

EUGENE WATER & ELECTRIC BOARD
REGULAR BOARD MEETING
EWEB BOARD ROOM
FEBRUARY 21, 2006
7:30 P.M.

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

Others present: Randy Berggren, Dick Helgeson, Deborah Brewer, Marty Douglass, Ken Beeson, Dick Varner, Jim Origliosso, Mel Damewood, Terry Bequette, John Yanov, Jim Wiley, Roseanna McArthur, Patty Boyle, Charles Morris, Mark Oberle, 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

General Manager Randy Berggren stated that Consent Calendar Item No. 4 would be pulled as it was part of the Budget Amendments to be addressed as Item 12 on the agenda.

PUBLIC INPUT

Carrie Shaw, 42127 Holden Creek Lane, Leaburg, noted her previous testimony on the unfortunate fire at her residence that had resulted from an electrical problem. She reiterated her allegation that it was due to EWEB neglect. She related that she had received a partial check to help cover the expenses that had been incurred. She said she hired a lawyer in order to “talk to your lawyers.” She felt she is being stonewalled, though EWEB had acknowledged responsibility for the fire. She stated that she had gone through the winter without heat because the heaters had been “fried” in the accident. She averred that her house was still a fire hazard, it still had burnt wires, the work that an electrician had recommended for the house had yet to be completed, and the breaker box was still “fried.” She wanted to know if there was “any way to get anything taken care of.” She asked the Board to give her an avenue by which she could get the work done.

Bob Cassidy, 1401 East 27th Avenue, Eugene, said he wished to speak to EWEB about its role as a community partner. He said the City Hall concerns were a long way off at this point. He believed the EWEB office location would be ideal for a new City Hall. He hoped that EWEB could manage to stay in the building until the City was able to purchase it.

Tom Snyder reminded the Board of his presentation which outlined his vision for the conversion of the steam utility into a “Live Steam Museum,” including the property around it which he felt could be turned into a plaza and public space. He wished to add to that vision the possibility for conversion of the operations area to a new location for the Lane County Historical Museum. He agreed with public sentiment that the EWEB administration should remain in the current building.

Erna Gilbertson, 2855 Ferry Street, Eugene, related that EWEB had installed a new meter in her house during the previous summer. She had not felt the house had needed a new meter. She said she felt there was a connection between the new meters being installed and the proposed rate increase.

David Hinckley, 1350 Lawrence Street, #1, Eugene, recommended that EWEB undertake a split move, moving its operations to the Roosevelt Boulevard site and retaining its administrative functions at the current riverfront site. He predicted that a bond issue for a combined move would be a political liability. He did not think the public saw the need for such a move.

Glen Hernig, 2857 Floral Hill Drive, related that EWEB had put a new water line in front of his house and had filled in a ditch in the process. He said EWEB had failed to excavate the ditch and because of this water had flowed down his driveway toward his house. He said he spoke with EWEB staff and had been told to file a claim, which he had done. He stated that EWEB had decided it was not negligent and that the activities they had undertaken had improved his drainage situation. He ultimately contacted the City of Eugene. The City dispatched a crew the very next day that fixed the drainage problem. He said the situation was much improved now that water did not run down into his house. He asked that EWEB take responsibility when its actions had a negative impact on its customers.

Moshe Immerman alleged that he was the former science advisor to “two-thirds of the churches in Oregon” on global warming and that he was a “former founder” of the Citizens for Public Accountability. He called it the height of silliness that President Bush thought that funds could be siphoned from the BPA in order to pay the national debt. He said American citizens should tell them this was not a wise use of policies. He also thought citizens should encourage the Board to talk to the BPA and ask them to reinvest the money in the region rather than sending it away. He asserted that the State meteorologist had predicted that within 45 years Oregon will have lost 50 percent of its snowpack. He wanted to use money to invest in conservation now. He expressed concern that the forest service was increasing clear-cutting and this could jeopardize the McKenzie River. He wanted EWEB to take a stand on this.

Jansen, 2080 McLean Boulevard, said EWEB should focus on conservation. He also thought EWEB should move only the operations portion of the utility. He thought this would be the more responsible and conservative course to take and would be more palatable to the public.

