

EUGENE WATER & ELECTRIC BOARD
REGULAR BOARD MEETING
EWEB BOARD ROOM
OCTOBER 24, 2006
7:30 P.M.

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

Others present: Randy Berggren, Dick Varner, Tom Buckhouse, Marty Douglass, Jim Origliosso, Jim Wiley, Steve Newcomb, Andy Talabare, Ken Beeson, Cathy Bloom, Dick Helgeson, Gale Banry, Jay L'Estrange, Catrin Von Donkelaar, and Krista Hince of the EWEB staff; Pete Neuwirth, EWEB Actuary; Ruth Atcherson, City of Eugene Minutes Recorder.

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

AGENDA CHECK

President Bishop asked that Resolution No. 0629 regarding the Carmen Smith license be moved from Item 8 to Item 9 on the agenda. The Board was amenable to the change.

PUBLIC INPUT

Jeff Ziller, Oregon Department of Fish and Wildlife (ODFW), 3150 East Main Street, Springfield, stated that he lived in Eugene and was an EWEB customer. He said the change in the fish proposal for Carmen Smith from a fish ladder to a "trap and haul" program had been like a "bombshell" dropped on the ODFW. He underscored that the fish and wildlife agencies had unanimously supported the draft license that included a fish ladder and were unanimous in their disapproval of a trap and haul program. He averred that the Trailbridge Dam was one of the few capable of having a fish ladder work given its size. He stressed that a trap and haul program would relegate the fish population to a manual operation for the next 40 to 50 years.

Bill Kloos, 375 West 4th Avenue, Suite 204, provided his testimony in writing. He said swapping a trap and haul program for a fish ladder at the Trailbridge Dam was a "dumb idea." He reiterated that the fish agencies were unanimous in opposing it. He related that the agencies considered the proposal for a fish ladder to be the most positive improvement to come from the relicensing process. He felt the change put power first and fish last. He asserted that EWEB turned fish into hydropower by degrading and changing habitat. He said it was hard to overstate the importance of the McKenzie River to the fishery. He noted that there were two listed species at the Trailbridge Reservoir: the wild Chinook salmon and the Bull Trout. He stressed that both species needed to move past the dam to reach their respective spawning areas.

APPROVAL OF CONSENT CALENDAR

Minutes

1. Minutes from the September 19, 2006, Work Session and Regular Board Meeting and the October 3, 2006, Work Session.

Business Service Agreements

2. **MARSH, USA, Inc** – Commercial Insurance Broker Services – Financial Services Division- \$317,282
3. **Stantec Consulting, Inc.** – Backwash System Upgrade & Finish Water Pumps Abandonment at Hayden Bridge – Water Division – 49,231

Resolution

4. **Resolution No. 0628** – Sale of Trojan Substation Property.
5. **Resolution No. 0630** – Post-retirement Medical Benefits Plan Trust.
6. **Resolution No. 0631** – Transfer \$7.2 million from the pension reserve to PERS to pay down the unfunded actuarial liability and the latest actuarial valuation and to seek approval to join the PERS Alliance.

Letter Of Support

7. Letter of support for the Sustainable Business Initiative Task Force Report and Recommendation, August 2006.

Commissioner Simpson, seconded by Commissioner Lanning, moved to approve the Consent Calendar. The motion passed unanimously, 5:0.

ITEMS FROM BOARD MEMBERS

Vice President Menegat reported that he had spoken to the Bethel Lions on October 23. He said External Communications Coordinator Lance Robertson had been with him and they had provided a power point presentation on the Carmen Smith relicensing project. He conveyed his appreciation for the power point presentation that had been created by the public relations staff. He related that the evening had been pleasant, adding that an EWEB retiree had been in attendance who had attended the dedication ceremony in 1963 as well as a man who was older than EWEB's 95 years had been there.

Commissioner Farmer related that he, Commissioner Lanning, and Human Resource Manager Jean Meyers had met as the General Manager Replacement Committee earlier in the day. He added that he had also met with the Harlow Neighborhood Association, along with the Intergovernmental Affairs Coordinator Deborrah Brewer and Electric Division Director Jim Wiley, on the Covey Lane issue.

Commissioner Simpson planned to attend the Friendly Area Neighbors meeting on October 26. He intended to give a presentation on capital projects for water and electric services. He also had toured the meter shop and had spent time with EWEB's key accounts people. He had

discussed revenue, metering, and some of EWEB's plans in that regard. Earlier in the day he had spoken with water operations staff. He related that they had been very helpful.

