

EUGENE WATER & ELECTRIC BOARD
WORK SESSION
EWEB BOARD ROOM
MARCH 21, 2006
5:30 P.M.

Commissioners present: Sandra Bishop, President; Mel Menegat, Vice President; Ron Farmer, John Simpson, Patrick Lanning, Commissioners.

Others present: Randy Berggren, Brad Taylor, Lance Robertson and Krista Hince of the EWEB staff; Lynn Taylor, City of Eugene Minutes Recorder; H. Wayne Gresh, Black & Veatch; Jeff Barry, Groundwater Solutions; Rick Lindholm, Lindholm & Associates, Cathy Hamilton, Verb Marketing and PR.

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

WATER SUPPLY PLANNING CATEGORIES

Brad Taylor, Water Engineering Planning Analyst, introduced Wayne Gresh of Black & Veatch and Jeff Barry of Groundwater Solutions. He said the purpose was to provide an update on water supply planning activities and establish a framework for evaluating water supply plan resource alternatives. He said that development and approval of an intergovernmental agreement between Rainbow Water District, Springfield Utility Board and EWEB for analysis and implementation of system interconnections allowed for increased operational flexibility in near-term emergency backup supply, which was one of the four primary goals identified for 2006. He said the target date for completion of the agreement was July 1, 2006. He distributed correspondence confirming that during a regional power outage Hayden Bridge would be prioritized as Priority Code 1 within the Emergency Response Plan.

Mr. Taylor said that staff and consultants continued to work toward obtaining a permit for groundwater development in the confluence area and expected a permit resubmittal to be completed in early April 2006. He expected that the Oregon Water Resources Department would move smoothly through the process although there were no guarantees. He indicated that in addition information on the baseline characteristics of the confluence aquifer was being organized as it pertained to future development and resolving senior water right issues. He said that research was conducted on EWEB's consideration of and decisions about source development alternatives and from the record it was clear that most water supply alternatives had been considered. He listed unresolved issues:

- Protect water rights on the McKenzie River
- Determine what source or sources and use over the next 50 years and beyond
- Adopt a formal water supply planning policy that supports managing costly facility infrastructure expansions based on demand projections
- EWEB is the largest purveyor of water on the west coast with a single supply facility

Mr. Taylor reviewed a history of diversity supply decisions and suggested that EWEB enter its second century of service with a long-term water supply strategy aimed at answering the unresolved issues. He said the goal of water supply planning was defined in terms of future demands, organized into three types:

- Primary source
- Peaking source
- Emergency source

Continuing, Mr. Taylor used a slide presentation to illustrate EWEB's historical demand characteristics for 1980 through 2005 and said the winter average, which represented basic community needs, established the planning basis for determining the emergency demand number. He indicated that projections based on future population assumed that in one out of ten years, for a limited duration, EWEB would experience a water shortage requiring reduced water consumption by customers. He said a 2001 Water Supply Shortage Contingency Plan set out an approach to manage demand during potential short demand events but various factors resulted in a deferment of the decision to expand Hayden Bridge. He said that planning data indicated the capacity of Hayden Bridge needed to be performed as early as 2008. He said the current emergency demand was 20 mega-gallons per day (mgd) and that would increase to between 25 and 30 mgd by the year 2025.

Commissioner Farmer cautioned that demand projections should take into consideration the type of development and regional growth patterns along with population growth.

Mr. Taylor reviewed the EWEB Statement of Mission and Legacy, relevant corporate goals and strategic initiatives. He presented the planning objectives that would guide evaluation of water supply alternatives:

- Maximize the ability to provide the public with safe drinking water
- Institute proactive regulatory and institutional planning
- Maximize reliability and reduce vulnerability
- Maximize environmental stewardship role
- Maximize flexibility and responsiveness
- Maximize ability to maintain responsible and stable rates

Mr. Taylor illustrated the relationship of source development alternatives to the three identified resource demands: primary, peaking and emergency. He stated that McKenzie River at Hayden Bridge was the only source that met primary demand, consistent with Board direction. He said that peaking demand could be met by Hayden Bridge, a second McKenzie River facility or a Willamette River option and emergency demand could be met by a second McKenzie River facility, a Willamette River option, groundwater or intertie facilities partnerships. He pointed out that the only options that met both peaking and emergency needs were a McKenzie River second facility and a Willamette River option.

Mr. Taylor reviewed each planning objective, provided context and offered questions for consideration. He encouraged Board members to provide their reactions to any of the questions or request information that would help them formulate answers at a future meeting.