Ruth Duemler, 1745 Fircrest Street, supported retaining the administration building. She felt the community had been part of the location and loved the building. She thought most people would agree that the land being used for operations could be put to a better use. She also supported keeping the steam facility for another use. Additionally, she wished to register her opposition to the suggestion that the federal government could take over the BPA. She predicted this would raise rates dramatically.

President Bishop asked if any of the Commissioners wanted to respond to any comments made.

Commissioner Simpson stated that EWEB was in the process of replacing its old meters with meters that were significantly more accurate. He said older meters tended to turn more slowly, making for a less accurate reading, and the newer meters would have the potential for installation of a module that would allow for a remote reading of electricity usage. He underscored that this would create a cost savings, as the labor costs for meter readers was high. He hoped ultimately that the cost savings would balance the cost expenditure.

President Bishop conveyed her appreciation for the customers that had come forward with complaints and concerns.

APPROVAL OF CONSENT CALENDAR

Minutes

1. Minutes of the December 6, 2005, Work Session

Business Service Agreements

2. Areva T & D – 115KV Circuit Breakers – Electric Division \$154,350
3. Cascade Health Solutions – Wellness Program/MedExpress Services – Human Resources – Corporate Services Division - \$495,000 (for three years)
4. Chris Shoap Building Movers – Modular Building Moving – Facilities – Corporate Services Division - \$54,800

Vice President Menegat pulled Consent Calendar Item 4 at the request of Mr. Berggren.

President Bishop pulled Consent Calendar Item 3 (Cascade Health Solution).

Vice President Menegat, seconded by Commissioner Simpson, moved to approve the Consent Calendar with the exception of Items 3 and 4. The motion passed unanimously, 5:0.

ITEMS FROM BOARD MEMBERS

Commissioner Lanning announced that the Lane Council of Governments (LCOG) would meet in the EWEB Training Room for their monthly meeting at 7 p.m. on February 23.

President Bishop reported that she and Commissioners Simpson and Lanning had attended the NAACP dinner on February 11.

CORRESPONDENCE

Mr. Berggren reported that the following correspondence:

- A copy of the letter sent to Mr. Van Sickle, a customer concerned about having to provide his social security number in order to pay bills on line, was included in the Board packet. Legal counsel had helped craft the letter.

BOARD AGENDAS

Mr. Berggren reviewed the *Eugene Water & Electric Board Agenda Report for February 21, 2006*. He noted that the governance retreat had been scheduled for March 24.

President Bishop asked when the lost opportunity resource issue would be brought back before the Board for discussion. Mr. Berggren responded that he was uncertain at this point. President Bishop recommended that at least an hour be set aside for it when it was queued up for discussion.

EWEB ROOSEVELT BUILDING PROJECT

Energy Resource Projects Manger Ken Beeson provided an overview of the item as outlined in the backgrounder entitled *EWEB Roosevelt Building Project Decisions*. He presented the *EWEB Building Project – Rate Impacts* in a power point. He underscored that the focus of this particular discussion was whether the move should be conducted as a split move with the operations arm of the utility moving to the Roosevelt site and the administration arm of the utility remaining at the current site or as a combined move in which both would move to the Roosevelt site.

Mr. Varner stated that the costs included some preliminary estimates for site planning for the present site to prepare it for potential sale. He noted that the most drastic cost reductions, as suggested by one of the Board members, made a .5 (point five) percent difference in the long term rate impact.

Mr. Beeson added that the assumed rate impacts were based on the cost estimate numbers from before.

Vice President Menegat stated that he was prepared to make a motion, at the appropriate time, that the Board adopt the split move option, a motion that the Board adopt a two-phase financing, and a further motion that the Board authorize the URBA preparations for Phase 1 financing.

Commissioner Simpson wished to underscore that no vote at the current meeting would give approval for any kind of construction. Rather, he said, the Board was just charting its course of action.

Vice President Menegat, seconded by Commissioner Farmer, moved that the Board adopt the split move option.

