EUGENE WATER & ELECTRIC BOARD
REGULAR BOARD MEETING
EWEB BOARD ROOM
MAY 16, 2006
7:30 P.M.

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

Others Present: Randy Berggren, Debra Smith, Dick Helgeson, Deborah Brewer, Jim Origliosso, Dick Varner, Marty Douglass, Mel Damewood, Lance Robertson, Ron Wilson, Cathy Bloom, Roseanna McArthur, Ken Beeson, Mark Freeman, Brad Taylor, Tom Buckhouse, Jean Meyers, Dave Koski, and Krista Hince of the EWEB staff; Ruth Atcherson, City of Eugene Minutes Recorder.

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

## AGENDA CHECK

There were no changes to the agenda.

## PUBLIC INPUT

There were no members of the public who wished to speak at this time.

## APPROVAL OF CONSENT CALENDAR

**Minutes**

1. There were no minutes to approve.

**Business Service Agreements**

2. Data Enhancement Services, LLC – GIS Conflation Project – GeoGraphics -- Corporate Services Division - $62,000
3. Quality Enterprises, Inc. – Carmen 115 KV Right of Way Tree Removal and Brush Clearing – Electric Division - $73,500
4. West Coast Paper – Industrial Paper & Plastic Products – Facilities – Corporate Services Division - $101,350

**Resolution**

5. Resolution No. 0613 – Possible Surplus Property in North Springfield (Hayden Bridge Corridor).
6. Resolution No. 0614 – GP1 – Governing Style (new policy) and EL1 – Financial Controls (modification to policy).

Commissioner Farmer pulled Item 5 (Resolution No. 0613, Possible Surplus Property in North Springfield) from the Consent Calendar.

Commissioner Simpson noted that he had submitted corrections to the minutes electronically. There were no objections to the corrections.

President Bishop requested that the Board engage Item 5 at this point in time.

Commissioner Simpson, seconded by Vice President Menegat, moved to approve the Consent Calendar with the exception of Item 5, Resolution No. 0613, and that the Board address that item subsequent to the Consent Calendar. The motion passed unanimously, 5:0.

**ITEMS REMOVED FROM THE CONSENT CALENDAR**

Commissioner Farmer stated that Resolution No. 0613 called for the sale of approximately four acres of surplus property and would generate between $750,000 and $900,000. He believed that when EWEB sold fixed assets that revenue should flow back to fixed assets. While he had no preference on what the funds were dedicated to, he was firm in his conviction to keep revenue from such a sale from being placed in the budget for operations.

In response to a question from President Bishop, Treasurer Jim Origliosso stated that the money was placed back in the capital reserve fund. He believed this policy to be consistent with Commissioner Farmer's intent.

Commissioner Farmer, seconded by Vice President Menegat, moved to approve Resolution No. 0613, a resolution to approve the possible sale of surplus property in the Hayden Bridge area. The motion passed unanimously, 5:0.

**ITEMS FROM BOARD MEMBERS**

Commissioner Lanning thanked the Board and staff for their support as he worked on his dissertation. He stated that he had submitted his final revisions and he anticipated it would be complete in the next few weeks. He said after that he would be "ready for a party."

Commissioner Simpson said he had been unable to attend the Northwest Energy Coalition (NWEC) Conference due to an unfortunate motorcycle accident in which he had sustained minor injuries. He thanked staff for their support while he was in recovery.

Commissioner Simpson reported that he had become aware of the APPA Reliable Public Power Provider (RP3), a program to encourage power systems to demonstrate basic proficiency in four important disciplines: reliability, safety, training, and system improvement. He said, from initial conversations with staff, he had ascertained that EWEB would be eligible to participate in the program.

President Bishop presented Commissioner Simpson with a book called *Road Side Technology* on behalf of the NWEA members in Missoula, MT where the conference he couldn't attend took place. She said he had been missed.

**CORRESPONDENCE**

General Manager Randy Berggren announced that the Carmen-Smith draft license application was available for public review and public meetings had been scheduled for May 18, at 2 p.m. and 7 p.m. in the EWEB Training Room, and May 25, at 7 p.m. at the Upper McKenzie Community Center. He stated that meetings had been advertised in the *Register Guard*, the *Springfield News*, the *Eugene Weekly*, the *McKenzie River Reflections*, *Lebanon Express*, the *Albany Democrat-Herald*, and the *Bend Bulletin*. He noted that the meetings had also been highlighted in a front page article in the *Register Guard*.

