that when EWEB received its license, the first thing it would do would be to review the license and determine if it was something the utility could accept, that the utility could turn it down even at that point.

UPDATE ON THE HEADQUARTERS MASTER PLAN 30% DESIGN RESULTS FOR RELOCATION COSTS

Mr. Berggren recapped the discussion to date. He reported that he had met with the principals of the architecture firm, WBSG Architecture, to try to get a better sense of the cost estimates. He related that President Farmer wished to have other professionals review the design in order to gain perspective on the cost. This had brought to light the question of whether EWEB staff, through their input, had asked for a “top of the line” building or a lesser degree of class or quality. He had discussed the design work with Commissioner Simpson and Vice President Bishop and had come away with the sense that there was sufficient lack of clarity between the three Commissioners that he was uncomfortable with staff moving forward at this time. He suggested that the Board find some additional time to meet in January and work with the issue so that he could be sure that the Board and staff were on the same page.

President Farmer related that as he was discussing the work with Mr. Berggren he had determined that he was using a different set of semantics than the architects. He realized that his idea of a peer review was very different from that of the architects and his idea of design had been different. He had envisioned a process by which the design could gain credibility with the public and they could believe that the design was reasonable and not “the Taj Mahal.” He had given staff a list of 15 to 20 contractors who were major players, having built significant large projects in this area, so that staff could pick four or five to give a brief look at the design and weigh in on whether it was reasonable or not. He said if the design was determined to be reasonable he would be prepared to close out the 30 percent design process and move on the decision whether to move, and if so whether to move the combined operation or whether to undertake a split move.

Commissioner Simpson agreed on the importance of establishing credibility with the public. He supported the process that President Farmer had set forth. He thought as soon as the decisions could be made, the public would have more respect for the design work that had been done.

Vice President Bishop felt there was a public relations risk in arbitrarily finding people in the community to look over the design. She stressed that EWEB had already spent \$1 million on the design and it could cause public outrage should EWEB spend more money on it. She averred that contractors in the community had not built a utility before. She did not believe that an informal review was a professional approach to reviewing the design. She added that she wanted a glossary that explained some of the terminology, such as “value engineering,” that the design team had used.

Commissioner Menegat related that he had participated in the design process and had been present when the various experts had met and discussed the different aspects of the design. He was comfortable with the design that had been presented. He averred that it met the criteria that EWEB had given the architectural team. He noted that EWEB had dealt with other architectural firms and mechanical engineers. He thought the team had responded to the Board's request that it get input. He thought a peer review could gain some credibility or it could also be dangerous as far as public perception. He believed that the architects were familiar with value engineering and were familiar with the project and were willing to assist EWEB, but he emphasized that they would not profit from the "amount of concrete" that went into the building.

President Farmer agreed that definitions were needed. He thought, in terms of people being upset about who reviewed the plan and who did not, that there would be just as many people upset because the Board had given the architects a "free check without a budget" to design a building that would become a signature building on their résumé. He said he would feel more comfortable that he had more credibility with the public if the people who built the major buildings such as the library and Fire Station weighed in on the design. He did not believe that an EWEB building would be all that much more unique than another Class 'A' building. He wanted to know if anything in the design was unreasonable.

Commissioner Lanning was uncertain what the risks would be.

Vice President Bishop reiterated that EWEB had spent \$1 million to put together a team of experts. She questioned the need to bring in local contractors with vested interests in potentially taking their work.

Mr. Berggren said this was why another meeting was needed. He averred that more time was needed to take the conversation and get to the salient issues.

President Farmer pointed out that a decision to go forward should include a move to establish a budget for the remaining 70 percent design work.

Vice President Bishop repeated her concern that the Board had not yet made a decision of whether to move to the Roosevelt Boulevard property. She asked for a memorandum on the master planning process and when it had stalled.

Commissioner Menegat pointed out that the Board had authorized the General Manager to proceed with good faith negotiations to sell the entire EWEB property to McKenzie-Willamette/Triad Hospital and this was very like a decision to move.

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Vice President Bishop countered that it was not a decision to move. She called it “avoiding decision making as a governing body” and allowing assumption to prevail. She thought the Board should clear this up. She repeated that the Board had never made the decision to move. She wanted to be clear about what the Board was doing so that staff could be clear about the direction it was receiving from the Board.

President Farmer adjourned the meeting at 7:45 p.m.

Assistant Secretary

President