

EUGENE WATER & ELECTRIC BOARD  
REGULAR BOARD MEETING  
VIDA COMMUNITY CENTER  
90377 THOMSON LANE, VIDA, OREGON  
JULY 18, 2006  
7:30 P.M.

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

Others Present: Randy Berggren, Mel Damewood, Ken Beeson, Jim Wiley, Marty Douglass, Debra Smith, Suzanne Pierce, Gale Banry, Brenda Sirois, John Yanov, Patti Boyle, Dick Varner, Jim Origliosso, Dick Helgeson, Brad Taylor, John Mitchell, Jim Maloney, Roseanna McArthur, Megan Capper, Ron Wood, and Krista Hince of the EWEB staff; Ruth Atcherson, City of Eugene minutes recorder.

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

#### **AGENDA CHECK**

There were no changes to the agenda.

#### **PUBLIC INPUT**

**Marnie Johnson**, Goodpasture Road, said her neighborhood experienced pollution problems because of public use. She had been a little disturbed that there were not more concrete plans for the boat landing. She also thought it unrealistic to believe that EWEB would be able to solicit outside funding to help pay for it. She assumed that commercial and public usage of the lower end of the run would be higher because Lane County did not charge a fee and the Forest Service did charge a fee for usage. She anticipated that the 12 to 16 parking spaces would be taken up quickly and dominated by those users. She related that she had spoken with Mr. Douglass about the possibility of declaring a couple of 20-minute parking spots for people who needed to stop and use the facilities. She thought there would be some conflicts if there was not some kind of limitation. Additionally she hoped research would be conducted prior to undertaking such a project. She noted that this had been in the works since 1987 and pointed out that the longer it took to get to the project the more expensive it would be.

#### **APPROVAL OF CONSENT CALENDAR**

##### **Minutes**

1. May 2, 2006, Work Session and Regular Board Meeting Minutes.

##### **Business Service Agreements**

2. General Pacific, Inc – Transformer & Secondary Connectors – Electrical Engineering – Electric Division.
3. Grant County PUD – Power Scheduling Services – Power Resources Division.

4. OBEC Engineering – Engineering Services for the Oldfield Bridge Replacement – Electric Division.
5. Utility Vault – Pre-cast Concrete Utility Products and Components – Water Division.

**Bond Resolution**

6. Supplemental Bond Resolution No. 0619 – Authorizing the Issuance and Sale of Electric Utility System Revenue Bonds in the Aggregate Principal Amount of Not to Exceed Twenty-Six Million Three Hundred Fifty-Four Thousand Two Hundred Eighty Dollars (\$26,354,280) for the Purpose of Financing and/or Refinancing Electric utility System Improvements; And Providing for Related Matters.

Commissioner Farmer, seconded by Commissioner Lanning, moved to approve the Consent Calendar. The motion passed unanimously, 4:0.

**ITEMS FROM BOARD MEMBERS**

This item was conducted during the Work Session held prior to the Regular Session.

**CORRESPONDENCE**

This item was conducted during the Work Session held prior to the Regular Session.

**BOARD AGENDAS**

This item was conducted during the Work Session held prior to the Regular Session.

**SPRINGFIELD UTILITY BOARD/RAINBOW WATER DISTRICT AGREEMENT**

Water Engineering Manager Mel Damewood commended the staff that worked on the cooperative agreement between the Springfield Utility Board (SUB) and the Rainbow Water District. He said the agreement, copy of which had been included in Board packets, represented a lot of cooperation and camaraderie between the utilities. He underscored that it was mutually beneficial, as all three utilities would act as back up resources for each other and that legal counsel had reviewed it several times. He highlighted the main points of the agreement. He conveyed staff's recommendation for approval.

Commissioner Simpson asked where the physical locations of the inter-ties were. Mr. Damewood replied that in addition to the Moe-Hayden Reservoir, there was also an inter-tie in the north Game Farm Road and another one in the Glenwood area that had been from the old Glenwood Water District inter-tie.

Commissioner Simpson expressed his support for the agreement.

Commissioner Farmer asked what the biggest challenges were in negotiating the contract. Mr. Damewood responded that the largest hurdle had been the verbiage. He related that there had been some struggle regarding the requirement that in the event one utility went down the other two would join in mandatory curtailment. He said there was an understanding that if a utility could be brought down by this clause it had the right to terminate the agreement to save itself.

In response to a question from Commissioner Farmer, Water Resource and Systems Planner Brad Taylor said there were several things that could be taken from the negotiating process in regard to a regional strategy. He stated that if EWEB was going to engage in a metropolitan discussion, it would have to recognize that there would have to be partnership arrangement. He thought that through that collaboration there was some disagreement as to how things would be, but the utilities did share the same goals in mind.

Commissioner Lanning asked what the long-term projection was for SUB to meet its water needs. Mr. Damewood replied that SUB had a water right application on the McKenzie River as well as Willamette River water rights. He thought SUB was positioning itself to make a "go of it" on its own if necessary.

Mr. Damewood remarked that this document would lead to a conversation for the future.