Mr. Berggren noted that two items had been pulled from the agenda to make time for the Executive Session, the First Quarter Financial Report and the First Quarter General Manager Goals. He encouraged the Commissioners to ask questions since the items could not be discussed at tonight's meeting. He said he would speak with President Bishop about rescheduling those items.

Mr. Berggren reported the following pieces of correspondence:

- Customer Relations Manager Chuck Dalton sent included a memorandum in Board packets regarding the Duke/El Paso Settlement Grant Award of $180,000. EWEB continues to get monies in from various settlements taking place relative to the energy crisis.
- Relicensing Project Manager Gale Banry included additional information on the Carmen-Smith relicensing project in Board packets.
- A customer comment was included in packets regarding the negotiations with the International Brotherhood of Electrical Workers Local.

**BOARD AGENDAS**

President Bishop reiterated that she and Mr. Berggren would try to reschedule the two items that had been postponed soon.

**MOE HILL RESERVOIR CONNECTION**

Senior Water Engineering Manager Ron Wilson provided the background information regarding the possible connection between the Moe Hill Reservoir, owned by the Springfield Utility Board (SUB), to the Hayden Bridge Filtration Plant (HBFP), with the aid of a power point presentation. He said this was an intertie that would connect EWEB with SUB and the Rainbow Water District and the connection would allow the utilities to extract a maximum of 10 million gallons per day between the utilities as emergency backup. He added that this was not the main reason for the intertie.

Mr. Wilson explained that EWEB was redoing the backwash system. He said a connection to the Moe Hill Reservoir would create an efficient system that would allow EWEB to use it for backwashing the filtration system. It would also allow EWEB to restructure and upgrade some of the older facilities by providing the redundancy necessary to take portions of them off line. He underscored that the intertie would give EWEB a lot of flexibility at a great price.

Mr. Wilson stated that the River Heights Subdivision was the driver for doing the project, as it was prudent to make the connection prior to the intergovernmental agreement (IGA) to be completed in June.

Continuing, Mr. Wilson reviewed the project schedule. He expected to take three to four years to complete all of the work in the plant. He stated that currently the backwash system had no back up and if it failed, the whole plant would be lost. He explained that it was necessary that EWEB either install two new pumps in the backwash system or replace the existing pump and connect to the reservoir. He stressed that no additional funding was being requested at present, though the project would request approximately $700,000 in the next budget year, a figure that was less than had been originally estimated.

Commissioner Simpson thanked Mr. Wilson for the presentation. He asked if this was the first water intertie between utilities. Mr. Wilson replied that EWEB had smaller connections with SUB and the Rainbow Water District to help those utilities in case of an emergency, but this would be the first major water intertie that was mutually beneficial.

Commissioner Simpson asked how electrical efficiency would be achieved. Mr. Wilson responded that when the filter was backwashed a lot of water was used over a very short time. He said presently EWEB had a 125 horsepower motor as a backwash pump. After building the intertie with the Moe Hill Reservoir, EWEB could use gravity to flush the backwash filters with 120,000 gallons of water and then would be able to use a 20 horsepower motor to slowly replenish the reservoir.

In response to a follow-up question from Commissioner Simpson, Mr. Wilson estimated that savings would be approximately $500 per month.

Commissioner Simpson asked if the pressure difference between the two systems would create a problem. Mr. Wilson replied that the reservoir was higher in altitude and had greater pressure, but this was to EWEB's advantage in cleaning the backwash filters.

Commissioner Simpson asked if SUB would be distributing water EWEB had treated. Mr. Wilson explained that SUB water would be used to flush the filters and then EWEB water, in an equal quantity, would be pumped back into the reservoir.

In response to a question from Commissioner Simpson, Mr. Wilson stated that EWEB would not have to treat water from the reservoir before dispersing it into its system.

Commissioner Farmer asked what the value of the backwash was. Mr. Wilson responded that the backwash would flush particulate matter from the filters so that they could continue filtering debris from the water.

Mr. Wilson confirmed for Commissioner Farmer that the project did not increase capacity.

Commissioner Farmer asked how close to capacity the Hayden Bridge facility was. Mr. Wilson replied that the intake could bring in 90 million gallons per day and the plant could treat 72 million gallons per day. He said in the treatment process, approximately 10 percent of the water that came to the plant was used to backwash and clean the filters. He stated that the amount of water coming out of the river would not change.

