

EUGENE WATER & ELECTRIC BOARD
REGULAR BOARD MEETING
EWEB BOARD ROOM
JANUARY 17, 2006
7:30 P.M.

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

Others present: Randy Berggren, Dick Helgeson, Steve Newcomb, Lance Robertson, Jim Wiley, Mark Oberle, Roseanna McArthur, Karl Morgenstern, Brad Taylor, Deborrah Brewer, Debra Smith, Marty Douglass, Mark Freeman, and Krista Hince of the EWEB staff; Ruth Atcherson, Minutes Recorder for the City of Eugene, and members of the public.

President Bishop convened the Regular Board Meeting of the Eugene Water & Electric Board (EWEB).

AGENDA CHECK

Commissioner Lanning asked to switch Item 9 (McKenzie Agriculture & Water Management System Participation) for 8 (General Manager's 2006 Goals). The Board was amenable to the change.

PUBLIC INPUT

Rick Grosscup, 2540 Lincoln Street, thanked the Commissioners for their service. He explained that he was a member of the Executive Committee of the Friendly Area Neighborhood Association (FAN) and co-chair of the College Hill Reservoir Safety Task Force. He recalled that Commissioner Farmer had requested the area residents to come up with solutions and alternatives to a fence. He related that the task force had requested information from EWEB, without which solutions could not be framed, and had not received the information. He wanted to create a unified effort between staff and the residents in order to come up with a solution that everyone could abide with. He listed some of the questions task force members had, including the cost of insurance and other occupancy costs, whether there had been any accidents there, and whether the water quality had been at all compromised by the presence of people on the reservoir.

Valerie Grosscup, 2540 Lincoln Street, said she had grown up by the College Hill Reservoir and had learned how to ride a bicycle on top of it. She related that she had later taken children she babysat to play there. She liked to look at the stars from the top of the reservoir as well and thought it would be sad to lose access to that. She felt it was a safe place for people to gather and that it was important to the community.

Greg Giese, 42 West 19th Avenue, stated that he was the other co-chair for the task force. He showed pictures of the reservoir in order to demonstrate that the shrubbery was high and made it difficult to monitor activity at the site. He thought it had been said that more chlorine was being used in the College Hill Reservoir. He suggested that a pond liner be installed. He noted that concrete and

asphalt-bottomed reservoirs had a greater tendency to leak. He averred that because of the high water table in the Eugene area water would leak into cracked pipes or reservoirs more than it would leak out. He said the City was trying to reline their sewer pipes for that reason. He wanted to avoid leakage into the reservoir. He related that he had a contractor friend look at the reservoir and his friend felt the top could be covered with a pond liner and then a thin layer of concrete.

Dave Van Sickle, 2057 Grove Street, read into the record a letter he had written to EWEB regarding his attempt at setting up online bill paying for his account. He said it would not go through without a social security number, which he refused to provide. He wondered why the utility would need this number, especially given that he had been a customer for 28 years. He stated that the federal government and Social Security Administration advised that no one give out the social security number if it did not pertain to social security or Medicare. He referred to “public law 93.579,” the right to privacy act, which said nothing about whether a person was required to have a security number, but it protected people from having to provide their numbers. He requested that EWEB provide him the reason for needing his social security number in writing.

President Bishop noted that several Commissioners might be attending the next FAN meeting. She expressed her appreciation for what the task force had done to inform the Board.

Commissioner Simpson echoed this.

President Bishop asked that a staff person work with Mr. Van Sickle to resolve his complaint.

APPROVAL OF CONSENT CALENDAR

Minutes

1. Minutes of the September 6, 2005, Work Session, the October 18, 2005, Executive Session, the November 15, 2005, Work Session and Regular Board Meeting, the December 6, 2005, Regular Board Meeting, and the December 21, 2005, Executive Session.

Intergovernmental Agreement

2. Upper McKenzie Rural Fire Protection District – Response Equipment Purchasing Assistance – Environmental Management - Corporate Services Division.

