

EUGENE WATER & ELECTRIC BOARD
REGULAR BOARD MEETING
EWEB BOARD ROOM
SEPTEMBER 19, 2006
7:30 P.M.

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

Others Present: Randy Berggren, Debra Smith, Dick Helgeson, Dick Varner, Lance Robertson, Jim Wiley, Tom Buckhouse, Ken Beeson, Marty Douglass, Brenda Sirois, Megan Capper, Mike Hill, Steve Mangan, Bert Dunn, 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

President Bishop recommended moving agenda Item 9, Hynix Sales Contract, to Item 7 immediately after the Board Agendas report. The Board was amenable to this. She noted that Agenda Item 7, Renewables Portfolio Standard Initiative, had been presented in the preceding Work Session.

PUBLIC INPUT

Bob Cassidy, 1401 East 27th Avenue, read a statement into the record, copies of which were distributed to the Board and staff, indicating his support for the inclusion of a Transportation Systems Maintenance Fee (TSMF) for the City on the EWEB bill.

Bobby Lee, 1830 Willow Creek Circle, representing Hynix Semiconductor, Incorporated, was pleased that the contract negotiations had come to an end for the Hynix power sales contract. He introduced the negotiating team for Hynix, seated in the audience. He acknowledged the “excellent work” of the EWEB negotiating team. He also acknowledged that his team was not extremely knowledgeable about power. He said they just saw the bottom line; that costs were going up. He said when compared to other entities it seemed Hynix was paying twice what others were. At what point would Hynix be able to access low-cost power? He stressed that Hynix was the largest taxpayer in Lane County. He asked how long Hynix would be expected to be the only one of the larger entities to pay the higher rate for power. He underscored that EWEB had a monopoly on power and Hynix had no one else to purchase it from. He felt they had to trust that EWEB was giving Hynix the best deal possible, adding that Hynix was trying to adjust to changes in the economy to the best of its ability. He said Hynix would continue to invest in the City of Eugene and he expressed hope that EWEB and Hynix could work together to lower costs. In closing, he thanked Mr. Berggren for his support.

Ron Light, 345 Maple Street, related that someone in his neighborhood was seeking to build a fence across a power easement and this would block his access to his backyard. He wondered if EWEB could do anything about it.

General Manager Randy Berggren stated that he could provide background information in relation to the last speaker's concern.

President Bishop ascertained from Mr. Berggren that staff was aware of the situation.

Commissioner Simpson thanked Mr. Cassidy for suggesting the formation of a committee formed by Commissioners and City Councilors. He supported the idea. He also thanked the Hynix representatives for coming to the meeting.

APPROVAL OF CONSENT CALENDAR

Minutes

1. Minutes from the July 5, 2006, Regular Board Meeting, the July 18, 2006, Work Session, the August 4, 2006, Special Board Meeting, and the August 15, 2006, Work Session.

Business Service Agreements

2. Aramark Uniform Services – Uniform Rental & Laundry Services – Facilities – Corporate Services - \$85,000
3. Indus International – Business Services and Software License – Information Services - Corporate Services - \$130,000
4. Industrial Safety Services, Inc. – Hearing Tests, Respiratory Fit Tests, and Training – Safety – Corporate Services - \$45,000
5. Lease Crutcher Lewis LLC – Construction Manager/General Contractor Roosevelt Building Site – General Manager's Division - \$176,776
6. OBEC Consulting Engineers – Willamette Substation Switchgear Control Building – Systems Engineering – Electric Division \$117,389
7. The Ulum Group – Communication Consulting Services – Public Affairs – General Manager's Division - \$412,000
8. USDA Forest Service – Implications of Water Management in the McKenzie River Basin – Environmental Management – Corporate Services Division \$30,000
9. U.S. Department of the Interior – USGS – Source Protection Monitoring – Environmental Management – Corporate Services Division \$75,200

Commissioner Simpson, seconded by Vice President Bishop, moved to approve the Consent Calendar.

President Bishop pulled Item 5 (Lease Crutcher Lewis LLC). She also requested that the minutes with the exception of July 5, 2006, be pulled from the motion, as she had not been present for the other three meetings.

Commissioner Simpson suggested that they approve the Business Service Agreements separately.

Commissioner Simpson, seconded by Vice President Menegat, moved to approve the Business Service Agreements with the exception of Item 5 (Lease Crutcher Lewis LLC). The motion passed unanimously, 3:0. (Commissioner Lanning had yet to arrive.)

Commissioner Simpson, seconded by Vice President Menegat, moved to approve the minutes from the meeting held on July 5, 2006. The motion passed unanimously, 3:0.

It was noted that without Commissioner Lanning and with President Bishop's intention to abstain, there was no quorum to approve the other sets of minutes. The vote was deferred to the end of the meeting.