Commissioner Simpson reported that he planned to attend the Northwest Electric Coalition (NWECC) fall meeting and conference in Portland, scheduled for December 1 and 2. Additionally, he noted he would be absent from the EWEB meetings scheduled for November 21, 2006, and January 2, 2007.

President Bishop reminded the Board that they were invited to the dedication ceremony for the new courthouse on December 1. Vice President Menegat indicated that he planned to attend.

President Bishop opined that the EWEB Board Room needed a new sound system.

President Bishop looked forward to the joint meeting of the EWEB Board and the City Council for a tour of the site, scheduled for November 15. She asked who would be leading the tour. Mr. Douglass replied that he was working the logistics out for the meeting and was uncertain of the details. He said the intention would be to have a staff member lead the tour given the familiarity with the area. He anticipated getting a memorandum to the Board some time in the next week after the plans had been firmed up.

CORRESPONDENCE

General Manager Randy Berggren reported the following items of correspondence:

- Power Resources Division Director Dick Helgeson sent the Commissioners a memorandum regarding the requested change to the Hynix contract. He asked the Commissioners to review it and let staff know if there were any issues.

Commissioner Farmer said he had discussed the contract with Water & Steam Divisions Director Tom Buckhouse and Mr. Helgeson and he felt comfortable with the terms. Commissioner Lanning concurred.

Commissioner Simpson stated that he had reviewed the agreement and he thought staff had done a good job.

Mr. Berggren continued his report:

- Commissioners were provided copies of letters regarding regional issues, one to the Mayor and City Council conveying EWEB's opposition to the proposed real property value-added charge and the other to the Regional Policy Advisory Board in support continuing regional planning efforts.

President Bishop recessed the meeting for three minutes to read the letters.

Mr. Berggren had one additional item:

- Board packets included the full response to concerns raised about the electrical transmission towers that had been damaged in the storm event that occurred on May 21.

President Bishop appreciated that the questions were answered.

BOARD AGENDAS

Mr. Berggren reviewed the *Board Agenda Report* dated *October 24, 2006*.

President Bishop asked that a discussion of the current sound system be placed on the list of future board agendas. Mr. Berggren responded that the easiest thing to do would be to put money in the 2007 budget to replace the sound system. He did not think it merited a board discussion.

Commissioner Lanning echoed Mr. Berggren. He noted that staff was already working on it.

PERS EMPLOYER MEMBERSHIP TASKFORCE

Vice President Menegat, seconded by Commissioner Simpson, moved to authorize staff to move forward with plans to join the PERS Alliance.

Commissioner Simpson said he assumed that Assistant Treasurer Cathy Bloom would be the predominant EWEB representative. Ms. Bloom affirmed this.

President Bishop noted that the Board had thoroughly discussed this in the Work Session.

The motion passed unanimously, 5:0.

BUSINESS SERVICE AGREEMENT WITH IGI RESOURCES, INC.

Mr. Buckhouse explained that this item sought Board approval for the addition of \$4.2 million to purchase natural gas and also to extend the contract with IGI Resources, Inc. for the purchase of natural gas.

Vice President Menegat, seconded by Commissioner Simpson, moved to approve additional funds for natural gas in the amount of \$4.2 million and to extend the contract with IGI Resources, Incorporated for the purchase of natural gas for the period from November 1, 2006, through October 31, 2008. The motion passed unanimously, 5:0.

RESOLUTION NO. 0629 – CARMEN SMITH LICENSE

Mr. Wiley introduced the item and began the presentation, which included power point slides.

He thanked all of the staff members who had been working on the draft application to relicense the Carmen Smith facility.

Hydroelectric Relicensing Project Manager Gale Banry recapped the meeting with the Federal Energy Regulation Commission (FERC) on August 1. He said FERC had raised concerns about the plans for a fish ladder. Staff discussed what to do and arrived at using a trap and haul program instead of a fish ladder. He reviewed the *Capital Costs* of the final license application, with \$17 million pulled from the fish passage measures for Trail Bridge and put into a contingency fund. He underscored that the total cost for the project was still estimated to be almost \$101 million

Environmental Manager Steve Newcomb showed a slide of an aerial view of the entire system.

In response to a question from Commissioner Simpson, Mr. Newcomb said it was not physically possible for fish to go up Sahalie Falls or Tamelich Falls.

