

EUGENE WATER & ELECTRIC BOARD
REGULAR BOARD MEETING
EWEB BOARD ROOM
JUNE 6, 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 Freeman, Tom Buckhouse, Patty Boyle, Teresa Siemanowski, Jim Wiley, 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

Rick Grosscup, 2540 Lincoln Street, member of the Friendly Area Neighbors (FAN) executive committee and co-chair of the task force on safety issues at the College Hill Reservoir, reported that area residents had met with staff and were pleased with the interactions. He related that they remained perplexed at the lack of public access and public process. He requested that area residents be part of the process by which it was determined whether the reservoir should remain open to the public. He said FAN representatives had sponsored a table at the Earth Day celebration, held on the EWEB plaza, and had gathered 261 signatures in support of keeping the reservoir open. He stated that residents wishing to maintain public access to the College Hill Reservoir were prepared to embark upon legal action should EWEB decide to close off access. He submitted his testimony in writing.

APPROVAL OF CONSENT CALENDAR

Minutes

1. March 7, 2006, Regular Board Meeting, the March 24, 2006 Board Planning Retreat, and the April 18, 2006, Work Session and Regular Board Meeting minutes.

Business Service Agreements

2. **Balzhiser & Hubbard Engineers** – Due Diligence, six-acre property adjacent to EWEB's Roosevelt Boulevard property – General Manager's Division - \$37,481
3. **Eureka Software** – Publication of FERC License Applications for the Carmen-Smith Hydroplant Project – Electric Division - \$41,000
4. **HIS Consulting** – Industrial Hygiene Consulting – Safety Section – Corporate Services Division - \$45,000

5. **Salt Lake City Corporation** – EPA New Home Efficiency Study – Water Division - \$20,000
6. **SOLARC Architecture and Engineering** – Design, Bidding, and Construction Administration of new visitor shelter at Lloyd Knox Water Board Park – Public Affairs – General Manager’s Division - \$25,610

Memorandum Of Understanding

7. **TEREX Utilities** – Equipment purchase International 7400 6xz4 Material Handler truck) – Shop—Corporate Services Division - \$234,991

Intergovernmental Agreement

8. **Multi-agency Interoperable Communications IGA** – Microwave/UHF Communications System – Electric Division

Vice President Menegat, seconded by Commissioner Lanning, moved to approve the Consent Calendar with the exception of the minutes of March 7. The motion passed unanimously, 5:0.

ITEMS FROM BOARD MEMBERS

Commissioner Lanning reported that the Lane Council of Governments (LCOG) Board meeting was scheduled for June 22 and would be held in Florence. He said he may not be able to attend and asked if another Commissioner was willing to attend in his place.

Vice President Menegat indicated he would likely be out of town.

Commissioner Simpson offered to attend should Commissioner Lanning be unavailable to go.

Commissioner Farmer reminded the Board that he would attend the American Public Power Association (APPA) conference over the weekend of June 10 and 11.

President Bishop noted that the City Club meeting of June 9 would feature a discussion of wave-generated power. Communications Coordinator Lance Robertson would be asking the first question during the question and answer period. She related that the June 23 meeting of the City Club would feature LCOG staff person, George Kloeppel, speaking on the Region 2050 process.

President Bishop provided copies of a telephone message she had received from a customer in regard to the Union negotiations. Additionally, she had copies of a customer complaint she received in regard to the deposit policy.

CORRESPONDENCE

General Manager Randy Berggren reported the following correspondence:

- The Board had received invitations to the next tour of the Green Island restoration project, scheduled for June 28.

- A confidential memorandum to the Board on pending litigation had been distributed and an executive session was scheduled for the following week to consider that issue.

Commissioner Farmer expressed concern about the amount of money EWEB had been charged for review of what he considered to be a boilerplate document. He observed that EWEB had been charged 30 hours for its review, but he had seen the same type of document take three or four hours to review in the private sector.

BOARD AGENDAS

Mr. Berggren reviewed the *Board Agenda Report* dated *June 6, 2006*.

In response to a question from Commissioner Farmer, Mr. Berggren explained that PURPA was the acronym for the Public Utility Regulatory Policies Act.

MISCELLANEOUS FEES AND CHARGES

Senior Rates/Financial Analyst Patty Boyle provided a power point presentation on the information outlined in the memorandum entitled *Miscellaneous Fees and Charges*.