President Bishop requested the opportunity to speak to the reasons she had for pulling Item 5. Commissioner Simpson expressed his preference for deferring it to Agenda Item 9, Items Pulled from the Consent Calendar.

ITEMS FROM BOARD MEMBERS

Vice President Menegat reported that the General Manager's Performance/Salary Review Committee had met and was moving forward on various agreements and procedures. He predicted the committee would have something to bring before the Board soon.

Commissioner Simpson added that the committee was working on a resolution to formally consolidate the committee.

President Bishop related that a public forum had been held to gain input on the potential for a new City Hall and 70 of 72 people did not consider the EWEB site a good location for it.

President Bishop requested a cost assessment of the International Brotherhood of Electrical Workers (IBEW) strike. She also wished to know what contracts had been put into place and what the duration of those contracts was. She was concerned that EWEB crews get back as much of their work as possible. Mr. Berggren responded that he would provide an update.

President Bishop noted that the Northwest Energy News had featured Mr. Berggren. She expressed her appreciation for the General Manager, and the Executive Management Team (EMT).

Commissioner Lanning arrived at 7:55 p.m.

CORRESPONDENCE

Mr. Berggren reported the following correspondence:

- The quarterly litigation report had been included in Board packets
- Relicensing Project Manager Gale Banry provided a backgrounder on the Carmen-Smith relicensing process regarding some of the shifts that had been made to the final application proposal.
- Board packets included a letter from Public Affairs Manager Marty Douglass to Paul Farago of the Restore Oregon's Term Limits Committee in an effort to counteract falsehoods Mr. Farago was perpetrating in a campaign letter.
- Staff intended to send out Mr. Robertson's communication plan for the Roosevelt Building Project, part of which includes an outreach to the City Council and a tour for them. He said at this point a November 15 lunch tour was planned for the councilors.

BOARD AGENDAS

Mr. Berggren reviewed the ***Board Agenda Report*** dated *September 19, 2006*. He had added a backgrounder to the list in response to President Bishop's request for information regarding strike contracts.

Commissioner Simpson said he would be gone on January 2, 2007.

President Bishop commented that she was unclear on the policies governing commissioner and public notification, in regard to the break-in that had occurred at the College Hill Reservoir. She thought the Board might want to review that policy. She was unhappy that staff had not been quick to inform the Board about the break-in. Mr. Berggren suggested the item be placed under future Board Agendas.

HYNIX POWER SALES CONTRACT

Power Resources Director Dick Helgeson related staff's request for approval of the power sales agreement. He and Fiscal Services Supervisor Dick Varner provided an overview to the ***Hynix Power Sales Contract*** with power points. He expressed appreciation to the Hynix negotiating team members for working with them, noting they had begun negotiations in late April and that the contract would expire on December 31.

Mr. Varner explained how the rates had been determined. He said EWEB had its Bonneville Power Administration (BPA) contract, which had approximately 285 average megawatts (MW) of power and varied by month. The Slice production varied more widely given that it was dependent on water conditions. He stated that EWEB also had declared resources, those resources called out by the BPA contract as being committed to EWEB's non-new large single-load customers. He said these resources were legally required to be committed to those loads, though there were exceptions such as Smith Creek, which had to be committed to EWEB's load in order to get the billing credit for it. He related that undeclared resources were not committed to the load in the past and were not committed to load in the present. He stated that in total EWEB had 370 average MW in resources and, absent Hynix, EWEB had approximately 300 to 310 MW of load. Hynix used circa 25 MW of the load. He

stated that the resource portfolio was sufficient to cover EWEB's preference load e.g. non-new large single-load customers. He averred that the question was how to dispose of the power above the need; how much should be allocated to Hynix and from which tiers should it come from? How much should EWEB sell in the market to return benefits to the customers who had taken the risk in buying those resources? He stated that staff had tried, in this contract, to balance the interests of the other customers and of Hynix so that the benefits that everyone bring to the community given that EWEB did not have the right to BPA power to serve the Hynix load.

Mr. Varner explained that EWEB staff had constructed three levels of power service to Hynix:

- Level 1: EWEB would commit the declared resources not needed to serve its preference load to Hynix, up to 10 MW.
- Level 2: EWEB would commit undeclared resources, the amounts of which varied, up to the amount of those resources were available; on average this is 25 MW of power which was in excess of Hynix' current power requirements.
- Level 3: If Hynix' load was above what EWEB could provide at the first two levels, such as in a situation wherein EWEB had lost a portion of its resource base, EWEB would sell power at the market rate. The risk of this was extremely low.

Mr. Helgeson reviewed the *Revised Proposal*.

Mr. Varner reviewed the *Key Points On Power Supply*. He clarified that EWEB would have to give significant notice of any rate adjustment. Mr. Varner stressed that EWEB would not commit to a price for more than a year at a time. He explained that the delivery charge would be set by a Cost of Service Analysis (COSA) each year.

