

EUGENE WATER & ELECTRIC BOARD
REGULAR BOARD MEETING
EWEB BOARD ROOM
SEPTEMBER 5, 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, Dick Varner, Lance Robertson, Jim Wiley, Jean Meyers, John Yanov, Patti Boyle, Mel Damewood, Tom Buckhouse, 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) at 7:35 p.m.

AGENDA CHECK

General Manager Randy Berggren pulled Consent Calendar Item 6, the contract with the Ulum Group.

PUBLIC INPUT

Nancy Ellen Locke thanked the EWEB Board and staff for working with the Friendly Area Neighbors (FAN) and the associated task force for security at the College Hill Reservoir. She hoped that FAN, the task force, and EWEB could continue to work together to keep the reservoir secure and open to the public. She considered the reservoir to be an asset to the City.

Rick Grosscup, 2540 Lincoln Street, stated that he was co-chair of the Friendly Area Neighbors (FAN) task force to work with EWEB on the security issues at the College Hill Reservoir. He thanked the Board for keeping the task force in the loop regarding meetings and events on this issue. He averred that communication and cooperation were critical to trust and progress. He noted that a 60-minute presentation on the issue was scheduled on December 5 and requested that the task force be allowed to meet with staff prior to that meeting in order to have the opportunity to present an alternative solution if necessary.

President Bishop noted that the Board was not able to discuss items with the public prior to a Board meeting.

Mr. Berggren indicated he would communicate with the FAN prior to the meeting. He preferred to give them the opportunity to be responsive.

APPROVAL OF CONSENT CALENDAR

Minutes

1. Minutes from the July 18, 2006, Regular Board Meeting.

Business Service Agreements

2. Black & Veatch – Fiber Optic Distribution – Systems Engineering, Electric Division - \$127,284
3. Normandeau Associates – Full Study – Fish Survival – Electric Division - \$423,634.56
4. Safety-Kleen Systems, Inc. – PCB & Waste Disposal – Metering – Electric Division \$25,000
5. SelecTemp – Temporary Services – Environmental Services – Corporate Services - \$10,000
6. The Ulum Group – Communication Consulting Services – Public Affairs – General Manager’s Division - \$605,423
7. Wilson Construction Co. – Laurel/Alvey Replacement Steel Transmission Structures – Electric Division - \$120,100

Memorandum Of Understanding

8. TEREX Utilities – Equipment Purchases – Fleet Supply – Corporate Services Division - \$224,687

Intergovernmental Agreement

9. Lane Council of Governments – Regional Technology Services Coordinator – Information Services – Corporate Services Division - \$55,900

Resolution

10. Resolution No. 0622 – Appointment of Board Liaisons to Roosevelt Building Project Building Advisory Team.

Commissioner Simpson, seconded by Commissioner Lanning, moved to approve the Consent Calendar with the exception of Item 6 (The Ulum Group).

President Bishop requested that the minutes be considered separately as she had not attended the July 18 meeting.

Commissioner Simpson, seconded by Commissioner Farmer, revised his motion to reflect President Bishop’s request.

President Bishop declared that the motion did not need to be revised as it had already been split. She asked the Board to consider the minutes first.

The motion to approve the minutes from the Regular Board Meeting held on July 18, 2006, passed, 4:0:1; President Bishop abstaining.

President Bishop asked the Board to consider the main motion.

The motion to approve the Consent Calendar with the exception of Item 6 passed unanimously, 5:0.

ITEMS FROM BOARD MEMBERS

Vice President Menegat reported that he had attended the grand opening of the new bio-diesel facility. He said it would sell two grades of bio-diesel fuel and two grades of ethanol. He noted that the 15 percent ethanol fuel could be used with no modifications to a vehicle. He called it an “exciting addition to our environmental community.”

Vice President Menegat related that he had attended the first meeting of the Building Advisory Team (BAT). He felt there were exciting things happening in the process of going forward in the design. He said the design team was planning bio-swales for the “back yard” of the building and had moved the wellness center into the main building. He said they also had moved some of the elements of the building project around on the site to improve efficiency. He also noted that a decision had been made to move the fueling activities off site. He reported that the architectural team had a three-day session early on in which they had brought back all of the experts that had been involved.