Commissioner Simpson indicated that he favored the split move. He felt the constituents had consistently supported retaining the current building for the administrative functions of the utility. He said this move would solve the identified space, access, safety, and risk problems with the least cost option and the river front facility would continue serving the public. He underscored that the architects had worked closely with staff to determine the most efficient way to separate the departments along functional lines and a collaborative solution had been defined. He related that the EWEB staff he had spoken to believed that this was the best option. He predicted that the fiber optic system that was in place throughout the City would remove most communication barriers between the two facilities. He said the split move would save the utility \$17.8 million because a new administration building would not have to be constructed and it would keep approximately 230 employees in the downtown core. The industrial functions would be moved to an area zoned specifically for industrial use, freeing up riverfront property for more appropriate pedestrian scale development and potential future riparian enhancements.

Vice President Menegat remarked that there had been much opportunity for consideration of all aspects of a split or combined move and the associated costs of both scenarios. He said the bottom line was that the combined move was more advantageous, but he felt EWEB needed to get going on something "right now." He stated that operations needed to be in buildings that enhanced their job duties and increased the efficiency of the organization. Regarding the background, he took issue with the notion that there was a possibility that EWEB would remain on the riverfront site in its entirety. He pointed out that the City of Eugene could say at some future point that it wanted the property and wanted EWEB to move. He averred that the Board needed to be ready to respond to such a request.

Commissioner Lanning supported the motion. He also did not believe the public would support moving the administrative arm of the utility. He predicted the Board would have to consider this in the future, however. He said the Board needed to look 50 years into the future. He remained unconvinced that this was the best location for the utility. He commented that if someone offered \$50 million for the property today he would not want to hesitate to sell it.

Commissioner Farmer said he had been in favor of a combined move because from a financial standpoint it made more sense to him. He felt the utility would lose efficiency in having the two parts of the utility located in different places. He stated that he had seconded the motion because he had come to understand that the community did not support a combined move.

Commissioner Simpson envisioned a potential headquarters move 10 to 15 years down the road. He felt it was important to understand that the building was highly functional at present and that it was only 15 years old. He commented that the building served as a gateway to the community as it was the first public building one came to when coming into the City. He pointed out that many people used the meeting rooms. He reminded the Board that 85,000 customers did business at the present location annually and relied upon its central location.

President Bishop conveyed her support for the split move concept. She averred that EWEB had attained financial equilibrium after enduring the energy crisis and drought conditions. She said the line employees were now working in conditions that were deplorable and this was why the utility needed to do something with its industrial arm. She felt the move would lead to better quality power-related services. She believed that the riverfront land was truly an asset and it was important to maintain a downtown presence. She acknowledged Commissioner Farmer's point that it would be more financially efficient to conduct a combined move, but wished to counter that in the long run the present property would appreciate in value faster than the rate of inflation on construction projects would increase. She predicted that this would balance the potential efficiency that could be gained with a combined move. She noted that the initial design work had been molded around wetland preservation at the Roosevelt Boulevard site. She felt this would contribute to EWEB's legacy of environmental consciousness.

Commissioner Lanning called for the question. The motion passed unanimously, 5:0.

Vice President Menegat, seconded by Commissioner Farmer, moved to adopt the two-phase financing option.

Vice President Menegat explained that the first phase paid for the cost of the final design and the second phase would pay for the cost of construction.

President Bishop commented that this was the only reasonable thing to do because it was not possible to do more until the Board had more information, garnered from further design work.

Commissioner Farmer said it the most important reason for two-phase financing was to avoid putting "our backs to the wall." He averred that if EWEB did not sell the land that was going to be vacated there would be no "money to make the deal work."

President Bishop indicated her support for the motion. She said she did not expect the sale of any portion of the riverfront property to be used within the next seven years to finance any part of the design or construction of the new facility.

Commissioner Simpson stated that this was also his assumption.

The motion passed unanimously, 5:0.

Vice President Menegat, seconded by Commissioner Farmer, moved that the Board authorize the Uniform Revenue Bond Act (URBA) preparation for Phase 1 financing of the split move option.

Commissioner Farmer strongly supported use of the URBA process for Phase 2 of the financing as well. He opined that all of the work that had been done and the decisions that had been made at the present meeting contributed to EWEB's commitment to move. He asserted that EWEB should stand up and make the final commitment to move.