Mr. Newcomb showed an aerial view of the Smith Reservoir. He stated that fish passage at all of the reservoirs had been brought up by the fish and wildlife agencies. Building a fish passage at the Smith Dam would be a daunting project given the height of the dam. He called such a project “at the edge of physically impossible.” He added that there was not a lot of habitat for the Bull Trout in the Smith reservoir and there was also not a lot of benefit downstream from the reservoir. He said there had also been a request for a fish passage at the Carmen Reservoir. He pointed out on the aerial view of the reservoir that the bottom could be readily seen as the reservoir was very shallow.

Staff Ecologist Andy Talabare discussed the Trailbridge Reservoir. He explained that the trap and haul facility would be placed at the upper end of the spawning channel. A criteria screen was planned to be installed downstream, though there was some uncertainty as to how it would be built. He outlined the two ways the criteria screen could be put into commission:

1. The reservoir could be completely drained, but this would have serious repercussions for the fish population and for water quality;
2. A coffer dam could be built around the construction area for the screen, requiring some drainage but not as much, but this would require that pilings be driven into the earth and this could possibly perforate the clay lining of the reservoir.

Continuing, Mr. Talabare explained that it was an engineering challenge to build a fish ladder in a reservoir that fluctuated 7 feet in the winter and 12 feet in the summer. There were also dam safety concerns, given that the Trailbridge Dam was an earthen structure. He stated that a fish ladder would require pumps to keep water flowing as the reservoir level fluctuated. This added complexity to the structure.

Mr. Talabare reported that the Smith bypass reach had a low habitat quality. He suggested that some of the contingency money that would be available with a changed mode of fish passage could be used to enhance habitat. Additionally, he noted that the capacity of Trailbridge Reservoir for Bull Trout was full.

Commissioner Farmer observed that Trailbridge was not the only earthen dam. He asked what was known of other similarly constructed dams and the ability of such dams to have fish ladders constructed on them. Mr. Talabare replied that they had not found any comparators because of the added component of having fluctuating levels. Mr. Banry reiterated that having an earthen dam created added difficulty.

Commissioner Simpson asked if EWEB would trap and haul fish both ways. Mr. Newcomb responded that the fish screen would address the fish passage issue downstream.

President Bishop asked why a fish ladder had not been considered for the Carmen Reservoir. Mr. Banry replied that for a ladder to be effective there had to be a deep enough pool.

President Bishop expressed concern regarding the timing of the change in fish mitigation plans. She felt the change had happened late in the process.

Mr. Banry commented that staff was concerned about dam safety. He felt building a fish ladder could create problems that could not be repaired. He said staff needed to talk more with the agencies.

President Bishop asserted that there were fish ladders on other earthen dams. Mr. Talabare reiterated that the problems arose from the combination of having an earthen dam and a reservoir with fluctuating levels.

Mr. Banry said they had been concerned about potential dam safety; the larger focus for staff had been the strain on the fish population. He related that FERC representatives had stressed the dam safety issue at the meeting with them in August and required EWEB to address it.

Commissioner Farmer stated that the real issue was that if the final license application were not in by November 30 the dam would not be relicensed. He pointed out that the previous relicensing process for the Leaburg/Waltermville facilities had taken 13 years. He thought it could take that long again and the details could be worked out over time. For now, though, it was important to get the application in.

Vice President Menegat echoed Commissioner Farmer's concerns. He stressed the importance of moving on the application. He said the Board was doing what it was supposed to do in getting to the point where the application was on file.

Mr. Banry underscored that the finer points of the application could be changed over time; the application would be viewed and reviewed in several different areas.

In response to a question from Commissioner Simpson, Mr. Talabare affirmed that trap and haul programs had been successful in other areas.

Commissioner Simpson asked what the burden to operations would be. Mr. Banry replied that a trap and haul program at Trailbridge was projected to cost \$4 million in operations and maintenance.

President Bishop was concerned about the change. She was having a difficult time moving forward with the process, as she did not believe the Board was honoring its responsibility to the resources it governed. She called the gene pool of the rare fish an "incredible resource." She did not believe a trap and haul program would work to adequately protect the fish populations. Because of this, she could not support rushing into the next step of the licensing system. She did not think a trap and haul program should be considered.

Mr. Banry reviewed the *Carmen-Smith Relicensing Schedule*. He stressed that the National Environmental Policy Act (NEPA) process, scheduled to begin in October 2007, gave the other agencies a lot of authority.

In response to a question from President Bishop, Mr. Banry explained that EWEB would be negotiating with the wildlife agencies. He stressed that staff was moving through the process and vetting as the process unfolded. Mr. Berggren added that any agency that expressed interest in the process was included in it.

Commissioner Farmer asked who controlled the outcome. Mr. Banry replied that it was a joint decision. Mr. Berggren added that some agencies had prescriptive rights and others did not have that authority.

