

EUGENE WATER & ELECTRIC BOARD
WORK SESSION
VIDA COMMUNITY CENTER
90377 THOMSON LANE
VIDA, OREGON
JULY 18, 2006
5:30 P.M.

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

Others present: Randy Berggren, Jim Wiley, Debra Smith, Dick Helgeson, Patty Boyle, Marty Douglass, Jim Origliosso, John Yanov, Dick Varner, Gale Banry, Ken Beeson, John Mitchell, Ken Wedin, Roseanna McArthur, Ken Beeson, Brad Taylor, Mel Damewood, Suzanne Pierce, and Krista Hince of the EWEB staff; Ruth Atcherson, City of Eugene minutes recorder; Ken Engleman, representing the River Reflections newspaper, and members of the public.

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

ANNUAL VS. BIENNIAL RATE PLANNING FOR WATER & ELECTRIC RATES

Senior Rates/Financial Analyst John Yanov provided a power point presentation on *Annual v. Biennial Rate Planning*. He stressed that annual rate planning did not necessarily mean that rates would be increased annually. He said the advantage to annual rate adjustments was that it created more predictability for ratepayers and the rate actions would have smaller impacts. He related that customer feedback supported this. He noted that EWEB was now required to conduct a cost of service study for large customers.

Public Affairs Manager Marty Douglass recalled an editorial in the *Register Guard* that supported smaller more frequent rate actions.

Commissioner Simpson indicated that he favored the smaller rate actions. He agreed that it was more predictable. However, he thought upon implementation the public would quickly forget that it wanted smaller more frequent increases. He recommended an increase in public education regarding the rate actions.

Commissioner Lanning supported the staff recommendation for adoption of annual rate adjustments.

In response to a question from Commissioner Lanning, Mr. Yanov explained that the biennial rate adjustments had arisen from a different time. Mr. Berggren elaborated, stating that the Board made the decision to do this in 1993 or 1994 because it looked like a functional model at the time.

Commissioner Farmer asked if it was known whether EWEB's water was cheaper than Springfield Utility Board (SUB) water. General Manager Randy Berggren attributed the difference in water rates between the two to how SUB had conducted its capital funding and to the regulatory environment. He said SUB was looking at a similar situation as the one EWEB was in and he predicted its rates would increase.

Commissioner Farmer remarked that EWEB had obvious financial challenges it had ignored.

General Manager Randy Berggren related that there had been significant rate actions in the 1980s and the early 1990s but EWEB had fallen behind in capital infrastructure.

Mr. Yanov observed that currently EWEB had \$3 million dedicated to the capital budget. He thought this could be doubled.

In response to a question from Commissioner Simpson, Mr. Berggren affirmed that the Board did a pass-through of rate adjustments that came down from the Bonneville Power Administration (BPA).

Commissioner Simpson asked if this would be changed to one action per year. Mr. Yanov replied that it would not. He added that a general preference would be to pass through the BPA rate actions as they occur.

In response to a question from Commissioner Farmer, Mr. Varner said when speaking of three, four, or five percent in a rate increases there was a lag as the year started in January but a rate increase did not go into effect until the beginning of May.

Commissioner Farmer observed that there had been double-digit increases in the water costs every year for "a number of years." Mr. Varner agreed that it had been compounding.

Commissioner Farmer commented that the only down side to annual rate actions was that the door would be opened for rate increases. Mr. Berggren agreed that it would be easy to get into the habit of it.

Mr. Yanov underscored that everything would still come before the Board for approval.

In response to a question from Vice President Menegat, Mr. Varner related that the rate actions in 2001 had all been "pass-throughs," the imposition of a surcharge in 2002 was offset by a BPA reduction, the May and November, 2004, rate adjustments had BPA pass-through components to them, and the May, 2006, action included a small BPA increase. He noted that the May 2004 rate increase also included the five percent increase for capital.

Vice President Menegat supported adjusting rates annually. He thought more long-range planning would help scope out potential increases so that EWEB could be more on top of them. He said the Board then had to keep on top of the long-range plan.

WALTERVILLE/LEABURG RECREATION PLAN UPDATE

Given that the meeting was running ahead of schedule, the Board agreed to defer this item and address three items from the agenda for the Regular Board Meeting in order to allow citizens interested in the recreation plan to arrive.

ITEMS FROM BOARD MEMBERS

Commissioner Simpson reported that he had attended a McKenzie Watershed Council (MWC) meeting. The council had gone on a field trip to the confluence of Magowan Creek and the Mohawk River and had seen a site that had been restored. He related that the blackberry vines had been scraped away and many varieties of trees had been planted to keep it away. He was proud of the work that had been done.

Vice President Menegat related that the General Manager's Performance Review Subcommittee had met earlier in the day. He said the committee had not met recently because of the labor situation. The meeting had sought to get back on track and featured a discussion of compensation and policy issues related to the General Manager's performance.