Commissioner Lanning noted that EWEB's drinking water was ranked number one and asked what SUB's water was ranked. Mr. Damewood responded that he did not think it had been ranked.

Mr. Berggren commented that this agreement represented a significant shift from the traditional relationship between Rainbow Water District and SUB and EWEB and SUB. He pointed out that this agreement was a 180-degree shift from what it had been.

Commissioner Farmer suggested that the *Register Guard* should write an article about the cooperation between utilities in comparison to the regional cooperation regarding transportation issues.

Commissioner Simpson, seconded by Commissioner Farmer, moved to approve the inter-tie agreement between the Eugene Water & Electric Board and the Springfield Utility Board and Rainbow Water District.

Commissioner Lanning said it definitely took a lot of cooperation and acknowledged the tremendous amount of staff work that had gone into the agreement.

The motion passed unanimously, 4:0.

## **PROPOSED RESOURCE ACQUISITION**

Resource Planning Analyst Sirois provided a power point presentation on proposed resource acquisition. She reviewed the Integrated Energy Resource Portfolio (IERP) process, which had resulted in a rate action to support pursuing lost opportunity resources.

Energy Resource Project Manager Jim Maloney showed the two resource projects on a map: a geothermal generator in southern Idaho and a wind project, called Klondike 3, in eastern Oregon. He said the latter was receiving its State certificate after one and a half years of review. He stated that PPM Energy had three active wind projects under construction at the moment, all of which was committed.

Mr. Maloney explained that the real reason the rate action had been undertaken was to establish a buffer zone to reduce the power market price risk. He said there were also resource risks and technology risks to consider, but the wind resource did not present much risk. He stated that Klondike turbine technology had a good track record and had not experienced some of the problems other companies' turbine products had faced such as gearbox issues.

Power Risk Analyst Megan Capper said one goal in the contract was to reduce the risk of exposure in case of a default, a bankruptcy, or failure on the part of the seller to provide collateral. She stated that this contract started with a guarantee: a \$3 million parent guarantee and a collateral guarantee.

Ms. Sirois showed a graph that projected wind project costs as opposed to power market forecasts.

In response to a question from Commissioner Farmer, Mr. Maloney explained that staff tried to do a "10/90 forecast," in other words there was a 10 percent chance that the market could be below the lowest projection or above the highest forecast. He said on any given day or month the actual market was somewhere between the high and the low. He related that the current market forwards were on a downward trajectory and had been on an upward trajectory several months before that. He stated that the forwards represented the actual prices derived from active trading. Because EWEB was currently long on firm supply, he explained that a way to further hedge the utility's exposure was to sell the power in those forward markets.

Commissioner Simpson noted that a medium forward market was predicted nearly 20 years into the future. Mr. Maloney responded that the forecasts were probabilistic future forecasts.

Commissioner Lanning asked if the climate changes were thought to impact wind power over the next 20 years. Mr. Maloney replied that we were likely to see more changes in hydroelectricity than in wind power. He added that a more energetic atmosphere tended to have higher winds.

Ms. Sirois pointed out that the contract for wind power would be constructed so that EWEB would only pay for what it received.

In response to a question from Commissioner Simpson, Mr. Maloney said prices would be fixed by the contract. He elaborated, saying that EWEB was trading an uncertainty of the power markets for a known price with a pretty narrow band around estimated output.

Ms. Sirois reported that wind power was ranging from \$45 to approximately \$90 per mW hour.

Regarding the changes in cost, Mr. Maloney stated that the price of steel had gone up and would continue to do so. Ms. Sirois added that the cost of power in 2006 was \$56 per mW hour.

Ms. Sirois showed a slide of near term and long-term projections. Mr. Maloney pointed out that EWEB could be as much as 26 percent below what it anticipated for a medium forecast without a great negative impact.

Commissioner Simpson asked what would happen if the wind did not blow much in one year. Mr. Berggren remarked that it was more of a forecast of the prices for the power. He said the bottom line had to do with the project's cash flow and the break-even point.

In response to a question from Commissioner Farmer, Mr. Maloney clarified that they were considering the ratio of net present value of benefits to the net present value of cost over the next 20 years.

Ms. Sirois stated that staff was requesting a motion to approve the transaction as described. Mr. Maloney added that EWEB and PPM Energy were largely in agreement.

Commissioner Simpson, seconded by Commissioner Lanning, moved to allow the General Manager to sign a contract defining the power purchase agreement with PPM Energy for 25 MW of capacity from the Klondike Wind Project anticipated going on-line December 2007.

Commissioner Farmer expressed concern regarding the counter party risk. He asked if EWEB was entering into the contract with a separate limited liability corporation (LLC) with no financial wherewithal. Ms. Capper responded that Scottish Power was the parent company of PPM Energy and would be the guarantor. She stressed that staff had thoroughly reviewed the company's legal and financial risks and had found them to be a good credit risk. She noted they were rated a triple B+. Mr. Maloney added that the guarantee was a significant part of the contract language.

The motion passed unanimously, 4:0.

Mr. Maloney invited any interested Commissioners to visit the geothermal project in Idaho as part of an upcoming trip to look into it.