Commissioner Farmer ascertained that EWEB would have construction costs to build the intertie and the intertie would benefit SUB and the Rainbow Water District. He asked if the other water utilities were sharing in the construction costs. Mr. Wilson replied that they were not. He explained that the cost to connect to the Moe Hill Reservoir was similar to the cost of the backwash system they would need if they did not connect to that facility. He said by connecting to the facility, EWEB would be able to take elements of its plant offline in a piecemeal fashion in order to refurbish and replace facilities. He stressed that it was difficult to keep the plant operating and do the work necessary to keep it functional.

Mr. Berggren asked if that flexibility had economic value. Mr. Wilson affirmed that it did. He estimated the benefit to be approximately $100,000 to $200,000. Mr. Berggren reiterated that EWEB intended to spend that amount of money anyway.

Commissioner Farmer thought SUB should have paid $125,000 for a backup water source.

Mr. Wilson commented that using the reservoir for backwash was more in EWEB's favor than in SUB's. Mr. Damewood added that SUB and the Rainbow Water District had invested millions in the reservoir and EWEB had not paid anything for it.

Commissioner Lanning asked for clarification of Item 6 in the letter regarding the potential intertie from SUB and the Rainbow Water District. Mr. Wilson responded that the IGA would explain it in more detail. He said if a disaster happened EWEB could use Carmen Smith to power its Hayden Bridge plant but this would take several hours. Staff hoped to partner regionally so that no one would be forced to go without water in such an event.

Commissioner Lanning asked what would happen in a catastrophe. He wondered if SUB and/or Rainbow would owe EWEB for water in that situation. Mr. Wilson replied that this type of scenario might be dealt with when it arose. He said this would be one of the items that would be addressed in the IGA.

In response to a question from Commissioner Simpson, Mr. Wilson said the intertie would not have the capacity to supply all of the water needs for Springfield. He stated that Springfield was more regionally supplied because it drew from wells at different locations. He added that this was one of several interties that EWEB was seeking to develop and the Moe Hill Reservoir was strategic in that it could conceivably provide 10 million gallons per day in an emergency.

In response to a question from President Bishop, Water Engineering Analyst Brad Taylor noted that the three legal representatives of the utilities were reviewing the IGA and one of the components that they were struggling a little with was the term of the agreement. He said the utility was trying to associate the contract term with the rate of depreciation. He stated that because EWEB was at the start of the process to form this intertie, there were a lot of concerns about the operational issues that would go back and forth and because of this the initial contract was formed for a shorter period of time.

Commissioner Lanning, seconded by Vice President Menegat, moved to approve the Hayden Bridge Filtration Plant/Moe Hill Reservoir connection for construction.

Commissioner Simpson called the intertie a "wonderful cooperative effort" between the three utilities. He felt it would help to serve EWEB's need for diversification of sources for the regional water supply.

President Bishop thanked staff for the work on the intertie.

The motion passed unanimously, 5:0.

**WORK STOPPAGE CONTINGENCY PLANNING**

Mr. Berggren provided a brief overview of the ***Eugene Water & Electric Board Work Continuation Plan Summary*** dated *May 10, 2006*.

Commissioner Farmer asked if staff had "gone the extra mile" to ensure that the construction industry was aware of the potential strike. He noted that a strike could affect the progress of building projects. Public Affairs Manager Marty Douglass replied that EWEB had notified them individually by letter and had not received any inquiries to date. He said staff could verify this over the next week, but he had every reason to believe that the development community had been informed of what the impacts would be. He added that the same held true for vendors and other entities such as the other water districts and the Eugene Department of Public Works.

Mr. Berggren reported that staff had heard a number of questions from the development community wanting to know the degree of commitment EWEB could make to them relative to their projects. He said staff had been clear that EWEB would not be able to make commitments given the uncertainty of the situation.

Commissioner Simpson commented that he was not "thrilled about" installing fencing for security purposes. He was comfortable including such a tactic in a plan, but he was not in favor of erecting fencing early in the process. He was concerned it would send "too harsh a message." Mr. Berggren responded that a gate would have to be distinguished for certain properties such as the credit union and the child care center which were not used as an employee entrance. He was sensitive to the issue of public perspective and whether or not EWEB would go overboard to treat the issue of security. Nonetheless, he said security was a major concern for those employees who may decide to cross the picket line and replacement workers could pose a volatile situation for striking workers. He stressed that EWEB would rather not underestimate security requirements of an event not yet experienced.

