

EUGENE WATER & ELECTRIC BOARD
REGULAR BOARD MEETING
EWEB BOARD ROOM
OCTOBER 3, 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, John Yanov, Dick Varner, Tom Buckhouse, John Yanov, Marty Douglass, Jason Heuser, Jim Origliosso, and Krista Hince of the EWEB staff; Lynn Taylor, City of Eugene minutes recorder and members of the public.

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

AGENDA CHECK

President Bishop announced that a revised agenda had been distributed.

Commissioner Lanning requested that Agenda Items 4, 5, and 6 be moved to follow Agenda Item 11.

President Bishop determined there were no objections to Commissioner Lanning's request.

PUBLIC INPUT

Jim Johnson, 651 Brookside Drive, Eugene, spoke as a volunteer with the political action campaign to pass Measure 20-114, the Lane County charter amendment that would limit the board of commissioners' authority with respect to an income tax and would activate an income tax to be applied within the County. He noted that materials were provided in the agenda packet. He asked the Board to consider endorsing the measure and while that was somewhat unusual, EWEB was impacted by the crime rate and lack of public safety resources in the County. He said the measure represented a balance between treatment and prevention and prosecution and punishment.

Zachary Vishanoff, Patterson Street, Eugene, commended the Board for rejecting the City of Eugene's effort to include more tax collection on EWEB utility bills. He expressed concern that master-planning activities for the EWEB site would not be supported by or open to the public. He said the public needed to discuss the greenway and suggested that EWEB initiate that discussion. He opposed automation of meter reading, as meter readers were a beneficial presence in neighborhoods. He asked that any decision on automation be subjected to a public hearing and media scrutiny.

APPROVAL OF CONSENT CALENDAR

Minutes

1. Minutes from the August 15, 2006, Regular Board Meeting and the September 5, 2006, Work Session and Regular Board meeting.

Business Service Agreements

2. MARSH, USA, Inc – Commercial Insurance Broker Services – Purchasing – Customer and Financial Services - \$317,282
3. McFarland Cascade Holdings – Douglas Fir Wood Poles – Electric Division - \$682,755

Intergovernmental Agreement

4. Oregon State Police – Joint Use Agreement – Blanton Radio Site – Electric Division \$108,000

Resolution

5. Resolution No. 0627 – Board Policies: GP7, GP5, GP12, GP13, BL2, BL3 and BL4. Final Board Policies for Board Manual

Commissioner Simpson, seconded by Commissioner Lanning, moved to approve the Consent Calendar with the exception of Item 2 (Marsh, USA, Inc.).

President Bishop requested that Item 2, the business service agreement with Marsh, USA, be pulled from the Consent Calendar.

Vice President Menegat, seconded by Commissioner Simpson, moved to approve the Consent Calendar with the exception of Item 2. The motion passed unanimously, 4:0.

STEAM RATES/FUELS CHARGE FOR 2007

Fiscal Services Supervisor Dick Varner reported that fuel costs were hedged through 2008, consistent with the Board's direction in 2004. He said even with the recent fall in prices they were just beginning to approach what was locked in two years ago. He said no change in the fuels charge was being requested; however, in 2004, 2005 and 2006 the steam utility took operating loans from the electric utility primarily because of low sales and insufficient rate increases. He said it was necessary to raise steam utility rates in order to repay the electric utility for operating expense loans. He said that based on past experience sales projections were conservative and Sacred Heart's Hilyard campus was another factor; Sacred Heart was the largest steam customer with about a third of the steam load and the Hilyard campus would be retrofitted in 2009-2010. He was not certain what, if any, the steam load would be after retrofitting and Sacred Heart was not willing to commit to anything beyond the current contract, which ended in 2008.

Mr. Varner stated that based on those factors staff was proposing increasing the commodity charge for steam rates by \$1.50 per 1,000 pounds. He said billing impacts would be between 5.5 and 6 percent for typical customers and that was slightly lower than Northwest Natural's rate increase.

He recommended that the Board approve the steam rates as proposed, to go into effect with the bills issued in December 2006.

Commissioner Simpson asked if a public hearing on the rate increase was required. Water & Steam Division Director Tom Buckhouse replied that a hearing was not required and none had been held for many years.

Commissioner Lanning asked if customers were aware of the increasing costs of the steam system. Mr. Buckhouse said they were, to the extent that some customers were considering retrofitting their facilities.

President Bishop asked what options Sacred Heart was considering for the Hilyard campus. Mr. Buckhouse indicated that one option being seriously considered was removing commercial steam service and providing their own, but he did not know if that was a certainty; however, Sacred Heart had indicated it was not interested in discussing extension of the existing agreement beyond 2008.

Vice President Menegat, seconded by Commissioner Lanning, moved to adopt Resolution No. 0626 regarding steam rates. The motion passed unanimously, 4:0.