Commissioner Simpson thanked Ms. Boyle for the presentation. He asked her to explain the dramatic increase in the charge for suspension of service on a site. Ms. Boyle replied that when the fee was set it was based on limited data and it had been left at a low amount. She said setting it at \$200 reflected the actual cost of doing the reconnection. Mr. Berggren clarified that ‘at the source’ meant the power was being disconnected at the transformer and not at the meter. This entailed bringing a line crew out.

President Bishop wondered how this situation would “play out” for someone who had not done anything wrong. Ms. Boyle stated that it took a while for a situation to reach the point at which such a disconnection would be called for.

Customer Services/Field Services & Cash Collections Supervisor Mark Freeman cited an example in which customers blocked disconnection of the service at the meter after three unpaid bills. He underscored that prior to taking action it was explained to the customer that the next step would be to bring a line crew to disconnect service at the transformer and that it would be expensive. He said when power was disconnected in this manner it was a full business day before power could be restored.

In response to a question from Commissioner Farmer, Ms. Boyle said the water meter installation charges had not needed to be increased in 2004.

Commissioner Farmer said he was trying to reconcile this with the statement that staff reviewed the charges every two years, given that the charge was being increased by 60 percent.

Ms. Boyle said she had not been in EWEB's employ two years earlier and could not speak directly to the decision to leave the fee as it was. Water Engineering Manager Mel Damewood clarified that those fees had not been reviewed in 2004 and the engineering division began tracking the service costs on a more incremental and precise basis.

Mr. Berggren recalled that the last time this fee had been adjusted had been in the year 2000.

Mr. Berggren noted that staff had reviewed the proposed changes with the Home Builders Association (HBA) and the HBA had been satisfied with the level of the increases to the charges.

President Bishop asked how the account processing charges were being used. Mr. Freeman responded that it paid for the time representatives spent on the phone with new accounts or, for an existing customer, the time it took to go into the billing system and set up a service order to move an account from one place to another. He added that it also paid for a field representative to go out and take the initial read and turn services on.

President Bishop opined that this fee generated ill will. She could not support increasing it from \$10 to \$15. Mr. Berggren pointed out that EWEB would have to recover the cost from somewhere else, such as in the basic charge. He noted the Board had expressed a strong "cost of service ethic."

President Bishop asked if the account-processing fee was charged to rollover accounts. Mr. Freeman replied that in order to create an incentive to do an automatic hookup agreement there was no charge to rollovers. He noted that this reduced the amount of "truck rolls" because the service was not turned off.

Commissioner Simpson asked if an account processing charge was ever assessed when no truck was dispatched. Mr. Freeman responded that unless the truck was called out there was no charge.

President Bishop suggested giving the charge another name.

Commissioner Lanning asked where the comparatives were for other utilities. Ms. Boyle said she could provide this. However, many of the fees were not parallel to other utilities.

In response to a follow-up question from Commissioner Lanning, Ms. Boyle stated that data was tracked at a detailed level unless it related to charges that were used less frequently.

Commissioner Lanning observed that the fees seemed to be established in a variety of different ways. Ms. Boyle affirmed this.

Commissioner Simpson was curious as to how many full time equivalent (FTE) employees drove the trucks on those calls. Mr. Freeman replied that six FTE employees worked the truck calls

on the “Connect/Disconnect CUD” and on a normal day three were conducting the move-in/move-out connection services, two were hanging collection notices on doors, and one was doing disconnects. He said the work averaged out to 38 events per EWEB representative per day.

Mr. Freeman clarified that all of the charges were up front for disconnection so that there were no charges on the reconnect side of the process. He said this served to reduce animosity.

Vice President Menegat, seconded by Commissioner Simpson, moved to adopt Resolution No. 0617, the July 2006 revised miscellaneous fees and charges.

Commissioner Lanning indicated he would support the resolution. He wanted to ensure, however, that the same practice was employed as was for rate increases, of bringing the background information to the Board to support the increases.

Commissioner Simpson supported the resolution. He encouraged staff to work toward standardization of fees and to find out what other utilities were doing in terms of these charges for comparative purposes.

Additionally, Commissioner Simpson conveyed his preference for printing the resolution on a different color of paper to help it stand out from the background material.

The motion passed unanimously, 5:0.

