

EUGENE WATER & ELECTRIC BOARD
REGULAR BOARD MEETING
VIDA COMMUNITY CENTER
90377 THOMSON LANE
VIDA, OREGON
FEBRUARY 7, 2006
7:30 P.M.

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

Others present: Randy Berggren, Dick Helgeson, Karl Morgenstern, Brad Taylor, Deborah Brewer, Debra Smith, Marty Douglass, Ken Beeson, Dick Varner, Jim Origliosso, Tom Buckhouse, Mel Damewood, 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

There were no changes to the agenda.

PUBLIC INPUT

John Bennett welcomed the Board to Vida. He explained that he was the President of the Friends of Leaburg Lake. He related that Public Affairs Manager Marty Douglass had arranged for area residents to meet with the Lane County Sheriff's Office and Oregon State Police regarding people driving their boats at excessive speeds on the lake. He said residents had asked for better signage as it seemed that many people were unaware of the speed limit. In response, the Sheriff's Department had put up a better sign at the Ike's Landing Boat Launch. The neighborhood had been pleased with the sign and it had proven to be effective. He said Mr. Douglass had indicated that more signs would be installed.

Rick Grosscup, 2540 Lincoln Street, thanked the three Commissioners for attending the recent meeting of the Friendly Area Neighborhood Association (FAN). He felt the FAN had gained a greater understanding of the Board process. He hoped to encourage a discussion between the committee and staff regarding the College Hill Reservoir.

Commissioner Simpson thanked Mr. Grosscup for driving to Vida to participate in the meeting. He agreed that a collaborative effort between EWEB and area residents was the way to reach a mutually agreeable solution to security concerns at the College Hill Reservoir.

APPROVAL OF CONSENT CALENDAR

Minutes

1. Minutes of the October 18, 2005 Work Session and Regular Board Meeting, and the November 22, 2005, Special Board Meeting.

Business Service Agreements

2. Black & Veatch and Groundwater Solutions – Water Supply Activities Project -- Water Division - \$140,000
3. Chris Shoap Building Movers – Modular Building Moving – Facilities – Corporate Services Division (pulled till 02/21/07) - \$54,800
4. Dex Media West, Global Crossing, MCI WorldCom, Netspoke, FSH Communications, UCN, Qwest, AT&T Solutions, AT&T, University of Oregon – Telecom/Telephony Expense – Information Services – Corporate Division - \$267,376
5. Environmental Solutions, LLC – Leaburg/Waltermville Compliance and Environmental compliance – Environmental Management – Corporate Services Division - \$150,000
6. Mid-State Industrial Service, Inc. – Sweeping and Vacuum Services for parking lot – Facilities – Corporate Services Division - \$394,820
7. Nalco Company – Water Treatment Chemicals and Services – Steam Plant – Water & Steam Division - \$45,000
8. Northwest Economic Research – BPA Rate and Policy Development – Power Resources Division - \$50,000
9. Performance Management Group – Work Management Process Evaluation – Electric Division - \$86,800

Resolution

10. Resolution No. 0603 -- \$4.6 Million Bond Authorization – Electric 2006 Bond Reimbursement Resolution Approval.

President Bishop noted that Consent Calendar Item No. 3 (Chris Shoap Building Movers) had been pulled from Calendar. General Manager Randy Berggren clarified that the item would be returned with a fuller context.

Commissioner Simpson, seconded by Commissioner Farmer, moved to approve the Consent Calendar with the exception of Item 3. The motion passed unanimously, 4:0.

ITEMS FROM BOARD MEMBERS

Commissioner Simpson announced that the McKenzie River Trust would hold a tree planting event at Green Island on February 11 at 9 a.m. Participants were to gather at the Coburg Elementary School.

Vice President Menegat reported that Commissioner Simpson, President Bishop, and he had attended the Friendly Area Neighbors meeting on January 26. They answered questions and provided information on the College Hill Reservoir.

President Bishop reported that she had toured Hynix Semiconductor, Incorporated with staff members. She stated that it had been a large tour attended by people from the Bonneville Power Administration (BPA) and congressional offices. She said the tour turned into a discussion on power quality, adding that she had requested a copy of a memorandum on the topic from Bill Welch.