Commissioner Simpson had passed out a reminder that the Bonneville Power Administration (BPA) regional dialogue had ended on August 21, in Idaho Falls, Idaho. He reported that more than 100 people had been present. He said written comments were due by September 29.

Commissioner Simpson also shared that he had been nominated by the project director of the McKenzie Watershed Council (MWC) to serve on the executive committee and he accepted the nomination.

Additionally, Commissioner Simpson stated that a customer who owned a photovoltaic panel system and who was interested in donating the energy that system produces to the Energy Share program for low-income people had contacted him.

Commissioner Farmer announced that he would be attending a legal seminar in Portland that intended to focus on water rights on November 2 and 3.

Commissioner Farmer noted that he would not be able to attend the October 3 meeting.

Commissioner Farmer reported that the committee on the General Manager replacement process had met and had scheduled more meetings for the fall.

President Bishop stated that she would also attend the law conference at which the seminar on water rights would be presented.

President Bishop noted that she had also attended the Roosevelt building project meeting. She expressed her gratitude that Commissioner-elect John Brown was interested in stepping in for her as part of the BAT.

President Bishop said she intended to bring a speaker in to speak to the Board and staff on global warming.

President Bishop provided copies of a mailer from a committee that called itself *Restore Oregon's Term Limits Committee* and included erroneous information about EWEB lobbying efforts. She said she would work with Mr. Douglass and Mr. Robertson to write a letter refuting the claims and to alert the Mayor and City Council.

CORRESPONDENCE

Mr. Berggren reported the following correspondence:

- A letter from EWEB customer, Robyn Ingram, that included suggestions for actions she wished EWEB to sponsor;
- Copies of a letter from City Manager Dennis Taylor asking that the General Manager request of the Board further consideration of including collection of a Transportation System Maintenance Fee (TSMF) with utility bills.

Mr. Berggren said he planned on putting some background information together in response to the letter and he hoped to have this prepared prior to the next meeting. He asked that in the interim, should the Board want specific elements of information or should there be issues to raise, Board members communicate those with him so that he could respond to them in a timely fashion.

Commissioner Farmer requested a copy of the minutes from the meeting at which the first proposal for a TSMF in EWEB bills had been considered. He felt the reasons the Board had voted against including a TSMF in EWEB bills did not address Mr. Taylor's issues as laid out in the letter.

Mr. Berggren continued to report on correspondence:

- a letter had been written in response to public testimony given by Mr. Huei at the previous meeting.
- Board packets included copies of a letter Mr. Berggren had sent to City Manager Taylor thanking the City of Eugene for making the determination that the City would provide \$3,000 per month to the Energy Share program.
- Assistant Secretary Krista Hince would be contacting the Board in order to schedule an extra meeting for October.

President Bishop also thought it would be helpful to have the minutes from the meeting at which the Board had voted unanimously to refuse to collect “a tax for the City.”

Commissioner Simpson noted that Ms. Ingram had, in her letter, recommended that customers elect to be served by 100 percent wind power. He said while he was a strong proponent for wind power and was 100 percent subscribed to wind power, he understood that EWEB was nearly fully subscribed to the wind power for the present. He requested a brief backgrounder explaining where EWEB was at this point.

BOARD AGENDAS

Mr. Berggren reviewed the *Board Agenda Report* dated *September 5, 2006*. He wanted to add a chance for the Board to give feedback on the City’s reiteration of its proposal that EWEB include a TSMF on its bill. He suggested that some of the time scheduled for Board Governance be allocated to this topic.

Commissioners indicated they were amenable to this addition to the agenda.

President Bishop reiterated her request to place a discussion on fleet replacement on a future agenda. She commented that she had been “alarmed” that the building at the Roosevelt Boulevard site would not have a fueling site. She felt that EWEB would be reliant on outside sources and this would place the utility’s fuel supply in jeopardy.

Mr. Berggren suggested that President Bishop allow staff to provide her a backgrounder on the item prior to scheduling a discussion of it on the agenda. He said she might find that this issue was not about cost, but rather it was about the risk and environmental issues involving the proximity of underground fuel tanks to wetlands.

