

EUGENE WATER & ELECTRIC BOARD  
REGULAR BOARD MEETING  
EWEB BOARD ROOM  
MAY 2, 2006  
7:30 P.M.

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

Others present: Randy Berggren, Dick Helgeson, Jim Origliosso, Dick Varner, Mel Damewood, Ken Beeson, Mark Oberle, Burt Dunn, Rod Price, Tom Buckhouse, Patty Boyle, Jim Wiley, and Krista Hince of the EWEB staff; Kim Young, City of Eugene Minutes Recorder, and members of the public.

President Bishop convened the Regular Meeting of the Eugene Water & Electric Board (EWEB) of Commissioners at 7:35 p.m.

#### **AGENDA CHECK**

There were no changes to the agenda.

#### **PUBLIC INPUT**

There was no one present wishing to address the Board.

#### **CONSENT CALENDAR**

##### **Minutes**

1. February 7, 2006, Regular Board Meeting, the February 17, 2006, Work Session and Regular Board Meeting, and the April 4, 2006, Work Session and Regular Board Meeting

##### **Consent Calendar**

2. Barry Electric, Christensen Electric, L. R. Brabham, Inc., McDiarmid Controls, and Process Automation Electrical Contractors—On-Call Contractors—Water Division--\$600,000 (over a five-year period, or \$120,000 per year).
3. Carter & Company, Inc.—Oldfield Bridge Replacement—Electric Division--\$185,814.
4. Conservation Services Group (CSG)—Energy Conservation Services—Energy Management Services—Power Resources Division--\$30,000.
5. General Pacific, Inc.—Watt Hour Meters—Electric Meter Shop—Electric Division--\$400,406.
6. Groundwater Monitoring Services—Groundwater feasibility permit application support—Water Division--\$20,000.
7. Test America—Beaverton dba North Creek Analytical—Water Quality Testing—Filtration Plant—Water Division--\$193,173.50.

Commissioner Simpson pulled item 5 (General Pacific, Inc.) from the Consent Calendar.

Vice President Menegat, seconded by Commissioner Simpson, moved to approve the Consent Calendar, with the exception of item 5 (General Pacific, Inc.). The motion passed unanimously, 4:0.

## **ITEMS FROM BOARD MEMBERS**

Commissioner Simpson reported that he and President Bishop would be attending the Northwest Energy Coalition Spring Conference in Missoula, Montana at the end of week.

Commissioner Farmer said that at the request of Treasurer Jim Origliosso and Assistant Treasurer Cathy Bloom, he met with them to review formats for presentations to the Board on financial reporting and projections. He characterized the meeting as productive and said Mr. Origliosso and Ms. Bloom would return to the Board with some proposed draft formats to see if they would assist the Board with its strategic planning.

Commissioner Farmer said he met with Eugene City Councilors Gary Papé and George Poling to answer their questions about the revenue bond resolution, a meeting he characterized as successful.

Commissioner Farmer said he had some discussions with Hynix staff about the contract renewal and worked through the Power Resources Division Director Dick Helgeson, who appeared to have the issue well in hand. He had also received a call from in-house counsel at Far Lumber, a Portland-based company, about establishing a facility in Eugene, in regard to EWEB's request for the Social Security Numbers of company officers. He anticipated the Board would see some policy changes resulting from that.

President Bishop announced that May 10 was Safety Day at EWEB, and she encouraged all Commissioners to attend.

President Bishop announced that the annual meeting and bar-b-que of the EWEB Credit Union would occur on May 12.

President Bishop thanked the Commissioners and staff for the work they did to prepare the split bond resolution for the Eugene council.

## **CORRESPONDENCE**

General Manager Randy Berggren reported that

- the Employee Activity Committee was sponsoring a Cinco de Mayo evening on May 5 in the cafeteria beginning at 5:30 p.m.
- the confidential materials provided to the Board related to litigation
- copies of the Customer Service Policy Manual update were available to the Commissioners. President Bishop asked that any updates between now and the time she left office be provided to her in hard copy form.