ROOSEVELT BUILDING PROJECT – BUDGET GOAL

Mr. Beeson provided a power point presentation on the ***EWEB Roosevelt Building Project – Project Budget Development***. He said staff was looking for approval of the project budget estimate. He explained that the remonstrance period on the \$8 million debt issue had begun on May 12 and would end on July 12. At that point staff would be coming back before the Board meeting scheduled for July 18 with a final request for authorization on the design agreement.

Mr. Beeson stated that staff had been working on the estimate and was trying to ascertain that all of the components were included and all of the costs were identified. He said one thing that had emerged for staff was a need to separate the downtown project from the Roosevelt Boulevard project. He averred that the two projects were clearly separate and to do design work in the present for a project that was four years out was not prudent.

Mr. Beeson said the memorandum entitled ***Roosevelt Building Project*** dated *May 31, 2006*, indicated the building and construction for the Roosevelt Building was estimated to cost \$51,739,000 and was set so it was consistent with the November, 2005, 30 percent design estimate with an inflation figure of six percent. He reiterated that to the extent that EWEB would find itself able to start construction a year earlier it could eliminate the six percent. He stated that the estimate was based on a more conservative schedule.

Mr. Beeson called out the public art requirement. He noted that in the 30 percent design work there was a placeholder of one percent for art. He related that upon legal review of that requirement, it appeared that EWEB was not required to spend one percent, though it was authorized to spend that much or some portion of it. He commented that the Roosevelt Building would not be a place that drew much public traffic.

Mr. Beeson added that he had included moving costs, at \$500,000, and staff costs over the next five years in the total amount.

In response to a question from Commissioner Simpson, Mr. Beeson clarified that 'overhead' referred to the overall cost of undertaking the project, including accounting, purchasing, and engineering among others.

Continuing, Mr. Beeson stated that the project would be designed for the staffing level projected for 2020 and to the Leadership in Energy and Environmental Design (LEED) 'Gold' standard. He said the whole design process would take 16 months. He had put together a building/design advisory team to help answer the more detailed questions as they arose. He added that the group would reach out to other managers who might not be part of the group in order to gain detailed information about specific work areas.

Mr. Beeson reiterated that one way to achieve value engineering would be through the Construction Manager/General Contractor (CM/GC) working with the architect and the owner.

Mr. Beeson affirmed for Commissioner Farmer that the elements of the design process would largely happen at the same time.

Mr. Beeson reviewed the potential reductions of the project budget estimate. He believed, though estimates were not clearly defined or supported at this point, that a five percent reduction could be possible within the program assumptions and objectives. He said a greater than 10 percent reduction would lead to a redesign of the project.

In response to a question from Commissioner Simpson, Mr. Beeson explained that it had become clear that there was a lot of staff uncertainty in regard to the existing downtown facility. They had come to believe that no remodeling would occur at the downtown site until 2010 and in the interim there could be organizational changes. He said staff had surmised that design work now would be outdated in three years and would have to be redone.

Commissioner Simpson asked why *Attachment B* to the memorandum also entitled ***Roosevelt Building Project*** did not include the expenditures for the 30 percent design work and due diligence work. Mr. Beeson replied that he could provide a spreadsheet with all of the numbers in it. He had thought it would be clearer to provide a forward-looking budget document in this case. Commissioner Simpson wanted to have one document to look back upon that included all the cost components. Mr. Beeson said he would do this.

Commissioner Simpson said it was important to trim costs, but it was also important to deliver a facility that would serve EWEB for the next 20 years. He felt the 30 percent design work informed the work to come and was “right on the money.”

In response to a question from Commissioner Farmer, Mr. Origliosso explained that the portion of the money that might be refunded to EWEB through the sale of the riverfront property would be used to pay back a short-term financing variable rate bond or a certain amount of it. He said from a political standpoint EWEB would be asking for the authority to borrow the entire amount with the understanding, included in the documentation of the bond election or Uniform Revenue Bond Act (URBA) process, a detailed financing plan that would stipulate that EWEB would have a right to prepay part of the bond back with the proceeds.

Commissioner Farmer noted that \$2.3 million had been designated for equipment and furniture. He did not believe this was the type of thing that should be financed over the course of 25 years. He recommended that the number be pulled out of the estimated Roosevelt Building budget and placed in the operating budget.