President Bishop indicated that she would like to see a risk assessment of running a utility without the autonomy of controlling its fuel source. Mr. Berggren responded that should fuel become unavailable, having fuel tanks on site would provide fuel for approximately one week.

PROPOSED FALL ELECTRIC RATE

Senior Rate/Financial Analyst John Yanov provided a power point presentation entitled *November 2006 Electric Rate Proposal*. He noted that the second public hearing would be scheduled for October 3 and at that time the Board would be asked to approve the proposal. He summarized the rate proposal, stating that each class of customer would receive the same rate of reduction.

Commissioner Simpson asked Mr. Yanov to explain that this was the third rate reduction the Board had taken action on. Mr. Yanov stated that a 1.6 percent reduction had been taken in May 2005, a 2.5 percent reduction had been taken in November 2005,

and in May 2006, and a 5.8 percent increase had been enacted. He said the current reduction stood at 1.78 percent, noting that cumulatively it was akin to having no effect on electric rates at all.

Commissioner Simpson wished to state for the record that it was the Board's policy to pass through BPA rate actions.

Commissioner Farmer asked what else the electric consumer should expect. Mr. Yanov replied that a rate increase of potentially up to 3 percent could happen in May 2007. Mr. Varner added that the long-range financial planning work did not assume a rate action in the spring. He said what the budget would actually yield would remain to be seen. He agreed that if there were an increase it would be modest, as Mr. Yanov had previously stated.

Mr. Varner clarified that the BPA had put in for their base rates for the next three years. He said the BPA would not adjust the rates every six months, but rather would adjust the rates as needed when the Cost Recovery Adjustment Clause (CRAC) was triggered. This meant that rate adjustments could happen twice in a year or only once in three years, as an example.

Commissioner Farmer wanted to take a more holistic perspective. He felt it confused the public because they could not see the big picture.

FIRST PUBLIC HEARING ON THE PROPOSED FALL ELECTRIC RATE

President Bishop opened the public hearing and reviewed the process for testimony.

Bob Cassidy, 1401 East 27th Avenue, spoke regarding sustainability. He wanted the Board to think in terms of a far-reaching policy that would mean more than a whiplash reaction to BPA rate changes. He noted that the City of Eugene had been involved in discussions of sustainable business initiatives involving approximately 75 people. He said EWEB should think about what it would do in the distant future. He commented that his rate reduction would be about 75 cents a month and suggested that the money be used to promote sustainable energy practices such as the use of incandescent bulbs. He felt that rate increases were inevitable and there was not much sense in taking this reduction.

David Hinckley, 1350 Lincoln Street #1, said he would rather not see the decrease in rates. He suggested that EWEB take the surplus and put it aside in an investment fund that would gain interest and then use it for the Roosevelt building project. He averred that every dollar of bond expenditure cost more than a dollar while a dollar spent from an interest-bearing account cost a dollar but provided interest in the meantime. He agreed that the reduction was miniscule, adding that it would not make a difference to his budget.

Charles Biggs, 540 Antelope Way, thanked the Board for the passing the BPA rate reduction through as it was supposed to do. He recommended the Board and staff carefully review the rate reduction and make sure that anything in the past or proposed budget reflected, “those rate reductions.”

President Bishop closed the public hearing.

ELECTRIC FIVE-YEAR CAPITAL IMPROVEMENT PLAN

Electric Division Director Jim Wiley reiterated staff’s recommendation that the Electric Capital Improvement Plan (CIP) for 2007 through 2011 be approved.

Commissioner Simpson, seconded by Vice President Menegat, moved to approve the Electric Five-Year Capital Improvement Plan for 2007 through 2011 dated September 5, 2006.

President Bishop expressed appreciation for all the work staff had put into the plan.

The motion passed unanimously, 5:0.

WATER FIVE-YEAR CAPITAL IMPROVEMENT PLAN

Water Engineering Manager Mel Damewood conveyed staff’s recommendation that the Water CIP for 2007 through 2011 be approved.

Commissioner Simpson, seconded by Vice President Menegat, moved to approve the Water Five-Year Capital Improvement Plan for 2007 through 2011 dated August 25, 2006.