President Bishop stated that EWEB had been a co-sponsor of a presentation on peak oil. She reported that 100 people had been locked out because of space limitations. She said there was discussion of sponsoring a free presentation of the DVD of the presentation.

Continuing, President Bishop related that she had attended a conference on buying and selling electricity. She said EWEB's legal counsel had been one of the presenters. She stated that there had been a lot of presentations from people representing utilities and some presentations from independent people who were looking into "clean cool energy." She felt a great deal of concern about the "clean cool" technology.

President Bishop said she had lunch with EWEB retiree George Mason. She stated that he had undertaken a project to place notations on historical EWEB photos.

President Bishop reported that Intergovernmental Affairs Coordinator Deborrah Brewer and External Communications Coordinator Lance Robertson had been helping her to prepare to make a presentation to the Eugene City Council. It was hoped they could persuade the council to drink EWEB water and not bottled water at future meetings.

President Bishop announced that EWEB had a table reserved at the NAACP dinner to be held on February 11

Additionally, President Bishop related that they had been invited to an open house at WBGS Engineering on February 16 from 4 p.m. to 7 p.m.

CORRESPONDENCE

Mr. Berggren reported the following correspondence:

- Mr. Douglass included a memorandum containing a *McKenzie Issues Update* in Board packets.
- Senior Electrical Engineer Michael McElroy had included a memorandum in your Board packets on the *Blanton Site Lease Agreements*.

BOARD AGENDAS

Mr. Berggren reviewed the *Eugene Water & Electric Board Agenda Report for February 7, 2006*.

Commissioner Simpson opined that 45 minutes would not likely be enough time to adequately discuss the EWEB Roosevelt Building Project.

GENERAL MANAGER'S 2006 GOALS

Mr. Berggren stated that the goals had not changed considerably since the last discussion. He said there were no changes in the four goals, though some desire had been expressed on the part of the Board to have a fifth goal regarding the Roosevelt building project.

In response to a question from President Bishop, Mr. Berggren recommended that the Board adopt what it had and not hold the first four goals "hostage" while discussing the fifth.

Commissioner Simpson asked if the changes in the Operational Performance Measures (OPMs) had been made based on historic experience or based on what staff felt EWEB could meet. Mr. Berggren responded that staff tried to have a three-year rolling average. He added that staff had included planned outages as well as accidental outages.

Electric Division Director Jim Wiley stated that in 2006 ten additional average minutes had been added to the time because of planned outages.

Mr. Berggren said though the call center answering rate goal had not been met staff believed that it could attain the 94 percent success rate and had left the OPM in place.

In response to a question from Commissioner Simpson, Mr. Berggren affirmed that an electric outage of five minutes or less was not counted in the average.

Commissioner Simpson said he had been impressed by the chlorine residual targets. Mr. Berggren agreed that the quality of EWEB water was exceptional.

Commissioner Simpson, seconded by Vice President Menegat, moved to accept the 2006 General Manager Goals as proposed. The motion passed unanimously, 4:0.

EWEB ROOSEVELT BUILDING PROJECT

Assistant to the General Manager Debra Smith explained that initially it had been hoped that EWEB would sell the existing property and have no discrepancy in price and no rate impact. She added that initially the 30 percent design work had sought to respond to the offer from McKenzie-Willamette/Triad Medical in order to find out what the cost of moving and building would be.

Mr. Beeson recommended that the Board accept the 30 percent design work at the present meeting and then engage in the rest of the decision making on February 21. He thought it would be a good idea to gain public input on whether EWEB should undertake a split or combined move. He felt a decision could be reached within two months and would still be within the Uniform Revenue Bond Act (URBA) process timeline. He recalled that the previous discussion had been in regard to subjecting the 30 percent design work to a third party review panel. He related that staff had engaged in "quite a bit of discussion" and had discussed this with the architects. He suggested that a budget goal be set at some point early in the design process and this would be comprised of the estimated

costs to be passed forward into the bond measure. He said in the interim there would be a series of actions staff would take to refine the budget goal so that at the end of the design period the firm cost would be known and would be submitted for Board approval.