Commissioner Farmer asked if the number included the possible purchase of six additional acres. Mr. Beeson replied that it did not. He said the \$350,000 estimate was in the 2006 budget as a placeholder.

Commissioner Farmer observed that the public did not have access to the field operations at the downtown site and asked if it would be EWEB’s intent that there would be no public access at the new site. Mr. Beeson responded that the building would include space for the engineering and purchasing groups. He said the general public would not have a lot of specific day-to-day business there.

Commissioner Farmer commented that his initial reaction to spending \$500,000 for art for pole yards and truck shops was not overly enthusiastic.

Continuing, Commissioner Farmer noted that \$2.7 million was designated for staff time. He felt it seemed high, particularly if the CM/GC approach was approved. He asked Mr. Beeson whether going forward with the CM/GC approach would affect those numbers. Mr. Beeson replied that the use of a CM/GC could affect the number, but he needed to review the number as the CM/GC process and costs became clearer. He had included some costs for legal support and for public relations, among others.

Mr. Origliosso elaborated, explaining the overhead was an estimate applied to all of the capital assets as they were placed in service. He said administrative overhead was seven percent on projects that EWEB was the principle contractor for and two percent for project that EWEB was not the principle contractor for. He noted that there were a myriad of costs associated with projects of this type, but the money was not specifically allocated to the project; rather it was a standard practice of EWEB to place the funds in a pool. In response to concerns regarding what was bondable, he said this was a decision the Board could make at a later date. He said those costs were included in the rate base.

President Bishop thought it would be good for the Board to look at the attachment that was forwarded to the City Council that delineated EWEB's bonding authority.

Commissioner Farmer remarked that the jump in construction costs from \$57 million to \$76 million, a 30 percent increase for "soft costs," seemed like a lot. He said his primary concern in setting a budget number regarded assurance that the utility would not be pushed into spending contingency dollars. He was uncertain how he would know that the budget was being followed. Mr. Origliosso responded with another question: what degree did the Board wish to have oversight of this project? He said staff had dealt with these issues with Board policies around executive limitations and strategic directions. Commissioner Farmer said he would contemplate Mr. Origliosso's question further before he would respond.

Commissioner Farmer observed that the costs for overhead, inflation, and art comprised \$6.2 million and, additionally, there was another \$4 million in contingencies. He said before he began thinking about value engineering on any of the main project he saw this as a "loosey-goosey number" out there. He thought there was so much consolidation in some of the numbers, he was unsure where the value engineering process would lead, and it made it hard for him to give staff a good number.

In response to a question from Commissioner Farmer, Mr. Beeson affirmed that value engineering would be part of the application criteria for the CM/GC.

Commissioner Lanning asked that Commissioner Simpson and Vice President Menegat comment on the budget estimate as they had served on the 30 percent design review committee.

President Bishop wanted to ask some questions first. She expressed surprise that the utility was not required to spend one percent on art. Mr. Beeson responded that it was not a requirement for EWEB. President Bishop was interested in continuing to look at the possibility of public art. She suggested that it be spent on something useful such as a bridge over the wetlands.

President Bishop underscored that adoption of the budget estimate was not a commitment to firm numbers.

Mr. Beeson stated that it would be six months before firmer numbers were known.

Vice President Menegat said the 30 percent process had been lengthy and had involved lots of expertise. He supported the 30 percent design process then and still supported it now. He shared concerns expressed regarding the amount of money involved but he anticipated that there would be opportunities to review elements of the design and the design process. He would be looking for reductions in cost and would consider dropping one LEED level if EWEB had reached a point at which \$5 million could be saved. At this point, however, he was not comfortable dropping any numbers from the total amount. He underscored that this was a first step in the process to gain a greater understanding of costs.

Commissioner Farmer asked if the Board would review the budget again. Mr. Beeson replied that he could give reports from the building advisory group at meetings. He suggested that one or two board members could participate in the group.

Commissioner Simpson said it was important to recognize the contributions of PIVOT engineering, EWEB staff, and their expertise in this “complex process.” It was important to him that the program and objectives that came out of the 30 percent design guide the process. He felt they should find the cost reduction opportunities such as adjusting the LEED certification level, but wished to stress that cost reduction concepts were integrated throughout the 30 percent design process. He asserted that building a 50-year building required an investment. He believed EWEB might be able to trim five percent from the budget. But regarding art, he had hoped to integrate it into the building such as in a rain catchment’s system. He added that he envisioned a readout in the lobby that would delineate how many kilowatt hours had been saved by the LEED certified design.