## **BOARD AGENDAS**

Mr. Berggren previewed the May 16 agenda. The Commissioners briefly discussed the potential of shifting the meeting to May 17 if needed to accommodate President Bishop's schedule.

Referring to the monthly legal report, President Bishop requested a spreadsheet of legal cases that listed where the money for legal expenses was going and to whom it was going. She wanted to see if it was possible in some cases to see if mediation could be employed rather than the court system. Commissioner Farmer thought a one-time examination of those costs could be healthy but did not want to single out individual departments. President Bishop indicated her interest was organization-wide.

## **RIVERFRONT SITE PLANNING PROJECT**

Real Property Manager Mark Oberle joined the Commissioners for the item and called attention to the background memorandum in the meeting packet entitled *Riverfront Headquarters Site Master Plan Project* and invited comments and questions.

Commissioners generally expressed support for the clarity of the background memorandum, agreeing it laid out the process clearly.

Commissioner Farmer said that EWEB was not master-planning for the site, which he anticipated would be done by the purchaser of the property. Mr. Berggren indicated that in future the project would be referred to by the agenda item title.

Commissioner Farmer encouraged staff to prepare the project proposal in a format that could be given to the public. He said that everyone had ideas about the site, and it was important to be clear about what EWEB would not be doing as well as what it would be doing. He said that the public information would answer people's questions before they could be asked. Commissioner Farmer said he had highlighted the main points in the memorandum to Councilors Papé and Poling during his meeting with them, answering their questions before asked, and they had then expressed readiness to support the resolution.

Commissioner Simpson believed that EWEB had a responsibility to propose the highest and best use for the site if the purchaser did not ultimately take its advice. He said the site could be tied into the Downtown Plan to ensure it remained cohesively developed in the manner the public had expressed a desire for.

Commissioner Menegat expressed concern about a statement in the project proposal to the effect that EWEB must obtain sufficient funding from the sale of the site to make the move financially possible, and if that did not occur, EWEB would remain at the current site. It was his understanding of the timeline that the utility would be halfway moved before it reached the point of the sale. Mr. Berggren said the sale would help mitigate the final costs. Mr. Oberle said that he included the statement to make it clear that rezoning the site to parks and open space would reduce the value of the site and impact EWEB's ability to implement its plans.

Responding to a question from Commissioner Simpson about the timing of site preparation and EWEB's involvement in that process, Mr. Oberle said staff had been talking about the issue and was considering it as a cost-benefit ratio; that is, what it cost to do that versus the value it added to the property. That issue would be addressed in Phase 1 of the project.

Commissioner Simpson suggested that EWEB could realize more money by dividing the property and selling it to multiple buyers and asked if that question would be examined. Mr. Oberle said yes. He anticipated a discussion of whether it would be better to have one or two large parcels split by roads or other physical dividers such as the overpass, or did it make more sense to divide it by smaller parcels. He suggested the latter approach might get in the way of more comprehensive development.

President Bishop referred to the step in the process that would designate easements to be retained by EWEB and said she preferred not to wait until September 2007 for that to occur. She suggested that EWEB first identify the footprint of the utility operations, such as the substation, that it knew were not going to be moved off the site. She thought that issue should be resolved sooner than later to inform potential purchasers about the land that would not be available for immediate development. Mr. Oberle indicated that work would occur in Phase 1, and staff would ask the Board to approve that phase in December 2006.

President Bishop suggested that the Board needed to reconsider the three goals put forward in the memorandum, which were developed by another Board at an earlier time. She thought the current Board needed to consider what those statements actually meant and the ramifications of their implementation. She wanted to ensure that all Commissioners were "on the same page" in regard to the goals.

President Bishop determined the Commissioners supported adopting the project proposal as a scope of action on July 5.

President Bishop had the same concerns expressed by Commissioner Menegat regarding the text related to the timing of the sale. She recalled that the Commissioners had agreed it would not assume the sale of the riverfront property and would support the initial move, but eventually the sale of whatever property was not needed after the move would be put directly into paying down the cost.