CORRESPONDENCE

Mr. Berggren reported the following correspondence:

- He had sent the Board a letter regarding the status of the Hynix, Incorporated contract. He related that the *Register Guard* had reviewed it and had decided to write an article on it.
- Board packets included a preliminary assessment of the BPA record of decision that had been issued on July 17. It could mean a small rate reduction.
- The ground-breaking for the geo-thermal project was scheduled for July 29. A power purchase proposal would be submitted to the Board in October, most likely. He said the commissioners were welcome to attend the ceremony.

BOARD AGENDAS

Mr. Berggren highlighted the *Board Agenda Report* dated *July 18, 2006*.

Vice President Menegat called for a 15-minute break in order to allow time for people with an interest in the recreation plan to arrive. He reconvened the meeting at 6:26 p.m.

WALTERVILLE/LEABURG RECREATION PLAN UPDATE

External Communications Coordinator John Mitchell provided a power point presentation on the *Walterville/Leaburg Recreation Plan Update*. He explained that the first draft of the recreation plan had been compiled in 2003. He reported that a citizen involvement group had participated in the process. In March 2004, the recreation plan had been submitted to the Federal Energy Regulation Commission (FERC) as required and approval of the plan had been given in spring, 2005.

Mr. Mitchell related that the Walterville Pond was a recreation facility used by many people in the area. Staff had begun working to improve recreation there. He said there was a trail around the pond and it had been enhanced in a way that avoided sensitive wildlife areas. He stated that there were over 47 species of birds, 11 species of fish, 6 species of mammals, and 5 species of amphibians and reptiles that called the pond their home in addition to numerous examples of Oregon plant life. He pointed to a slide that showed nesting areas for the Western Pond Turtle that had been created. He noted that while no hunting was allowed, fishing was allowed. Staff intended to put signs up explaining this and also providing some education about the area by the end of October.

Mr. Mitchell stated that in addition to the pond access would also be provided to the Walterville Canal and parking areas were planned for each end of the canal trail.

Continuing, Mr. Mitchell said another article in the plan was the development of a powerhouse/river overlook. This work had been deferred until 2007 because of access issues.

In response to a question from Commissioner Simpson, Mr. Mitchell stated that the vision was to provide trailhead access to the rest of the Leaburg Canal. Commissioner Simpson noted that there was no parking. Mr. Mitchell responded that it was not possible to put in a stable road so it would have to be accessed by foot or on horseback.

Another item that EWEB had agreed to for the FERC license had been a bank-angling trail. Compliance Manager Suzanne Pierce noted, in response to Commissioner Simpson, that there was an existing turnoff that served as a parking area.

Mr. Mitchell stated that EWEB had committed to a number of recreational items in the FERC relicensing at the Leaburg Lake area and the Lloyd Knox Park, some of which would be deferred until the lake was raised in 2007. He said work had begun on a visitor's center that would feature composting toilets. He showed a first draft of what it was planned to look like.

In response to a question from Commissioner Simpson, Mr. Mitchell affirmed that the center would be visible from the highway.

Commissioner Lanning asked if the community group was still meeting. Mr. Mitchell replied that they had not met to discuss this yet but planned to.

Commissioner Farmer wondered if creating recreational paths along the canal would make EWEB liable for injuries. Mr. Origliosso replied that EWEB was responsible for an injury incurred on its property. He stated that EWEB was self-insured for the first \$1 million in liability and tort liability limitations limited a suit to \$250,000 per occurrence. Electric Division Director Jim Wiley added that in looking at the boat dock and boat ramp staff had found that generally utilities had not been found to be liable for recreation areas.

Commissioner Farmer asked if the project was staying within budget. Mr. Mitchell replied that it was, adding that the visitor center would comprise approximately one-third of the budget. He projected costs to be between \$150,000 and \$250,000.

MCKENZIE RIVER HYDROELECTRIC PROJECTS

Mr. Wiley provided an update on the projects, as outlined in the memorandum entitled *McKenzie Issues Update* dated July 11, 2006. He noted that the 90-day comment period for the Relicense Application would end on August 9. He reported that the biggest issue was still fish mortality and the Trailbridge Dam. EWEB staff continued to work with the agencies to resolve this but no significant progress had been made to date. He said the pilot study on fish mortality over the spillway and through the turbines was slated to begin in the coming week. He stated that the final study would be developed based on the results of the preliminary study.

Commissioner Simpson noted that the Web site said comments would be taken until November 30, 2006. Mr. Douglass verified that comments would be considered after the August deadline.

Commissioner Simpson asked if there had been any public relations push to get people to come out and comment on the application. Mr. Mitchell said staff had been reaching out to publications in the area all along and would continue to do so.

Commissioner Lanning commented that Mr. Wiley had done a good job of allowing Hydroelectric Relicensing Manager Gale Banry's backgrounder to speak for itself.

Commissioner Farmer asked if there was any change in staff recommendations. Mr. Wiley replied that staff still needed to complete the fish mortality study. They needed to know how much flow they could allow. He underscored that no changes would be made without Board input or action.