President Bishop asked what the alternative to an URBA bond was. Commissioner Lanning pointed to the information in the memorandum regarding the public balloting process.

President Bishop asked why the ballot measure would not be placed on the May, 2006, ballot. Fiscal Services Supervisor Dick Varner responded that all of the work that would have to be completed to get the measure on the ballot could not be completed in such a short amount of time. President Bishop asked for further clarification. Mr. Varner explained that the Board had to approve of it and then had to submit it to the Eugene City Council for approval 60 days in advance of the ballot date.

President Bishop conveyed her support for using the URBA process for Phase 1 of the financing. She felt EWEB was doing the right thing with a split move.

The motion passed unanimously, 5:0.

Commissioner Farmer asked Mr. Berggren if the timeline for the "decision tree" seemed realistic. Mr. Berggren replied that to the best of his knowledge it was.

Commissioner Farmer expressed some concern regarding the work that had to be done on the existing property prior to its sale and the timing of it. Mr. Berggren said that while the design and construction work for the Roosevelt Boulevard site was underway, staff would begin to work on some of the "sidebar" activities such as consulting with the City regarding the current site and the potential master planning process in order to get a sense of the highest and best value that could be attained at the site.

Commissioner Farmer said his vision involved moving sooner rather than later.

Mr. Varner stated that the financing assumed that EWEB would have enough time to complete a good sale of the existing property before it included any of the sale proceeds as part of the overall financing of the project.

Mr. Beeson projected that the operations move would happen over the course of 2008 through 2010.

PROPOSED ELECTRIC RATES

Senior Financial/Rates Analyst John Yanov provided an overview of the *May 2006 Electric Rate Proposal* with power points. He noted that the EWEB Board had approved to electric rate reductions during the previous year.

President Bishop asked whom the contracts to large industrial customers were with. Mr. Yanov listed them, as follows:

- Contract A: Weyerhaeuser
- Contract B: Hynix Semiconductor, Inc.
- Contract C: University of Oregon
- Contract D: Weyerhaeuser's Medium Density Fiberboard.

Mr. Yanov related that more energy conservation had been observed in the residential services, as there had been a one percent decrease in load. He attributed this to the tiered rates.

In response to a question from President Bishop, Mr. Yanov clarified that the decrease in wind power subscriptions included a wind power premium that was paid above and beyond normal rates. He affirmed that this was used to pay the expenses and if there was less wind power subscription there was less revenue.

In response to a question from Commissioner Simpson, Mr. Yanov affirmed that there was no change to the overall 100 percent wind power rate.

Commissioner Simpson urged ratepayers to subscribe to wind power. He said it was only a \$15 difference in his bill, but the wind generated power was worth it because of the environmental benefits and the rate stability.

Commissioner Simpson asked why the delivery charge for residential customers was being increased while the same charges for large general service customers were being decreased. Mr. Yanov explained that customer-related costs were rising at a faster rate in the residential classes than in the large general service class.

Commissioner Simpson asked what the delivery charge paid for. Mr. Yanov replied that it included fixed costs. He said 'delivery' was "almost a catchall for remaining costs." He offered to provide a greater level of detail after the meeting or at another time with Commissioner Simpson.

In response to a question from President Bishop, Mr. Yanov stated that the increase in operations and management and debt service was largely due to the debt service. He said the debt service was slowly climbing over time. President Bishop surmised that three percent out of the 3.5 percent increase was for debt service and would continue to increase over the next three to five years.

Mr. Varner clarified that the future increases would not likely be as substantial as the one the Board currently faced.

Commissioner Farmer suggested that the report needed a paragraph that explained in greater detail where 60 to 70 percent of the increase was going, rather than only placing it under the heading of operations and management.

PROPOSED WATER RATES

Senior Rates/Financial Analyst Patty Boyle presented the *2006 Water Rate Proposal* with power points.

Commissioner Lanning asked if the basic charge rate was a percentage across the different levels of use. Ms. Boyle replied that the basic charge would cover those charges associated with metering, customer charges, and volumetric charges. She said all of the charges had been increased at approximately the same percentage.