In regard to Commissioner Menegat's concerns, Commissioner Farmer said if the City decided it wished to have the property, there was a good reason to have the text in question. Before the Board made the final decision, he wanted staff to put some thought into the issue. He believed there was a negotiation issue involved. President Bishop believed that Commissioner Menegat's concern was that the document was erroneous, and she wanted to ensure the Board's previous agreement was clearly reflected. Mr. Berggren believed that Commissioner Farmer was suggesting there were strategic ways of stating that view, and that the Board might want to reconsider the wisdom of when it made that statement. President Bishop suggested that staff review the minutes of the discussion during which the Board reached its previous agreement. She thought that needed to be clarified. Mr. Berggren agreed to do so.

### **WILLAMETTE SUBSTATION DESIGN CONCEPTS**

Systems Engineering Supervisor Rod Price introduced Engineering Project Manager George Zaczek. Mr. Price provided a PowerPoint presentation that outlined the details of the three options proposed for the design of the Willamette Substation. He noted the costs associated with each option. He indicated staff was seeking a Board decision by June 2006. Mr. Berggren clarified that the Board did not have to make a decision on the design at that time, but staff wanted input on such things as whether the facility was outdoor or indoor and whether undergrounding would be done to a minimum or to the maximum extent possible.

Commissioners asked questions clarifying the details of the three options.

Commissioner Simpson was leaning toward waiting on the undergrounding of lines as he thought it could be done later and did not need to be done now. He did not see the undergrounded lines as part of the substation; rather, they were part of the distribution system. Mr. Berggren acknowledged that, but pointed out the substation project gave EWEB the ability to do so in a more efficient way. Mr. Price said that was talk of undergrounding some other lines, and if one was already digging up a road it was good to seize the opportunity.

Commissioner Simpson indicated that he had been leaning toward an outdoor facility until staff mentioned the Leaburg facility, which he liked very much on an aesthetic basis. He suggested that EWEB make the substation "look nice without building a Taj Mahal."

President Bishop did not want current ratepayers to pay for undergrounding lines on a site that was in the middle of a redevelopment site. If the timing coincided with road construction, that was fine, but she did not think that was the case. She believed the rebuilding of the substation would happen before site redevelopment and suggested that EWEB do an indoor facility on as small a footprint as possible. She further suggested that lines be undergrounded coming out of the substation to the first pole, and all other transmission lines be left on wires for the time being.

Responding to a question from President Bishop, Mr. Price confirmed that the cost of Option 3 was more than allocated to the project in the current Capital Improvement Program (CIP). President Bishop asked how staff proposed to proceed if the Board adopted Option 3. Mr. Berggren indicated he was not sure yet; he would want to know the actual costs of the project and suggested the potential it could be included in a future CIP.

Commissioner Simpson indicated that if an indoor facility was selected, he would prefer it to have higher quality walls, such as brick walls, being the most visible to the public, and suggested that they be built in a manner that could be “art ready.” Mr. Price said if the Board selected the indoor option, staff would return with proposals for a building.

Commissioner Menegat was concerned about the footprint of the facility and the usability of the remaining land for the other purposes. In regard to the subject of an indoor/outdoor facility, he suggested that substations “look cool” and he did not need to see a wall. A fence was adequate. However, if an indoor facility could be built on a smaller footprint, he would consider the option. At this point, he preferred an outdoor facility.

Commissioner Farmer indicated his concurrence with Commissioner Menegat’s position. He said he could be happy with an indoor facility if he knew how it would be paid for.

Commissioner Simpson agreed with Commissioner Menegat that the GIS switchgear looked great, EWEB had no GIS stations, and he thought an outdoor facility would be a great way to showcase it.

Speaking to Commissioner Simpson’s comments about walls that were “art ready,” Commissioner Farmer noted that the Oregon Supreme Court recently ruled that utilities could not fund artwork as a part of their facilities.

President Bishop determined that three of the four Commissioners present supported an outdoor facility, but there was no consensus about undergrounding. Mr. Berggren suggested if the facility was an outdoor facility he would recommend against undergrounding.

President Bishop called for a brief meeting break.