Electric Transmission Line Easement

3. To grant an easement for transmission line purposes to Bonneville Power Administration at EWEB’s McKenzie Substation. The easement will not unnecessarily encumber the property or restrict EWEB’s planned uses for the property.

Resolution

4. Resolution No. 0602 – SD13 – Board Policy – Carmen-Smith Hydroelectric Project Relicensing.

Vice President Menegat, seconded by Commissioner Simpson, moved to approve the Consent Calendar with the exception of the minutes from the December 6, 2005, Regular Board Meeting. The motion passed unanimously, 4:0.

Vice President Menegat, seconded by Commissioner Simpson, moved to approve the minutes from the Regular Board Meeting held on December 6, 2005, as amended. The motion passed, 3:0:1; President Bishop abstaining.

ITEMS FROM BOARD MEMBERS

Commissioner Lanning announced that the Lane Council of Governments (LCOG) appreciation dinner was to be held on January 26. He asked Commissioners to let Assistant Secretary Krista Hince know if they intended to attend. He reminded Commissioners that EWEB was hosting the February 23 meeting of LCOG and said the EWEB commissioners were welcome to attend.

Vice President Menegat reported that the Western Generation Agency (WGA) board convened on January 10. He stated that work on the refunding bond issue was still underway. He said one situation that was being looked at was the difference between the proposed production figures submitted by Georgia-Pacific and those that were being figured by the WGA engineer and the “no risk folks.” He thought this could have some bearing on the type of refunding bonds that would be issued.

President Bishop stated that the LCOG dinner and the FAN meeting were being held on the same night. She said she would attend the latter. She pointed out that Commissioner Simpson and Vice President Menegat would both attend and surmised that this could require a public meetings notice.

President Bishop announced that the NAACP annual dinner would be held on February 11.

President Bishop said EWEB had received notice of a proposed ballot measure that would set portfolio standards and could cause more regulation for EWEB activities. She added that Public Affairs Manager Marty Douglass was following the issue to ensure that nothing that would adversely affect the utility would come from it.

Additionally, President Bishop expressed relief that EWEB had retained its logo along with the new *Rely on Us* slogan. She had been happy to read the article in the *Intercom* regarding the new slogan.

Commissioner Simpson was pleased that all of the paperwork and other EWEB products had been changed over immediately.

CORRESPONDENCE

General Manager Randy Berggren reported the following correspondence:

- The Commissioners had been provided with copies of a letter from Field Services & Cash Collections/Customer Services Supervisor Mark Freeman regarding the continued work with property managers to come to a solution for unpaid utility bills left behind by renters.

President Bishop said she had received a copy of a tort claim filed by someone injured in an auto accident with an EWEB employee. She hoped the claim could be resolved.

BOARD AGENDAS

Mr. Berggren reviewed the *Eugene Water & Electric Board Agenda Report for January 17, 2006*.

PRESIDENT'S ANNUAL MESSAGE

“The Eugene Water & Electric Board has faced many challenges over the years. EWEB's elected commissioners have earned the trust of its customers by ‘doing the right thing’ for the citizens of Eugene whenever a new or difficult decision was at hand.

“In 2006, as we celebrate a milestone – our 95th year as a citizen-owned utility – EWEB will again be challenged with some key decisions that will leave a lasting legacy for the utility, Eugene and our customers.

“Appropriately, one of these decisions is intricately tied to EWEB's historic connection to the McKenzie River. Ninety-five years ago this March, the citizens of Eugene created the Eugene Water Board, a municipal utility, later renamed the Eugene Water & Electric Board. This citizen-owned utility provided clean and healthy drinking water to customers from the Willamette River, pumped with electricity generated from the Walterville hydro project on the McKenzie. In 1927, the utility moved the source of our drinking water from the Willamette to the McKenzie.

“Today, the McKenzie provides a clean, abundant source of drinking water to nearly 200,000 people, and is used to generate electric power for more than 80,000 customers.