Mr. Varner provided estimates of the dollar impact and the rate impact of the different decisions that could be made with the aid of a spreadsheet. He said the Board had either already spent or had allocated funding to the 2006 budget for the 30 percent design and basic site preparation work. This was already in the rates or would be rolled into the rates with actions the Board intended to take in March and represented approximately a .1 (point one) percent impact on the electric rates. He explained that the next phase involved issuing bonds for the design phase, doing the design, and then issuing the construction bonds. He clarified that the construction bonds would be structured so that EWEB paid interest only for the first five years and then principle and interest for 20 years. He noted that EWEB could decide later in the process to shorten the period of the bond.

Mr. Varner noted that Vice President Menegat had asked what impact the residential customers would experience. He stated that the average residential bill was approximately \$100 and the residential customer would “pick up” about \$2 or \$3 per month in the electric rates and about \$.80 to \$1.10 per month in the water rates.

Mr. Varner said Commissioner Farmer had asked what the rate differential would be for the split move option if the proposed \$7 million in improvements were made to the current headquarters. This had been included in the spreadsheet.

In response to a question from President Bishop, Mr. Varner clarified that it would take \$7 million to bring the present building to a standard at which it could be used for another 20 years.

In response to a question from Commissioner Farmer, Mr. Varner stated that the difference in impact to rates between a split or combined move was approximately .3 (point three) percent. He said a \$10 million change in the dollar amount needed by EWEB was equal to a rate increase of approximately .4 (point four) percent.

Vice President Menegat expressed a preference to discuss the 30 percent design work first. He said he went through the summary and had planned to pick out key elements, but instead it seemed that everything stood out about it. He felt the design project met the requirements the Board and staff had given to the architectural team. He supported adoption of the work. He thought the Board had hours of dialogue with the architectural team and the end result had been what EWEB needed to move forward with.

Commissioner Simpson echoed Vice President Menegat. He said as a member of the 30 Percent Design Team he had been impressed with the number of changes and refinements made to the work sections. He thought it had forced management to look closely at what was needed. He averred that EWEB was incorporating its values. He noted that the public supported building something that was sustainable and he thought the building would represent a utilitarian solution. He said the open interior space and open corridor space spoke well of the type of design the utility

was seeking to build. He supported adoption of the 30 percent design process.

Commissioner Farmer pointed to the *Key Aspects of Design Review* on the second page of the memorandum from staff and asked if by accepting the 30 percent design the Board was accepting all of the assumptions. Mr. Beeson replied that he would not interpret it that way. He said staff recommended that the Board accept the 30 percent design work so that EWEB could proceed with the final design work. He added that as the utility went through the final design process, the suggestion was that there would be internal review, value engineering, and additional critical review as the design evolved.

Commissioner Farmer commented that he had “a lot of problems” as the process was moving forward and wanted to make sure he understood what was being set forth. He had not liked having no budget to work from. He also felt there had been “huge space increases” without any historical perspective for doing so. He indicated that he was willing to accept the 30 percent design work, but if it referred to anything more than the 30 percent design work he would not vote for it.

Ms. Smith did not think the 30 percent design work included more. Mr. Beeson added that staff was not asking the Board to accept the design review process.

President Bishop opined that it was critical that the Board accept the 30 percent design study in order to acknowledge the work. She felt the result had been professional and had included a thorough assessment of need. She said the work had accomplished what the Board had anticipated it would. She averred that with the 70 percent design-to-build process the Board would be able to make some significant changes. She thought the team had taken the design problems to heart. She did not believe the Board was accepting the cost estimates in accepting the design work.

Vice President Menegat said there were key elements in the 30 percent design work that had to do with sustainability. He anticipated that the 70 percent design-to-build work would build on the principles set forth in the 30 percent design. He hoped that in approving and accepting the 30 percent design work it would also be accepting the general elements set forth in that work.

Commissioner Farmer commented that he tended to agree, but wished to reserve the right to change his mind as the costs became more apparent. He was unwilling to provide “blanket approval.”

Vice President Menegat agreed. He thought there would be a number of things built in and the Board would be making decisions “all the way along” in regard to more specific aspects of the project and dollar amounts.

Vice President Menegat, seconded by Commissioner Farmer, moved to accept the 30 percent design work. The motion passed unanimously, 4:0.

Mr. Beeson said staff was looking for Board comments on the next steps at this point.

Commissioner Farmer stated that without addressing the merits, i.e. whether EWEB intended to move, whether the move would be split or combined, and the budget goals, he was uncertain how

the Board could vote on February 21. He felt a more firm idea of costs was necessary.