FALL ELECTRIC RATE PROPOSAL

Senior Financial/Rate Analyst John Yanov provided a PowerPoint presentation entitled *November 2006 Electric Rate Proposal*. He noted that the Board would hold a second public hearing following his presentation and then consider approving the proposal. He summarized the rate proposal, stating that the 1.8 percent reduction was due entirely to a reduction in wholesale power costs from BPA. He said the reduction was applied equally to all rate classes except for Hynix, which had recently negotiated a contract with EWEB and the rates were separately covered. He said that staff recommended approval of the rate change and adoption of the resolution.

SECOND PUBLIC HEARING ON FALL ELECTRIC RATE PROPOSAL

President Bishop opened the second public hearing on the fall electric rate proposal and called for testimony. There being no one wishing to speak, she closed the public hearing and called for discussion and action by the Board.

FALL ELECTRIC RATE PROPOSAL

Vice President Menegat, seconded by Commissioner Simpson, moved to approve the November 2006 electric rate proposal and adopt Resolution No. 0621.

Commissioner Simpson stated that he was proud to be part of a Board that was approving a rate decrease.

President Bishop pointed out that some previous public testimony had been opposed to the rate decrease and cautioned Commissioners to think carefully about their votes. She said the Commissioners were acting on a policy matter related to automatically passing through BPA rate actions. She was not certain it was wise to return such small amounts to customers.

The motion passed unanimously, 4:0.

SECURITY EVENTS – NOTIFICATION TIMING

General Manager Randy Berggren remarked that President Bishop had raised a concern regarding time of the notification of a break-in at the College Hill reservoir. He said the chronology of events was that the break-in occurred on a Friday night, EWEB was notified Saturday morning and took immediate action to isolate the reservoir, drain and inspect it and test the water. He said that work was completed by the following Monday, Commissioners were provided an memorandum describing the event, response and test results and the Oregon Health Division was notified and confirmed the appropriateness of EWEB's procedures. He said there was no operating issue from the standpoint of health and safety.

Mr. Berggren said that EWEB had emergency action plans that were implemented in the event of a contamination or public health and safety issue and included notification to the Board of an event that could become a much larger public event. He said there was no other Board policy that established reporting requirements on more routine events such as acts of vandalism and a majority of those were in fact not reported to the Board. He asked if the Board wished to have a governance conversation about reporting of events that did not have an operating impact.

Commissioner Lanning asked about the timing of an article in *The Register Guard* about the College Hill break-in. Mr. Berggren said the article appeared about ten days following the Board's receipt of his memorandum because of a comment from President Bishop..

In response to a question from President Bishop, Mr. Berggren reiterated that the break-in occurred on the night of August 25 (Friday) and the memorandum to the Board was prepared on August 28 (Monday) once all test results had been received and provided to the Board on August 29. He said that public notification occurred when President Bishop provided information to *The Register Guard* and the question before the Board was whether the public should have been notified and how that notification should occur.

President Bishop insisted that the College Hill break-in was not a routine event because someone accessed EWEB's water system. She regarded intrusions into facilities that could result in shutting down the system as major events. She noted that the College Hill event did shut down the

system because the reservoir was drained. She was uncomfortable not mentioning such events to the public, which was why she mentioned it to a reporter. She said the newspaper article raised the question of E. coli, which was a reporting error that might not have occurred if EWEB had issued a factual message. She thought the public should be notified about those types of events.

Mr. Berggren stated that there needed to be a Board governance discussion about what was subject to public notification and what was not. He thought that public notification of an event was irresponsible before test results were available as it had the potential to create panic or concern about contaminated water when there was none.

Commissioner Lanning stated that staff acted in a manner consistent with current policy and if the Board wished to change that policy it should hold a governance discussion. He believed there was a potential of increasing break-ins if those types of events were publicized. He said it was necessary to balance the safety of the system with the public's right to know.

Vice President Menegat commented that he was comfortable receiving e-mail notification from staff and the decision not to publicize the event. He said it was a governance issue but staff had the responsibility and expertise to address those issues. He did not feel a need to know everything at each step in the process.

Commissioner Simpson supported a discussion of governance policy regarding expectations of the Board and public notification procedures. He thought that break-ins at electrical facilities were different than water facility break-in because of the potential for harm to the public through the water system.

Commissioner Lanning agreed that it was a governance issue but was not certain it was a priority; however, he would support a discussion if the rest of the Board wanted one.

Mr. Berggren said the subject would be added to the list of governance issues for future discussion.

President Bishop declared that she regarded any memorandum that came to her as a utility Commissioner to be public information unless it was marked "confidential."

Commissioner Simpson supported adding the item to the discussion list.