Commissioner Farmer asked if the “actual” was off projections by 10 percent in the previous year, why was the forecast only reduced by 4 percent. Ms. Boyle responded that the forecast had two components: the weather-related component and the consumption-related component. She said at this point staff did not expect the weather-related component to be the same in the coming year as it was in 2005 and had averaged the past several years in order not to “over respond” to a low water consumption year.

Commissioner Farmer opined that EWEB had put the water utility at risk by not forecasting conservatively. Ms. Boyle replied that staff had looked more closely at the actual monthly consumption. She stressed that the consumption was very weather dependent and this was what the reserves were for. She said when the reserves were rebuilt, the utility would experience a greater sense of comfort within the parameters of the normal variation of usage.

FIRST PUBLIC HEARING ON ELECTRIC RATES

President Bishop opened the public hearing.

David Hinkley, 1350 Lawrence Street, #1, thanked the Board for the rate reductions of 2005. While he preferred there to be no rate increases, he recognized that the reality was that rates would likely go up.

Mr. Hinkley asked why there was such a large difference between the Springfield Utility Board (SUB) rates and EWEB rates for residential users. He said he was a small user and tried to remain in the first tier, but the increase in the fixed charge was an impact to him. He wished to see it changed.

Mr. Hinkley asserted that the Systems Development Charges (SDCs) were under-collected. He felt this affected rates. He averred that he did not want to “pay someone else’s way.”

Charles Biggs, 540 Antelope Way, asked why the Board did not direct staff to find other ways to cut the budget if staff knew a rate increase was in the offing. He observed that it seemed that having more customers meant that the rates went up and asked where the economies of scale were. He wondered if rates would be increased each year without a review of the essence of the budget. He felt the Board owed the ratepayers “a real hard look at that.” He thought EWEB should explain where the economies of scale could be found and if there were no economies of scale, staff should explain why this was so.

Moshe Immerman, 1290 McLean Boulevard, urged the Board to look into alternative energy sources. He supported the increase of wind power usage. He opined that “we are in a planetary meteorological emergency.” He was a supporter of rate increases. He urged the Board to think about the future. He expressed concern about the effects of global warming. He wanted the rate increases to be committed to conservation.

President Bishop closed the Public Hearing on Proposed Electric Rates.

First Public Hearing on Water Rates

President Bishop opened the Public Hearing.

David Hinkley, 1350 Lawrence, #1, said he understood why there should be an increase. He reiterated his concern regarding water system development charges (WSDCs). He asserted that the EWEB WSDC methodology under-collected charges by approximately \$2,700 per newly constructed dwelling unit. He alleged that since it was a reimbursement charge it did not necessarily have to go into new construction of water systems, rather it could be allocated to debt service or other improvements for the existing system.

Mr. Hinkley opposed rounding the fixed charges up. He said EWEB would hit his landlord with an increase that had been rounded up to the next number and then his landlord, in turn, would round that number up when passing it along in a rent increase. He preferred EWEB use the exact amount.

Additionally, Mr. Hinkley commented that he would feel better if the water consumption predictions looked at the worst-case scenario.

Moshe Immerman, 1290 McLean Boulevard, said he would like the reserve funds to be funded by rate increases. He urged the Board and EWEB to focus more on conservation. He commented that he would like to see a series of public educational forums about what was likely to happen to the McKenzie Watershed under “different ecological, meteorological scenarios.”

President Bishop closed the public hearing.

BUDGET AMENDMENT NOS. 1 AND 2

Treasurer Jim Origliosso explained the two major capital budget amendments that were submitted for Board review. He conveyed the staff recommendation that both budget amendments be approved.

In response to a question from President Bishop, Mr. Origliosso stated that the amount for the first budget amendment had been rounded; the actual amount listed was \$1,134,000.

President Bishop asked what the point of conducting studies if the studies would not be completed in time for the final license at Carmen-Smith. Mr. Origliosso replied that EWEB could supplement the license application. Mr. Berggren affirmed this, adding that EWEB could continue to modify the draft license and the final application.