Relicensing Carmen-Smith

“This brings us to the first of three key decision points the utility faces this year: the relicensing of the Carmen Smith Hydroelectric Project, our largest solely owned power source, with a nameplate capacity of more than 100 megawatts.

“In 1959, the federal government granted EWEB a license to build the power plant on the upper McKenzie. When Carmen-Smith was completed in the early 1960s, it was hailed as one of the most environmentally benign, innovative and well-designed hydroelectric projects in the nation.

“It was built with the involvement of our citizens. We are proud of that legacy of stewardship. We are committed to continuing this heritage as we go about relicensing the project.

“In 2008, our license to operate the project expires. The project has been generating low-cost energy and providing recreational opportunities that have greatly benefited the citizens of Eugene and the McKenzie River Valley for more than 40 years.

“Right now, a team of EWEB energy and environmental experts is working hard to prepare this new license. Barring any unforeseen complications, the license will be submitted to federal regulators later this year.

“We know, however, that re-licensing will come at a cost of tens of millions of dollars as we make the project even more efficient and environmentally friendly. These costs will likely have an impact on customer rates within a few years.

“But just as EWEB's board in the 1950s had to weigh the cost-benefits of the project, this Board also will have to determine what is in the best interest of our customers. Our decision will be the legacy of EWEB.

Relocation or not

“Another decision with long-term consequences to the future of EWEB is likely to be resolved this coming year: Whether or when to relocate some or all of our facilities now situated on the bank of the Willamette River in downtown Eugene.

“Construction of a major hospital on EWEB's riverfront property may be out of the picture, but that doesn't mean EWEB should not continue to explore a possible relocation. Our field operations building, warehouse, vehicle shop and other non-headquarters facilities are in desperate need of repair or replacement.

“As we speak, pre-fabricated buildings are being assembled on the current EWEB site to house the overflow of operations employees. Vital EWEB equipment, such as bucket trucks, is being parked out in the open.

“We must decide whether to move and if so, what to move and when to do it. As with Carmen-Smith, tens of millions of dollars in investments are needed to improve our facilities. Such investment is necessary to continue to provide essential services to customers. But like Carmen-Smith, those costs, if incurred, will likely be passed on to our

customers. Our property is a valuable asset to the community, and should be put to the best use. Our decision will be the legacy of EWEB.

Secure water rights

“In addition, this board and EWEB staff will be working this year to secure our water rights on the McKenzie River. Right now, we have enough water to serve our customers in the short-term. But due to some changes in state law, our much larger, long-term water rights are threatened. We must be vigilant in making sure Eugene has enough water for the next 100 years, or longer.

“Water is the most valuable asset under the stewardship of EWEB on behalf of the citizens of Eugene. It will only increase in value. We cannot afford to see this asset slip out of public control.

“One strategy for securing our water future may be to become a regional water provider. EWEB could serve the water needs of other communities in central Lane County. Additional revenues from the sale of water to other communities would help keep water costs low for Eugene's citizens, while at the same time preserving water rights for future generations. This is a strategy that is at least worth examining.

“As we look ahead in 2006, I'd like to mention a few other areas the board likely will work on this year:

- “We will continue to safeguard the financial stability of the utility. We are rebuilding our cash reserves and putting the utility on more solid financial footing.
- “We will pursue additional renewable power resources. Renewable power is a good choice environmentally and makes financial good sense.
- “We will complete bargaining on a labor contract that is acceptable to EWEB and our employees in the International Brotherhood of Electrical Workers.
- “We will continue to step up efforts to upgrade the EWEB electric distribution system.

“As president of the Board this year, my goal is to help guide the utility as it navigates its way through these challenges, just as we have for the past 95 years. The three major ones I have outlined tonight – Carmen-Smith relicensing, upgrading our facilities along with a potential relocation, and securing long-term water rights -- will leave a legacy for generations of EWEB customers.”