Commissioner Farmer remarked that there was still a lot of work to do with the water utility to improve its financial footing.

Commissioner Simpson appreciated the presentation of the ten-year view. He said it helped ground him in the work slated for the first five years.

The motion passed unanimously, 5:0.

GENERAL MANAGER’S FUTURE REPLACEMENT PROCESS – SUBCOMMITTEE APPROVAL

Human Resource Manager Jean Meyers underscored that General Manager Berggren had not provided intent to resign at this time, but he had indicated his intent to retire in the next five years. She gave credit to Assistant to the General Manager Debra Smith for crafting the Resolution language and sending it out. She stated that the

Resolution would designate two Commissioners to work with staff in order to come up with a recommendation for how the process to hire a new general manager should transpire.

Commissioner Farmer asked if the committee was required to keep meeting minutes. President Bishop did not believe it qualified as a public meeting as a Board quorum would not be present. Mr. Berggren said he would look into it.

Commissioner Simpson, seconded by Vice President Menegat, moved to approve Resolution No. 0623, creation of a temporary committee for recruitment of a new general manager dated September 5, 2006.

President Bishop ascertained from Commissioners Farmer and Lanning that they were willing to participate on the committee.

The motion passed unanimously, 5:0.

Ms. Meyer noted that Ms. Hince had put a schedule together for October. She reiterated that they would be contacting other boards that were hiring new general managers, specifically Snohomish, Chelan, and Tacoma. She said both Chelan and Tacoma had indicated a willingness to contact Commissioners Farmer and Lanning. She was awaiting word from the Snohomish public utility.

President Bishop suggested that in addition to other utilities, the committee should look at private sector jobs. Commissioner Simpson noted that the chief executive officer of the Selco Credit Union was stepping down.

BUDGET AMENDMENT N. 7 – HILYARD STREET MAIN RELOCATION

Water & Steam Division Director Tom Buckhouse explained that this budget amendment was the second one brought about by the Hilyard Street main relocation, the first having been adopted in April. He reported that the length of the project had more than doubled. He stated that the roadway subsurface was in worse shape than had been anticipated and EWEB had to cut and remove asphalt and concrete for the section that it was digging the trench in for the length of the project. Because of the condition of the subsurface, EWEB workers had to bury the pipe with 48 inches of cover instead of 36 inches of cover as had been originally planned. He related that in digging the trench EWEB workers had hit portions of hard rock that had taken significantly more work to clean out to make the trench usable. He said this added up to 85 percent of the budget amendment increase and the remainder had resulted from contracting out work due work interruption resulting from the strike.

In response to a question from Commissioner Simpson, Mr. Varner stated that the capital reserve would remain in the \$2 million range at the end of the year in spite of this amendment, in part because some projects had not been done.

Mr. Damewood elaborated, citing the Laurel Hill Reservoir project as an example of a project for which funds were allocated for this year but which had not been undertaken.

Commissioner Simpson asked if anything had been learned from this experience. Mr. Damewood responded that road replacement projects were difficult to predict. He hoped there would be increased coordination with the City of Eugene on future projects.

Vice President Menegat, seconded by Commissioner Simpson, moved to adopt Budget Amendment No. 7 for cost overruns on project 14339, the Hilyard Street Main Relocation. The motion passed unanimously, 5:0.

BUDGET AMENDMENT NO. 8 – CONSERVATION BUDGET AMENDMENT

Mr. Varner explained that this was the change in accounting that Assistant Treasurer Cathy Bloom had previously outlined for the Board and did not represent an overall reduction in funds. He explained that conservation projects had formerly been capitalized and amortized over a lifetime. He said they were fully collected from rates; the money was collected and spent in the current year. Because of this it did not seem appropriate to account for the funds in that manner. He stated that this transferred the authority to make those expenditures from the capital budget to the operations and maintenance budget.

Commissioner Simpson, seconded by Vice President Menegat, moved approval of Budget Amendment No. 8, a housekeeping item dated August 29, 2006. The motion passed unanimously, 5:0.

ITEMS REMOVED FROM THE CONSENT CALENDAR

The Board had removed no items from the Consent Calendar.

President Bishop adjourned the meeting at 8:55 p.m.

Assistant Secretary

President