Mr. Gresh stated that the McKenzie River was EWEB's benchmark for water because of its high quality. He said consideration of a secondary source included factors such as reliability, customer acceptance, and blended supplies.

President Bishop said she was uncomfortable with what she perceived to be setting policy in a Work Session.

Vice President Menegat felt that having a reliable water source in conjunction with the McKenzie River was EWEB's responsibility.

Commissioner Farmer commented that it was challenging to retain water rights on the McKenzie River and asked if developing an additional source would make that more difficult. Mr. Taylor replied that it would but diversity would create an increasing opportunity to leverage the low cost water of the Hayden Bridge facility in a regional context that could be used to retain McKenzie River water rights. He said another question to be answered was whether diversity meant a separate source or a second McKenzie River source.

Commissioner Farmer said he was concerned that a separate source could jeopardize McKenzie River water rights.

Commissioner Simpson asked if Willamette River water would have a different taste. Mr. Gresh said it would.

Commissioner Simpson asked, if EWEB were to become a regional supplier, could the Willamette River be used for regional needs and as a backup for Eugene, yet continues to supply Eugene from the McKenzie River as a primary source? Mr. Taylor said that was a configuration option but there were many factors to consider and staff could provide that information.

Commissioner Simpson indicated he was not in favor of changing water taste and therefore against blending but would support blending to manage peak days. He asked how long blended water would remain in reservoirs. Mr. Taylor said in peak day season water turned over in five days or less.

Commissioner Simpson asked if another McKenzie River intake would need to be in close proximity to the existing intake or require building a new plant. Mr. Taylor said that a second intake would require a separate plant in case the Hayden Bridge plant was not available but the separate plant could be next to the existing Hayden Bridge plant.

President Bishop said she preferred blending for emergencies only and a second intake on the McKenzie River separate from the existing plant make good sense. She said she was regarding peak as an emergency.

Mr. Taylor asked how President Bishop would weight the decision to use a blended capacity to meet peak demand versus a stricter conservation targeted demand management program or voluntary curtailment. Mr. Gresh added that if a separate source, such as the Willamette River, was adopted EWEB was also making a commitment to source water protection.

President Bishop said that having a single source was not a responsible way to operate a water utility.

Mr. Taylor continued his review of planning objectives. He asked if development of a groundwater source should be done in the context of a regional partnership.

President Bishop said that would depend on the water rights but she preferred to keep it simple and under EWEB's purview if possible.

Commissioner Farmer agreed with President Bishop; he did not want EWEB to be in competition with another board to supply water.

Commissioner Farmer remarked that the Regional 2050 planning process appeared to be breaking down and communities were withdrawing. He asked what impact that might have on EWEB's planning efforts. Mr. Taylor replied that even if regional planning activities among jurisdictions were not going well it would have little real affect on the planning activities of EWEB and Springfield Utility Board (SUB), which understood the responsibility to cooperate. He said that Region 2050 had provided much useful information about the patterns of potential growth and areas where collaboration was necessary.

Commissioner Lanning arrived at 6:30 p.m.

Speaking to environmental stewardship, Mr. Gresh said that one question for consideration was whether to hold the course on conservation or be more aggressive. He said that typically 50 percent of summer water use was applied to landscapes and communities had determined that conservation methods applied to landscapes meant that recovery from a drought was less costly. He noted that more aggressive water conservation would reduce water demand in future years and that would impact water rights.

Commissioner Simpson supported more aggressive conservation and he regarded it was demand peak management instead of just demand management. He felt that any efforts to reduce peaks and avoid blending were beneficial. He offered suggestions for conservation strategies such as rolling pressure losses, separate meters and interruptible supply for landscape water that could tease excess capacity from the system.

President Bishop remarked it was increasingly difficult to ask people to conserve when their rates were continually raised, even after conservation efforts.

Commissioner Farmer echoed President Bishop's remarks. He said the issue of conservation was complex and included consideration of many factors and how each affected the balance of the system.

Mr. Gresh said that demand management was used for peaks, which for EWEB tended to last one to seven days. He said projecting back over the past 20 years, asking customers to conserve once in 10 years for that short period of time would significantly affect the demand curve. He said the question was how aggressive the conservation efforts would be and how that would be built into planning.

President Bishop said she would need information about the percentage of EWEB's water that was going to irrigation districts in order to make a decision, as agricultural uses did not have the luxury of curtailment during the growing season.

Referring to reliability and reduced vulnerability, Mr. Taylor said the Commissioners would need to develop an understanding of the balance between occurrence interval and major events in order to determine whether a separate source or a second source was required.