**ROOSEVELT BUILDING DESIGN CONTRACT AMENDMENT FOR PIVOT ARCHITECTURES AND ELECTRIC CAPITAL BUDGET AMENDMENT NO. 5**

Energy Resource Project Manager Ken Beeson provided a brief power point presentation on the *EWEB Roosevelt Building Project – Budget Amendment*. He wished to recognize that EWEB would be taking another step with this budget amendment toward completion of the design process and the construction of the project. He envisioned that as EWEB went through the six-month design period the result would be a good cost estimate. He hoped to begin construction in 2007. He stressed that the \$4,365,888 number was a “not-to-exceed” number.

Commissioner Farmer asked if the difference between the year end expenditures and the original budget estimate had fallen within the original scope of the budget that the Board had approved. Mr. Beeson explained that the total original budget had been \$1.56 million and had not included anything for design work. Assistant to the General Manager Debra Smith affirmed that this revised budget was within the budget target.

Mr. Beeson outlined the two motions staff recommended for approval: Amendment 5 to Contract 048-2004 and Budget Amendment 5 for design costs estimated in 2006.

Vice President Menegat asked if the Construction Manager/General Contractor (CM/GC) would be involved in the design process and where the money would come from that the CM/GC would spend on design. Mr. Beeson replied that it was included. He was not estimating that very much money would be spent on additional design work during construction. He anticipated that it would not cost more than \$10,000 to \$12,000 per month.

Commissioner Simpson, seconded by Commissioner Farmer, moved to approve Amendment 5 to Contract 048-2004 providing for design of the Eugene Water & Electric Board Roosevelt project. The motion passed unanimously, 4:0.

Commissioner Simpson, seconded by Commissioner Farmer, moved to approve Budget Amendment 5 for design costs estimated in 2006 for the Roosevelt Project. The motion passed unanimously, 4:0.

Commissioner Farmer recalled that when the Board had discussed the CM/GC process he had suggested there be Board representation in the design process. He recommended that President Bishop and Commissioner Lanning serve in that capacity. He added that he did not know if they would be more than casual observers, but he wanted to have a Board presence .

General Manager Randy Berggren suggested this be placed on a future agenda.

**BUDGET AMENDMENT NO. 6 FOR THE LEABURG CANAL/HAZARD MITIGATION PROJECT AND CONTRACT APPROVAL FOR TRIAD MECHANICAL, INC. FOR \$184,000**

Treasurer Jim Origliosso stated that this amendment was similar to the last action in that there were two things involved. He explained that the Federal Energy Regulation Commission (FERC) had reclassified the embankment by the Leaburg Power Canal as a high hazard structure as an earthquake would most likely cause a landslide. He said this project had been developed to mitigate the potential landslide. He explained that the action being sought was approval for the contract and approval for the budget amendment to change the financial scope of the project. He underscored that the project had substantially increased in scope.

Commissioner Simpson asked if this job would appear in another Capital Improvement Plan (CIP). Electric Division Director Jim Wiley replied that FERC had been assured that the work would be completed by December of this year. Mr. Origliosso added that this had been the proposal.

Mr. Wiley stated that bid openings for the work to install the automated controls that would close the canal head gates and open the waste way gate upon detecting a problem were scheduled for August.

In response to a question from Commissioner Simpson, Mr. Wiley explained that the water was running through the canal at 250 cubic feet per second (CFS) and the gate would open to drain the canal in the event of a landslide so that the canal would not overflow. Mr. Berggren added that there had been a long history of slides in that area; there was a lot of geological study and instrumentation that supported the data.

Commissioner Simpson asked what would happen during an actual landslide. Mr. Wiley replied that the computer would receive signals from the reading instruments in the embankment and would automatically shut the gate.

Mr. Origliosso explained that the sensors were implanted in the embankment. People were still required to visit the sites and check on the inclinometers.

Commissioner Farmer asked if anything had been learned from the disparity between the amount that had been originally budgeted for the project and what it was now projected to cost. Mr. Wiley responded that things would improve with the 30 percent design process in the Roosevelt project, but he did not think the budget projections for FERC-related work would be as accurate as they should be for the budget year 2007.

Commissioner Farmer expressed frustration that the project was 100 percent over cost. He felt the Board did not have any choice but to approve a budget amendment under these circumstances. Mr. Wiley shared his frustration.

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Commissioner Simpson, seconded by Commissioner Farmer, moved to approve Budget Amendment No. 6 to increase the budget for Project 18043, the Leaburg Hazard Mitigation project, by \$367,439. The motion passed unanimously, 4:0.

Commissioner Simpson, seconded by Commissioner Farmer, moved to authorize staff to award the Waste way Gate Rehabilitation Contract to Triad Mechanical, Incorporated in the amount of \$184,600. The motion passed unanimously, 4:0.

**ITEMS REMOVED FROM THE CONSENT CALENDAR**

There were no items removed from the Consent Calendar.

Vice President Menegat adjourned the meeting at 8:55 p.m.

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Assistant Secretary

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Vice President