ITEMS FROM BOARD MEMBERS

President Bishop said she was prompted to invite Consultant Jim Johnson to speak to the Board regarding Lane County income tax measure because of security concerns about EWEB's facilities and the cost of break-ins and thefts, where we're attributable to the methamphetamine problem in Lane County. She was also worried about the potential hazards if grounding wires at

substations were removed. She said many EWEB facilities were in the County and one way to combat the problem was to support the income tax initiative to provide more public safety resources. She said the Board was seeking ways to interact with other governmental agencies and this was one possible way.

Vice President Menegat thanked Mr. Johnson for the information he provided. He agreed that the public safety system was in dire need of resources to achieve even a minimally acceptable level and as a taxpayer and voter he personally supported and would vote for the County measure. He did not think as an elected Commissioner to the EWEB Board he could commit his constituency to the same position; and as a Board member he would not support a resolution from the Board to support the measure.

Commissioner Lanning also appreciated the information and had publicly supported the measure as an individual, but concurred with Vice President Menegat's comments about not being able to support the measure as an EWEB Commissioner.

Commissioner Simpson echoed Vice President Menegat and Commissioner Lanning. He said that while he personally supported the measure and thanked President Bishop and Mr. Johnson for their efforts, he thought the EWEB Commissioners must stay very focused on its products and customers.

President Bishop conveyed Commissioner Farmer's message that he personally supported the measure but had not decided whether he would support going forward as a Board to endorse it, although he was inclined not to support Board endorsement.

Commissioner Simpson asked that a discussion on the Board's position of carte blanche pass through of BPA rate actions be added to the list for future Board agendas.

Vice President Menegat reported that the refunding bond process for the Western Generating Agency would be completed shortly. He said that the offering would occur on October 5 and closing was anticipated on October 29, 2006.

Commissioner Lanning notified the Board that he would not be available for the budget workshop on October 17. He announced that at the last Lane Council of Governments board meeting he was elected to be the Board chair next year.

President Bishop thanked staff for the memorandum on strike costs and emergency contracts status. She reminded the Board that the Carmen Smith relicensing process would be considered at the October 24, 2006, Board meeting. She recommended that members carefully review all related materials and let staff know immediately if there were any concerns or questions as it would be almost too late to make changes on October 24.

President Bishop said she was still working on arranging a presentation on global heating for EWEB staff. She said Dr. Alder Fuller would be giving a free overview of his global heating and climate change classes on October 5. She asked if there had been any resolution to the issue of whether Eugene police would respond to EWEB alarms. Mr. Buckhouse replied that the police had agreed that EWEB facilities would be responded to when they received calls. He said the manner of notification and response had been clarified.

President Bishop referred to a letter from Robert Painter, who was moving houses from the future site of Whole Foods, asked for a waiver of System Development Charges (SDCs) to connect a house that was being moved from one location to another within the City. She asked if the matter would come before the Board for a policy action. She noted an earlier determination by City staff on the Willamette Water Company connection for SeQuential Biofuels that a resumption of service at the same location did not constitute a new extension of services. She felt the same logic applied to when a house was moved to a new location and service was resumed because a new unit was not being created within the service territory.

Mr. Buckhouse explained that the SeQuential Biofuels situation was different because the property—the land upon which SeQuential Biofuels built—had an existing water service to that land that was in service prior to construction and for that reason the property was allowed to be reconnected without an SDC assessment. He said the reasoning was that the water service went with the land and therefore a house moved to a new lot would require a new water service connection and be subject to an SDC.

Commissioner Simpson reported that the McKenzie Watershed Council has asked him to serve on its Executive Committee. He planned to provide a summary of EWEB's capital plan to the Friendly Area Neighbors at its next meeting.

Mr. Berggren said that Commissioner Farmer would attend the Harlow Neighbors meeting to discuss Covey Lane.

CORRESPONDENCE

Mr. Berggren reported the following correspondence:

- A memorandum from Mark Oberle to Mr. Berggren
- A memorandum from Lara Downs regarding the Leaburg-Waltermville Emergency Action plan function exercise
- A memorandum from Marty Douglass regarding the new board landing
- A memorandum from Marty Douglass regarding the hiring of Jason Heuser as EWEB legislative representative
- A letter from Mr. Berggren to Bob Kline and Clem Bosch regarding Covey Lane
- A memorandum from Cathy Bloom and Ed Case regarding strike costs and emergency contracts status

Mr. Berggren noted that it was Public Power Week.

BOARD AGENDAS

Mr. Berggren reviewed the October 3, 2006, Board Agenda Report.

ITEMS REMOVED FROM THE CONSENT CALENDAR

President Bishop stated she removed Item 2 (Marsh, USA, Inc) from the Consent Calendar because the document was not signed and she had noted an increase in the number of documents that were coming through without signatures.

Treasurer Jim Origliosso agreed that the document should have been fully executed and it was withdrawn from the agenda and would be brought back to the Board when all signatures were in place.

President Bishop adjourned the meeting at 8:50 p.m.

Assistant Secretary

President