President Bishop was most concerned with operational efficiencies and the environment. She wanted to get more information on the life cycle cost.

Commissioner Farmer expressed concern that this project would be funded and completed and then EWEB would not be able to afford to move the operations personnel in. Mr. Berggren assured him that there would be checks and balances along the way through the process.

Commissioner Lanning was not interested in redesigning the project. He asked how confident staff was that a five percent reduction was possible. Mr. Beeson replied that he believed that there would be some opportunity to gain reductions, but could not guarantee to what degree.

Commissioner Lanning agreed with Vice President Menegat. He commented that it made sense to look for economies and to focus on this endeavor throughout the process.

Commissioner Farmer thought it would be good for a commissioner or two to have some role in the rest of the process.

Commissioner Simpson, seconded by Vice President Menegat, moved approval of the project budget estimate of \$76,154,000.

Commissioner Lanning supported having Commissioners involved in the process.

Commissioner Simpson concurred.

Commissioner Farmer indicated he would oppose the motion. He had heard staff say that the Board could probably reduce that number by five percent without affecting the design and thought this should be encouraged.

Commissioner Simpson said his yes vote would not mean he would not be looking for savings.

President Bishop asked what a five percent reduction would amount to. Mr. Beeson replied that it leave \$72.3 million in the estimate.

Commissioner Simpson retracted his motion. Vice President Menegat rescinded his second.

Commissioner Simpson, seconded by Commissioner Farmer, moved approval of a revised budget estimate of \$72,300,000.

Vice President Menegat opposed the revised motion. He thought it was premature take this action.

Commissioner Lanning wanted to know what the Board was eliminating or reducing and what the impact would be before he could vote on a lesser estimate.

The motion passed, 3:2; Commissioner Lanning and Vice President Menegat voted in opposition.

BUDGET AMENDMENT NO. 4

Mr. Origliosso explained that he was seeking approval for a contract for the reconstruction of the Walterville chevrons and a second approval for a budget amendment for the project pursuant to the EL1 Board policy on capital projects. He reported that the project was troubled and caught between two regulatory bodies and EWEB was struggling to reconcile the requirements of both of them. He said the cost increases, \$571,700, were due to increases in the costs of materials and legal fees from dealing with regulations issues, including some emerging regulatory issues related to wetlands. He added that it seemed the project would still be difficult to “pull off.” He noted that staff recommended that the construction contract be awarded to JAL Construction.

Commissioner Lanning asked if the project had gone out to bid. Mr. Wiley replied that it had.

Commissioner Lanning said the backgrounder had been very thorough and had answered all of his questions.

Commissioner Simpson asked for an explanation of the three projects that money was being reallocated from. Mr. Wiley delineated the reallocations, as follows:

1. The Carmen Smith 115 kV Transmission Pole Replacement project would still go forward but would now cost less;
2. A more economical approach was being taken for the Carmen C02 System Upgrade;
3. The McKenzie 115 kV BPA Terminal project was completed and had come in under budget.

He underscored that no work was being deferred.

Commissioner Farmer asked for elaboration on the difficulties of the project. Mr. Origliosso responded that he was attempting to justify the amounts of the contingencies. Mr. Wiley added that the problems centered on the turbidity standards from the Department of Environmental Quality. He related that should turbidity increase work had to stop immediately, but EWEB still had to pay for the standby time.

Commissioner Lanning, seconded by Commissioner Simpson, moved to approve Budget Amendment No. 4 and also moved to authorize staff to award the contract to JAL Construction. The motion passed unanimously, 5:0.

ITEMS REMOVED FROM THE CONSENT CALENDAR

Commissioner Simpson wished to correct page 11 of the minutes of the Regular Board Meeting held on March 7, 2006, to reflect that he had voted in opposition to the seven percent salary increase for the General Manager and had not abstained as the minutes had incorrectly reflected.

Commissioner Farmer, seconded by Commissioner Simpson, moved to approve the minutes from the Regular Board Meeting of the Eugene Water & Electric Board held on March 7, 2006, as amended. The motion passed unanimously, 5:0.

President Bishop adjourned the meeting at 10:05 p.m.

Assistant Secretary

President