Commissioner Simpson asked if the Level 3 power service would be most likely to be triggered by a loss of resource or a catastrophe. Mr. Helgeson responded that EWEB had on a plant basis between 55 and 65 MW of uncommitted capacity or surplus anticipated during the term of the contract. Staff did not anticipate that Level 3 pricing would be triggered absent a major failure or a substantial reduction in the BPA entitlement.

In response to a follow-up question from Commissioner Simpson, Mr. Varner stated that Level 3 pricing could not be triggered by weather or a lack of water alone. He added that the amounts were based on "critical water."

Commissioner Simpson requested that the Board receive notice of a mid-year change. Mr. Varner clarified that the Board would have to approve such a change.

President Bishop noted that on page 17 of the draft agreement it spoke of the Conservation Charge and the Conservation Credit and its annual recalculation. She asked what time of year this would occur. Mr. Helgeson replied that the rates were calculated once a year in advance of the beginning of the calendar year, with the exception of the first contract that began when signed in October.

President Bishop thanked everyone who had worked on the negotiation and the draft agreement. She expressed appreciation for the kind of conservation that Hynix had engaged in, in the past.

Commissioner Simpson, seconded by Commissioner Lanning, moved to approve Resolution No. 0625, authorizing execution of a power sales agreement and establishing rates for electric service to Hynix Semiconductor Manufacturing America with the understanding that there would be direction to staff to remove the adjustment of Level 2 resources and adjust it to remove the Tieton project.

Commissioner Lanning said it was important to state the Board's goal and responsibility to balance its service to Hynix Semiconductor with its service provided to the local community. He commended both the staff and Hynix for doing so and indicated the resolution had his full support.

The motion passed unanimously, 4:0.

Mr. Berggren noted that Commissioner Farmer had indicated his support for the agreement although he was not present.

POWER RISK MANAGEMENT POLICY

Power Risk Analyst Megan Capper provided a power point presentation entitled *Recommended Revisions to Strategic Direction Policy #8*. She explained the EWEB policy addressing Real Time trading. She conveyed staff's recommendation to have a position limit of 50 average MW. She said staff sought the most changes in the Short Term trading. She related that staff had seen an increase in price volatility in the short term. The 25 average MW limit had been based on a \$50 price, but now staff saw prices fluctuating from \$10 to \$100. She stated that when prices were high, EWEB could take on more risk with the current policy and, when prices were low, the policy would force a sale that was perhaps not necessary. She said taking a cap of \$2 million and increasing the existing position limit to 75 average MW made it so that short-term traders could only go 75 average MW long or short. She noted that there were no requested changes to Mid-Term trading.

In response to a question from Commissioner Simpson, Ms. Capper clarified that the short-term trading could be up to 60 days in duration but was technically the duration of the month the trade was initiated in and the following month combined.

Vice President Menegat noted some enumeration corrections to *SD8 – Strategic Direction* regarding *Power Risk Management Policies*. Staff recorded the corrections.

Vice President Menegat conveyed his appreciation for the backgrounder and Ms. Capper's explanation.

Commissioner Lanning recommended that, for consistency, the numbers in the policy for *Real Time* is written in numerical form.

Commissioner Simpson, seconded by Vice President Menegat, moved to adopt Resolution No. 0624, revision to Strategic Direction Policy No. 8 with the aforementioned numerical corrections. The motion passed unanimously, 4:0.

ITEMS REMOVED FROM THE CONSENT CALENDAR

Commissioner Simpson, seconded by Vice President Menegat, moved to approve the minutes from the meetings held on July 18, August 4, and August 15, 2006. The motion passed, 3:0:1; President Bishop abstaining.

President Bishop stated, regarding Consent Calendar Item 5 (Lease Crutcher Lewis LLC – Construction Manager/General Contractor for Roosevelt Building Site), that she believed it was important to be public about what the utility was doing. She felt the contract with Lease Crutcher Lewis LLC was too important to be placed on the Consent Calendar. She expressed disappointment that EWEB had not been able to hire a local firm, though she understood the hiring choice.

President Bishop wondered, however, if it would be possible to use some of EWEB's crews for the construction work. Mr. Berggren responded that the crews had other work to do. Energy Resource Project Manager Ken Beeson added that even if crews had the time, they were extremely limited as to what they could do on this project.

Commissioner Simpson, seconded by Commissioner Lanning, moved to approve the contract with Lease Crutcher Lewis LLC. The motion passed unanimously, 4:0.

President Bishop read a letter from a local contractor regarding Systems Development Charges (SDCs) charged when a house was moved from one site to another. The contractor questioned why a house that was moved was charged an SDC at both ends when it was vacating existing services.

Mr. Berggren offered to look into it and provide a backgrounder to the Board.

President Bishop adjourned the meeting at 9 p.m.

Assistant Secretary

President