President Bishop believed fencing would be necessary. She felt a safe area should be delineated. She asked if EWEB would be using the security contract it currently had. Corporate Services Division Director Roseanna McArthur replied that EWEB would probably use three different security companies. Mr. Berggren added that EWEB had communicated with all law enforcement agencies that would have potential jurisdiction over all EWEB facilities.

President Bishop asked if the contract security providers were trained in non-confrontational methods. Ms. McArthur replied that one firm specialized in this. She noted that in such a situation the Eugene Police Department would also be present and they had been trained to defuse a potentially volatile situation.

In response to a question from Commissioner Simpson, Ms. McArthur affirmed that an escort service would be provided to any union employees who wished to cross the picket line.

In response to a question from President Bishop, Mr. Berggren explained that given staffing capabilities in a strike situation work such as installing a new meter or replacing a meter would be a secondary priority and could be delayed.

President Bishop asked if staff had a sense of the financial implications of halting electrical disconnect notices. Treasurer Jim Origliosso responded that EWEB was entering the period of the year in which customer turnover was higher. He said typically in those periods the work force in the billing and collecting area focused on this.

President Bishop asked if those people were in the Union and, if not, why their work would be impacted by a strike. Mr. Origliosso replied that they were not Union members and their work was not impacted. He said normally in June no one was dispatched to hang disconnect notices on doors.

Mr. Berggren assured the Board that even if one result of the strike were that the uncollectible bills doubled, it would not be a substantial impact to EWEB given that the rate of uncollectible bills was so far below the national average.

**STRIKE PREPAREDNESS – RESOLUTION NO. 0615**

Mr. Berggren read his memorandum entitled ***Resolution Number 0615 – Continuity of Service under a Strike***, included in Board packets. Staff recommended approval of the resolution.

Commissioner Farmer, seconded by Vice President Menegat, moved to approve Resolution Number 0615, relating to Strike Preparedness.

President Bishop averred that it was necessary to be prepared.

The motion passed unanimously, 5:0.

**BEST AND FINAL OFFER IMPLEMENTATION – RESOLUTION NO. 0616**

Mr. Berggren stated that Resolution No. 0616 would authorize staff to take the necessary actions to implement the last and final offer that EWEB submitted on April 11, 2006, to the State of Oregon Employee Relations Board. He maintained that the offer represented EWEB's best effort to resolve eight months of continuing negotiations between EWEB and the International Brotherhood of Electrical Workers (IBEW). The parties had not been able to resolve their differences and the IBEW voted to authorize a strike on May 11, 2006. He reported that the IBEW had requested that EWEB submit the entire impasse and all of the relating issues in binding arbitration in a letter dated May 11, 2006. He conveyed staff's recommendation that the Board decline the IBEW offer to join them in binding arbitration. He reviewed the negotiations process and the offers for salary enhancements and other benefits that EWEB had made. He averred that arbitration would significantly disadvantage EWEB. He also referred to the current litigation regarding health benefits that was still pending, noting that the primary issue involved was the Board's reservation of rights to change health care benefits as necessary to best balance the cost of employee benefits against customer rates. He did not think it would be prudent to give the right to manage health care costs to a third party in binding arbitration with litigation pending.

Vice President Menegat, seconded by Commissioner Simpson, moved that the Board reject the International Brotherhood of Electrical Workers offer for binding arbitration. The motion passed unanimously, 5:0.

Vice President Menegat, seconded by President Bishop, moved to adopt Resolution Number 0616, a resolution to implement EWEB's best and final offer.

Vice President Menegat supported the resolution. He felt EWEB had bargained in good faith for a number of months and had made a final offer that was fair and reasonable.

Commissioner Farmer indicated he would oppose the Resolution. He wished to be clear that he was in support of the bargaining team's position. He believed, however, that it was in the best interest of the utility to continue with the existing contract versus implementing the final offer. He stressed that it should not be construed as a lack of support for the current position of negotiation.

The motion passed, 3:2; Commissioners Lanning and Farmer voting in opposition.

President Bishop adjourned the meeting at 8:59 p.m.

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| Assistant Secretary | President |