## **POWER SUPPLY UPDATE**

Power Resources Division Director Dick Helgeson introduced the item, saying that that due to a combination of good Board decisions and a good water year, the utility was in much more stable position than in recent years in regard to both power supply and financial consequences.

Mid-Term Trader Bert Dunn provided a status update on three key areas in the portfolio, including stream flows, market prices, and the contribution margin.

Fiscal Services Supervisor Dick Varner provided an overview of the utility's hedging program. He invited questions.

Responding to a question from Commissioner Farmer, Mr. Varner indicated that the excess cash flow was going to the Power Reserve and was not available for other purposes without Board action.

Commissioner Farmer asked what EWEB lost when it went into the market on a given day and purchased a hedge product. Mr. Varner said that given current volatility, premiums have been 15 to 20 percent of the nominal value. In the past it was as low as 10 percent. EWEB had been giving up some value in order to secure protection.

Responding to a question from Commissioner Farmer about the impact of the May 1 Bonneville Power Administration (BPA) announcement, Mr. Varner said the announcement indicated that it was likely the BPA's rates would be higher than they currently are, but it was still too early to tell. Mr. Helgeson added that the BPA was having the same experience as EWEB in regard to its cash position. The initial rate proposal assumed \$180 million in reserves going into the next rate period. Now the BPA was projecting reserves closer to \$500 million, which would take pressure off the rates.

Commissioner Farmer suggested to the Board and staff that there was value in continuing to "tweak" the budget on the price side of the equation, not just the volume side. Mr. Varner said that when staff prepared the 2006 budget, it purposely shaded the forward price assumption lower for budgeting. He anticipated that EWEB would need to continue to monitor the market and be somewhat conservative in its expectations of forward prices. Commissioner Farmer encouraged the Commissioners to take a longer-term view and consider volatility over 15 years, for example, and attempt to be more conservative about the issue of price volatility. He said that, in conjunction with staff's day-to-day work on hedging, could result in a bigger windfall and put the utility in better financial position.

#### **ELECTRIC SYSTEM REVENUE BOND RESOLUTION NO. 0611**

Treasurer Jim Origliosso introduced the topic, reminding the Commissioners that the initial Resolution it had referred to the Eugene City Council had been recast into two Resolutions at the request of the City Council. He briefly reviewed Resolution 0611.

Commissioner Simpson determined from Mr. Origliosso that the resolution repealed prior Resolution No. 0606.

Responding to a question from President Bishop, Mr. Origliosso said bond counsel drafted the Resolutions with review from the Eugene City Attorney.

Regular Board Meeting  
May 2, 2006  
Page 8

Commissioner Simpson, seconded by Commissioner Farmer, moved to approve Resolution No. 6011.

President Bishop asked that the Board be provided with copies of the same documents provided to the City Council so Commissioners could answer questions from councilors if called. Mr. Origliosso agreed to provide those documents to the board electronically.

The motion passed unanimously, 4:0.

#### **ELECTRIC SYSTEM REVENUE BOND RESOLUTION NO. 0612**

Energy Resource Project Manager Ken Beeson briefly reviewed Resolution No. 6012, calling the Board's attention to the background materials associated with the agenda item.

Commissioner Simpson, seconded by Commissioner Farmer, moved to approve Resolution No. 6011. The motion passed unanimously, 4:0.

#### **ITEMS REMOVED FROM THE CONSENT CALENDAR**

Referring to Item 5 (General Pacific, Inc.) on the Consent Calendar, Commissioner Simpson said that initially the item had not been clear to him, but further review indicated it was a shift to a more aggressive meter change-out plan. He said he would not have questioned the item had the background information provided context about the purpose of the request as opposed to the "bare facts" of the request. Commissioner Farmer agreed, and challenged staff to review its work with the idea the Board was ignorant of the topic to see if it stated clearly why the change was occurring, as opposed to what the change was.

Commissioner Simpson, seconded by Commissioner Farmer, moved to approve Item 5 (General Pacific, Inc.) on the Consent Calendar. The motion passed unanimously, 5:0.

President Bishop adjourned the meeting at 9:45 p.m.

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Assistant Secretary

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President