President Bishop asked if the result was a legal statement. Mr. Banry responded that once signed, the license was a document.

Mr. Wiley stressed that the whole licensing process was a FERC requirement. He said FERC tells EWEB what to do; FERC had prescriptive rights over the utility. He stressed that the discussion on fish mitigation, whether to utilize a trap and haul program or not, was not over. The resource agencies could prescribe that a fish ladder be utilized and then EWEB would have the right to appeal this ruling. He added that FERC preferred that the utility and the wildlife agencies reach a settlement before it rose to the commission's level.

Mr. Wiley ascertained from the Board that due to time constraints there would be no discussion of Governance Policy SD13, the goal of which was to obtain a new operating license for the Carmen-Smith Hydroelectric Project.

Vice President Menegat, seconded by Commissioner Farmer, moved to approve Resolution No. 0629, to authorize the filing of the license application for the Carmen-Smith Hydroelectric Project.

Commissioner Farmer stressed that while he respected the environmental issue, the bottom line was that the deadline was November 30 and with no license there were no dams. He said it would be irresponsible for the Board to throw the license out at this point.

Commissioner Simpson stated that the projects were valuable to the community from both the economic and energy perspectives. He was proud that EWEB generated some of its power locally and with local control. He felt it would be inappropriate at this time to block the relicensing process as there was plenty of time to work out the details. He wanted EWEB to work collaboratively with the wildlife agencies to find a level of agreement about the fish mitigation issue.

President Bishop requested that the process be moved forward without the trap and haul program as a part of it. She did not see any danger in moving forward without it. She asked the Board to vote against the resolution with her and then she would make a new motion that supported the application without the trap and haul program as a part of it.

The motion to approve Resolution No. 0629 passed, 4:1; with President Bishop voting in opposition.

Public Affairs Manager Marty Douglass reviewed the public relations process to date. He noted that the EWEB website had 3,400 hits on the Carmen-Smith piece since January. He felt the website was a valuable tool.

Mr. Douglass stressed the importance of EWEB continuing its communication on Carmen-Smith. He highlighted the public information outreach plans. He said staff was uncertain how much to communicate about the fish passage issue, because the issue was still fluid and could change over the negotiation process.

Mr. Douglass said if and when EWEB got to the point where it would seek public financing for the relicensing process, one thing that had been done routinely in past elections was to have the Board form a Political Action Committee (PAC) to promote a measure on a ballot.

Mr. Douglass affirmed, for Commissioner Lanning, that the Board would talk about this more.

Commissioner Lanning asked if there was a more scientifically appropriate terminology than trap and haul. He felt the terms were harsh. He said staff was knowledgeable and had spent hours explaining to the Board the finer points of the relicensing process. He knew that the trap and haul program was not just a money-saving measure. He wanted the level of expertise that staff brought to the table to be promoted to the public.

Vice President Menegat commented that he had provided the power point that Mr. Robertson had created at the previous evening's Lion's Club meeting. He said people were really interested in what EWEB was doing and the power point helped them understand the issues. He averred that EWEB had very capable staff; he believed staff could put together a good communications plan.

Commissioner Simpson echoed Commissioner Lanning's comments. He wanted to know how they could get the power point presentation out to more people. Could it be put on the website, for instance, or put into a streaming video? He stated that EWEB staff was skilled and well versed on the topic. He trusted them.

He thought the Speakers Bureau was a strong mechanism for getting publicity out.

Commissioner Farmer said the topics involved in the relicensing process were broad, but at the "endgame" the fish were the "mom and apple pie issue." He felt the public would want to do what was right for the native fish. He averred that a successful communication effort would need to be very accurate in order to prove, especially to the wildlife agencies, that it was not physically safe or possible to build a fish ladder on the Trailbridge Dam. He said otherwise sentiment would decide the issue. He felt that ultimately the dams would get relicensed absent the fish issue, though it was an issue EWEB needed to resolve.

President Bishop thought it wise to wait before spending any money on advertising. She felt the relicensing process was not a staff issue but felt it was a leadership issue. She stressed that the Board was making the decisions and the Board should be out front in the public relations campaign.

Vice President Menegat commented that the Carmen-Smith relicensing process was very

complicated. He said some questions were difficult for Board members to answer. It was good to have the knowledge base that staff provided to tap into.

ITEMS REMOVED FROM THE CONSENT CALENDAR

There were no items removed from the Consent Calendar.

President Bishop adjourned the meeting at 9:45 p.m.

Assistant Secretary

President