Mr. Berggren stressed that the purpose of the studies was to look for alternatives to the criteria screen. He said if the studies pointed to a practical solution then that solution could become part of EWEB's plan.

Mr. Banry stated that the agency had wanted EWEB to install a criteria screen. He said EWEB had to have a recommendation for the downstream passage of fish in the final application to FERC, but even if that was not the same as the agencies' recommendation EWEB could change the license application later on after learning more.

Mr. Wiley reported that the chevron work was under budget and ahead of schedule. He said staff would have a better sense of how the chevrons would perform after 2,500 to 3,000 cubic feet per second (CFS) had been added to the flow. Currently 200 to 300 CFS were flowing through them.

Mr. Wiley predicted that the Oldfield Bridge would be back in service mid- to late August.

Regarding the Leaburg Lake Raise and the new boat landing, Mr. Douglass reported that EWEB had submitted an amendment to FERC that sought to change the lake raise from eighteen inches to six inches.

In response to a question from Commissioner Simpson, Mr. Douglass stated that FERC had approved an 18-inch raise.

Mr. Douglass stated that in addition to FERC approval, EWEB staff was also waiting on three fish studies, two of which were scheduled to be conducted in spring, 2007, over a four-month period. He said the target date for the completion of the lake raise remained December 2007. He related that staff planned to evaluate each property that abutted the lake with the lake as it is now and as it will be after the raise. He said this would happen during the August/September, 2007, timeframe and the lake was planned to be raised temporarily during that time.

Commissioner Simpson ascertained from Mr. Douglass that the lake would be raised for an inundation survey. Mr. Wiley clarified that staff would actually survey each property during the lake raises. He added, in response to a follow-up question from Commissioner Simpson, that there would be one more lake raise after that point in order to help the fish study.

Mr. Douglass reported that a second opinion would be sought regarding the previous septic systems evaluation. He said they would reanalyze the data, specifically for the approximately six properties that the lake raise had been determined would be impacted.

Additionally, Mr. Douglass stated that staff would conduct a tree evaluation. He noted that a "snag management" plan had already been developed and that an arborist had been hired to survey all of the trees around the lake. He said two years after the lake raise staff intended to return and survey forest health in order to analyze the impact over time. He noted that if it was determined that a tree must come down EWEB staff would talk to property owners about it.

In response to a question from Commissioner Farmer, Mr. Douglass said staff had determined from the previous study that there were some septic systems that were already failing.

Water Engineering Manager Mel Damewood noted that there were at least three systems across the highway from the lake. He said the water table would determine whether the septic systems would fail and raising the lake would affect the water table.

Moving on to the new Leaburg Lake boat landing, Mr. Douglass reported that EWEB had received tentative approval of the site plan for its first choice, which was by Indian Creek. The Oregon Department of Transportation (ODOT) had given its approval for a single access-way into the site. He said outside funding would need to be secured for it in order to undertake the construction. He stated that EWEB was to submit its plan to FERC for the landing by November 1.

Commissioner Farmer asked whose first choice the site had been. Mr. Douglass replied that a group composed of the McKenzie River Guides, representatives of EWEB, the McKenzie Watershed Council, and a citizens group formed a couple of years earlier. He noted that they had looked at alternative sites and outlined some of the challenges posed by them. He added that doing nothing was another alternative.

Commissioner Farmer wondered how a parking lot and placing riprap in the river could be so expensive. Commissioner Simpson asked how firm the number was. Mr. Wiley replied that the preliminary estimate was rough. He explained that one of the reasons it was so expensive was that it was in very hard rock and was very steep.

Ms. Pierce added that the other factor contributing to the expense was the bridge structure. She clarified that there was a 15 to 20 foot difference in grade.

Commissioner Lanning asked if \$150,000 would be enough money to make the improvements to Walterville and Clark's Landing. Mr. Douglass responded that staff was uncertain of that at this point.

Regarding canal maintenance, Mr. Douglass observed that the required tree-felling was controversial. He had spoken with unhappy property owners and it seemed that speaking with them did not improve their outlook on this issue. He reiterated that this had come up because of a FERC directive. He said staff was attempting to do a better job of communicating with area residents.

Mr. Wiley discussed the work being done where the Walterville Canal crossed Highway 126. He said they had been in consultation with ODOT and had agreed to relocate the guardrail closer to the highway. He noted that there had been some concerns expressed by citizens about trash and noise in that area.

Mr. Wiley also reported that EWEB had received a call in the previous week because of some flooding. Upon closer investigation it became apparent that someone had inadvertently left a valve open on an irrigation system. He added that when there was water usage from the canal the first step in the process was to make sure the property owner had water rights to it. He said that it appeared that the property owner had not procured the water rights.

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Commissioner Simpson asked if EWEB was not using goats for vegetation maintenance did it own a specialty mower and did staff operate it. Ms. McArthur affirmed both.

Vice President Menegat adjourned the meeting at 7:29 p.m.

Assistant Secretary

President