Regarding the second budget amendment, Commissioner Simpson asked what body of water the Oldfield Bridge spanned. Mr. Origliosso replied that the bridge spanned the Leaburg Canal adjacent to the McKenzie River. Electric Division Director Jim Wiley added there was a bridge built in the 1940s that EWEB was obligated to maintain. He noted that it was mostly used by pedestrians, but did occasionally experience some vehicle traffic. He said the bridge would fall down soon and this was why it needed to be replaced.

President Bishop felt that the memorandum on the second budget amendment was difficult to understand. She asked that staff take the time "to simplify this" in the future. She asked what the total cost of the budget amendment was. Mr. Origliosso responded that the Board was to approve the budget amendment, as delineated on the budget amendment form and not on the memoranda. He said the total cost for the second budget amendment was \$3.48 million.

Vice President Menegat, seconded by Commissioner Simpson, moved adoption of Budget Amendment No. 1, for the Carmen-Smith Relicensing and Carmen-Smith Pole Replacement projects. The motion passed unanimously, 5:0.

Vice President Menegat, seconded by Commissioner Simpson, moved adoption of Budget Amendment No. 2, for the River Avenue Road Widening, Monroe Feeder 3734 Reroute, Coburg Road OH/UG Conversion, Currin-Willamette Feeder Tie, Laurel Feeder Tie, Oakway-Willamette Feeder Tie, General Plant Facility, and Oldfield Bridge Replacement projects. The motion passed unanimously, 5:0.

ITEMS REMOVED FROM THE CONSENT CALENDAR

Vice President Menegat stated that he had pulled Item 4 from the Consent Calendar because if

Budget Amendment No. 2 had not passed the funding would not have been allocated for it.

Vice President Menegat, seconded by Commissioner Lanning, moved approval of Consent Calendar Item 4, the contract with Chris Shoap Building Movers for the move of modular buildings.

President Bishop commended Chris Shoap Building Movers, calling them the best in the business.

Mr. Berggren commented that this was the first step in creating facilities for operations personnel at the Roosevelt Boulevard property and that when more permanent structures were built the modular buildings could be utilized at Carmen-Smith or as a housing unit of some sort.

The motion passed unanimously, 5:0.

President Bishop explained that she had pulled Consent Calendar Item 3 because she had been uncertain as to what EWEB was getting for its money and how many employees it served.

Corporate Services Director Roseanna McArthur explained that the Board had approved the contract with Cascade Health Solutions two years earlier and at that time two years of funding had been requested.

Mr. Berggren said these services sought to improve EWEB's health and well-care experiences. He stressed that staff did not expect the costs to increase more than the \$15,000 per year over the current contract amount.

President Bishop asked staff to provide a cost-benefit ratio and a memorandum explaining more exactly the services the contract provided.

Commissioner Simpson asked how the service reduced costs. Ms. McArthur explained that the contract provided the required pre-employment physical examinations.

Commissioner Lanning said he had tracked this item and was aware of the services the contract provided and, given that, he was prepared to approve the item.

Mr. Berggren elaborated on the service, explaining that it provided all of EWEB's drug screening and conducted all of the ergonomic evaluations to try to avoid repetitive movement injuries in the workplace.

Ms. McArthur clarified that the contract had not expired. She said it had run out of money. She explained that EWEB put a certain amount of money in for the service and had used it all up.

Commissioner Lanning recalled that the Board had been provided with an in-depth memorandum when EWEB originally sought to contract with the service Cascade Health Solutions

provided. Ms. McArthur offered to re-send it to the Board.

Commissioner Lanning, seconded by Commissioner Simpson, moved to approve Consent Calendar Item 3, the contract with Cascade Health Solutions for \$495,000 (for three years).

Commissioner Farmer said he would abstain from the vote as he had a perceived conflict of interest.

President Bishop indicated her opposition to the motion. She said she would have approved it if the contract had only been for one year and not three.

The motion passed, 3:1:1; Commissioners Lanning, Simpson, and Vice President Menegat voting in favor, President Bishop voting in opposition, and Commissioner Farmer abstaining.

President Bishop adjourned the meeting at 10:32 p.m.

Assistant Secretary

President