President Bishop was given a round of applause.

MCKENZIE AGRICULTURE & WATER MANAGEMENT SYSTEM PARTICIPATION

Karl Morgenstern, Drinking Water Source Protection Coordinator, explained that Resolution No. 0601 before the Board sought to give EWEB the ability to sign a “declaration of cooperation” with the Oregon Sustainable Agriculture Resource Center (OSARC). He said the reason EWEB would want to do this was that it was in the process of developing the McKenzie Agriculture & Water Management System, a Geographic Information Systems (GIS) internet system that would help growers transition to sustainable organic practices thus reducing chemical use in the watershed. He stated that the OSARC would be at the Oregon State University (OSU) and the purpose was to create market conditions that would encourage growers to transition. The center had agreed to take this project as a pilot project and wanted to “grow it” to the whole Willamette Valley. He said the Resolution would commit EWEB to providing staff resources, i.e. himself, to participate on the OSARC administrative council and a number of technical groups in order to collaborate to gain grant funds.

Vice President Menegat asked if there were other organizations like OSARC. Mr. Morgenstern replied that there were a lot of “little pieces of this” going on around the State and especially in the Willamette Valley, most of them with a specific focus. He averred that the OSARC was a resource that was taking more of a broad view and was trying to incorporate the “little pieces” into that broader vision. He noted that it was an Oregon Solutions project, under the auspices of the Governor.

Vice President Menegat asked if OSU would have funding resources for OSARC. Mr. Morgenstern responded that they had funding from the Governor and a grant to get started. He said they had a number of grants out and a couple of other partners were providing financial support. He added that EWEB was providing his staff time in lieu of financial support.

Commissioner Lanning asked what percentage of Mr. Morgenstern’s time would be dedicated to the OSARC project. Mr. Morgenstern replied that it fit in with his work on the McKenzie River, but their meetings were held once every other month.

In response to a question from President Bishop, Mr. Morgenstern affirmed that OSARC was a non-profit organization. President Bishop was very enthused about the project.

Commissioner Simpson called it “fantastic” that EWEB was involved in support of creating markets for the agricultural products from sustainable farming methods. He felt there was strong support in the community for this.

Commissioner Lanning, seconded by Commissioner Simpson, moved to approve Resolution No. 0601, a Resolution authorizing Eugene Water & Electric Board to make a declaration of cooperation with the Oregon Sustainable Agriculture Resource Center. The motion passed unanimously, 4:0.

GENERAL MANAGER'S 2006 GOALS

General Manager Randy Berggren noted that the draft goals for the meeting were not very different from the draft that had been submitted the last time this item had been discussed. He reiterated that customer service was still dependent on having the full time equivalent (FTE) employees to meet customer needs. He said staff had attached goals for 2006 that were at a very high strategic level.

Commissioner Simpson asked how the changes in Demand Side Management (DSM) had been arrived at. Mr. Berggren explained that EWEB had a special contract with Weyerhaeuser and it had taken over responsibility for its own conservation activity. He said they had "more than performed" over the course of the last year and the target was adjusted to recognize that EWEB no longer was responsible for that conservation.

Commissioner Lanning asked Mr. Berggren to explain the target for safety results for 2005 and 2006. Mr. Berggren clarified that this was a more difficult area at the year's end as it was hard to define which year time lost should be tied to. He noted that one person had a very lengthy time off. He said EWEB had a very good year, with the exception of that one person. He stated that the target for 2006 had not been hanged at this point, but he thought it would likely go down. He indicated he would have the updated numbers at the February 7 meeting.

Commissioner Simpson congratulated staff on the numbers for billing accuracy.

President Bishop ascertained from Mr. Berggren that the General Manager's Goals would be presented as an action item at the February 7 meeting.

ITEMS REMOVED FROM THE CONSENT CALENDAR

There were no items removed from the Consent Calendar.

President Bishop adjourned the meeting at 8:26 p.m.

Assistant Secretary

President