President Bishop stated that a separate source was needed. She used the example of a toxic spill that would render McKenzie River water unusable.

Vice President Menegat observed that a separate source on the Willamette River would likely be affected as much by a natural event such as an earthquake and he assumed that a separate source would be built to a higher standard than existing facilities in anticipation of such a major event. Mr. Gresh said a separate source would provide more flexibility in addressing damage from an event.

Mr. Taylor said he would provide a memorandum to the Commissioners summarizing the discussion and confirming his understanding of feedback from the Board.

President Bishop asked that a future agenda include a discussion of water rights.

ANNUAL CUSTOMER SURVEY RESULTS

External Affairs Coordinator Lance Robertson introduced Rick Lindholm of Lindholm Marketing and Cathy Hamilton of Verb Marketing and Public Relations. He used a slide presentation to review the results of EWEB's annual benchmark survey to gauge customer opinions about the utility's performance. He said the current survey used a zero to ten scale instead of the zero to five scale used in past surveys because it allowed more precise analysis of the results; the

zero to ten scale was used for half of survey respondents and the other half used the zero to five scale, which increased the margin of error somewhat to seven percent. He said the survey also included new components that addressed specific EWEB programs. He indicated the good news was that performance and satisfaction ratings remained high and overall satisfaction rating went from satisfied to very satisfied. He noted that usage of EWEB's website as a source of information had again increased significantly.

Mr. Lindholm explained that the satisfaction rating, in addition to being a significant improvement over last year, was one of the highest among public and private entities using a similar survey method. He said that on a zero to ten scale, responses of eight to ten were regarded as the highest level of rating. He said that a five percent margin of error meant a 95 percent confidence rate in survey results.

Mr. Robertson said the survey was divided into nine specific attributes or categories. He said that customers ranked all nine categories high in importance and the highest three categories, responsiveness, water quality and electric reliability, aligned well with EWEB's core mission.

Commissioner Farmer asked if there was sufficient data in the survey to analyze whether people were willing to pay for things they wanted. Mr. Robertson said the key driver analysis indicated that the biggest impact on overall satisfaction was keeping customers informed. Mr. Lindholm added that the zero to ten scale would allow for greater sensitivity in analyzing key drivers.

Mr. Robertson stated that controlling costs was ranked lowest of the nine attributes. Ms. Hamilton pointed out that the survey was conducted at a time when customers were receiving their highest utility bills of the year.

Mr. Robertson reviewed customer awareness and participation in and importance of a variety of EWEB programs. He said there was a fairly high awareness of programs and while traditional news sources such as radio, newspaper and television had declined as a source of EWEB news there was a significant increase in the website as a source. Mr. Lindholm reminded the Commissioners that the analysis was looking at trends in usage over time and not measuring the number of customers using a particular news source.

Mr. Robertson said the survey data could be analyzed in various ways in response to Commissioner requests, projects or programs or to target specific customers with specific information.

Commissioner Lanning asked if there had been a comparison of overall satisfaction rating by Commissioner by ward. Mr. Robertson said that information could be extracted from the data. Ms. Hamilton noted that all data could be cross-tabulated by ward.

In response to a question from Commissioner Simpson, Mr. Lindholm said the survey sample size was 400 and any individuals who opted out of the survey were replaced. He said the analysis of question response segments could be useful in targeting marketing approaches. Ms. Hamilton said marketing efforts could be focused on specific customer populations instead of broadcast.

Commissioner Farmer said the gap analysis of cost indicated that EWEB was not doing a good job and asked if the data could be analyzed to obtain a better understanding. Mr. Robertson said the survey could include an open-ended question about why the customer gave cost control a particular rating or a separate survey focused on that issue could be conducted.

Commissioner Farmer suggested that the next survey attempt to determine the relationship between what people said was important to them and what they were willing to pay more for. Mr. Lindholm said a conjoint analysis in an earlier benchmark survey asked about trade offs between prices and various types of reliability.

Commissioner Lanning asked for an explanation of the higher margin of error with the split samples in this year's survey and the benefits of moving from a zero to five scale to a zero to ten scale. Mr. Lindholm said the seven percent margin of error was applied only to those questions where the sample was split evenly between respondents using each scale. He said the zero to ten scale allowed a finer analysis of issues and segments. Ms. Hamilton said the split sample allowed continued trending.

Commissioner Lanning asked if a web-based survey instead of a telephone survey had been considered. Mr. Robertson said that a survey of that length might not be appropriate for the web but shorter surveys could be used.

President Bishop adjourned the meeting at 7:30 p.m.

Assistant Secretary

President