President Bishop thought the Board should decide on a logical order of decisions. She reiterated that the Board needed to first vote on whether or not to move.

Mr. Beeson commented that there was some implication in the design work that the Board had an intention to move at least part of the utility. He said what staff was asking for was the Board's agreement that staff should seek a budget goal with the expectation of firming up some of the numbers in the next couple of months.

In response to a question from President Bishop, Mr. Beeson indicated that staff would come to the Board early in the design process and would return to the Board with the work throughout the process. Additionally, he said there would be an ongoing internal review. He thought it was possible that staff and the architect team might have to come back to the Board because the budget goal would need to be changed.

Commissioner Farmer said he did not think of it in terms of having goals, he thought of it as having a budget and meeting a budget. He did not want to be "backed" into a rate increase by a shift in the budget.

President Bishop reiterated her feeling that the Board needed to first vote on whether to move at all.

Commissioner Farmer thought voting to move could paint the utility into a corner. He thought the Board should vote on whether to have a split or combined move as implicit in such a vote was that the move would occur.

Mr. Varner suggested that staff "collapse" the discussion into a single set of alternatives: a split move, a combined move, or no move at all.

Commissioner Farmer opined that there was a "huge bias on the part of white collar staff" toward moving out of downtown Eugene.

Mr. Berggren said he had not heard much discussion on the part of staff regarding a preference to move. He had heard, however, a lot of customer feedback indicating a preference for leaving the administrative arm of the utility at its current location. He felt the public sentiment for this would cause a bond for a combined move to fail at the ballot box.

Vice President Menegat averred that the community did not know what the Board was doing. He was concerned that the public information "piece" had not yet been started. He felt they had not done their homework and taken public surveys to find out how the community felt about the project and its associated costs.

Commissioner Simpson remarked that he had heard the public strongly say that rate increases were undesirable and also that EWEB should not sell the headquarters building. He said, however, that he had never heard anyone indicate a preference for a combined move. He related that he had

heard people express their hope that EWEB would keep the building. He felt the public seemed to understand that the industrial portion of EWEB's function should be moved away from the riverfront. He questioned why it had been okay, from a historical perspective, to put the operations there in the first place. He also thought the public understood that the hospital was not part of the equation at this point. He opined that the Board would go down "in a fire" if it combined the move.

Commissioner Farmer remarked that a variety of answers could be gained through a survey depending on how the questions were framed. He added that he also had a "hard time getting to an URBA position with a combined move."

Commissioner Simpson indicated that he was "leaning" toward a non-URBA process at this time. He thought it was an excellent way for the public to weigh in on the process. He believed that moving a portion of EWEB's function was in the best interest of the community.

Vice President Menegat voiced his support for the URBA process. He said EWEB was "just doing business." He averred that the public could remonstrate if there was a large sentiment in opposition of an URBA bond. He thought the URBA process was an effective and efficient way to garner the needed funding for the move.

President Bishop said she would not support utilizing URBA bonds for a combined move but she would consider using an URBA bond for the split move. She repeated her concern that no formal decision point had been queued up for the Board to officially decide to move at all.

Vice President Menegat averred that there was no need to go to the public if the Board was not supporting a move. He suggested that unless the Board intended to decide to move it should quit discussing it. He stated that the Board needed to make a decision on the move on February 21 and he did not agree that making such a decision would "back anyone into a corner."

Commissioner Farmer said he was prepared to address the item at the February 21 meeting.

Commissioner Simpson asked what information the Board and staff was trying to obtain from the public and how it would guide the decision. Mr. Berggren replied that they needed data regarding the public's willingness to support the concept of one move or the other. He commented that they should have some data other than his intuition.

President Bishop said her inclination was to trust what she had heard from the public thus far.

Fiscal Services Supervisor Dick Varner ascertained from the Board that most did not feel a need for a public survey at this point.

Commissioner Farmer surmised that the decision on whether to engage in a split or combined move could be queued up for the meeting scheduled for February 21.

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ITEMS REMOVED FROM THE CONSENT CALENDAR

No items had been removed from the Consent Calendar for consideration at this stage of the meeting.

President Bishop adjourned the meeting at 9:29 p.m.

Assistant Secretary

President