

EUGENE WATER & ELECTRIC BOARD
REGULAR BOARD MEETING
EWEB BOARD ROOM
500 EAST 4TH AVENUE
NOVEMBER 21, 2006
7:30 P.M.

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

Others present: Randy Berggren, Dick Varner, Tom Buckhouse, Marty Douglass, Jim Origliosso, Jim Wiley, Ken Beeson, Patti Boyle, Rod Price, Terry Bequette, Roseanna McArthur, Lance Robertson, 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

There were no changes to the agenda.

Public Input

Zachary Vishanoff, somewhere on Patterson Street, noted he had attended the tour of the EWEB property. He was glad to see some discussion between EWEB and the Eugene City Council regarding the riverfront property. He believed that more public discussion was necessary regarding how the property should be utilized.

Al Kreitz, 2244 Corinthian Street, expressed frustration at the increasing rates. He did not think the Board listened to public testimony. He said the reasons for the increases in rates had not been explained to him. He had spoken to the striking workers and had received an education on “some of the mishandlings of management.” He did not think EWEB should build a \$73 million building. He alleged that some of the linemen had suggested a \$2.5 million addition would suffice. He felt the existing building was already “a Taj Mahal.” He asserted that EWEB worked with the bank that one of the commissioners worked for, something he believed was a conflict of interest. Additionally, he thought EWEB treated the strikers badly. He was a union representative for another local and he believed that management should partner with the workers. He opined that EWEB ran itself like a dictatorship.

APPROVAL OF CONSENT CALENDAR

Minutes

1. Minutes from the October 24, 2006, Work Session and Regular Board Meeting.

Business Service Agreements

2. **Cisco** – Network Core Upgrade – Information Service – Corporate Services Division.
3. **R2 Resources Consultants, Inc.** – Leaburg Rollgate Mortality Plot Study – Electric Division.
4. **SelecTemp** – Temporary Services – Environmental Management – Corporate Services.
5. **Washington Crane & Hoist** – Smith Creek Crane Repair – Electric Division.

Grant Approval

6. **Housing Authority and Community Services Agency (HACSA)** – Turtle Creek Development -- \$5,680.

Power Sale Contract

7. **EWEB/Clatskanie PUD Five-Year Power Sale, 2016-2021** – Proposed Power Sale Contract for Five Years Between EWEB and the Clatskanie PUD Pertaining to Output from the Wauna Cogeneration Facility.

2007 Trojan Annual Operating Budget

8. **2007 Trojan Annual Operating Budget.**

Vice President Menegat, seconded by Commissioner Lanning, moved to approve the Consent Calendar. The motion passed unanimously, 4:0.

ITEMS FROM BOARD MEMBERS

Commissioner Lanning thanked Mr. Berggren for keeping the Board up to date on the system failures.

Commissioner Farmer preferred to schedule the March retreat sooner rather than later. Mr. Berggren said he would work on this.

President Bishop referred to a complaint on the back of the bill regarding a portion of road that had been torn up on Ruskin Street and asked staff to check on it for her so that she would know whether it had been handled.

CORRESPONDENCE

General Manager Randy Berggren reported the following items of correspondence:

- A joint meeting between the EWEB Board and the Eugene City Council was scheduled for February 12 from 5:30 to 7:30 p.m.
- The legislative luncheon was scheduled for December 8.
- Senior Rates/Financial Analyst Patty Boyle included a 2007 budget estimate in pie chart form at Vice President Menegat's request.

- A copy of EWEB's response to the letter from Robert Painter regarding System Development Charges (SDCs) exacted for the move of a house was included in the Board packets.
- A copy of a proposed op-ed piece on the Carmen Smith relicensing project for the *Register Guard* had been included in Board packets in order to get the Commissioners' feedback on it. It was noted that Commissioner Farmer thought the piece was appropriate, but President Bishop thought it needed some reworking. The application for relicensing was to be submitted on November 22.

Commissioner Lanning suggested that the piece could either be submitted with Board consensus or staff could submit it. He preferred to reach consensus.

Commissioner Farmer said people do disagree but the Board had cast a majority vote and the public deserved the kind of explanation an op-ed piece would provide.

Vice President Menegat supported the op-ed piece as it was written. He felt the Board needed to be able to respond. He thought the question was whether it should be submitted presently or deferred until January.

President Bishop thought the op-ed piece took a defensive stance. She felt the *Register Guard* article had been fair and questioned whether the op-ed piece would provide the public with more information than it already had. She read a passage from the article aloud.

Vice President Menegat averred that the Board needed to take ownership of the application and an op-ed piece would accomplish that. He supported putting the op-ed piece in earlier rather than in January.

President Bishop surmised that the draft could be reviewed over the next several days. She wanted Commissioner Simpson to have the opportunity to review it. She did not think she would be willing to sign it because she found it to "be very detrimental to the well-being of the utility." She reiterated that she perceived it as being defensive.

Commissioner Farmer said he had reviewed it. He thought the other Commissioners had reviewed it as well. He did not think it would be rewritten again.

Public Affairs Manager Marty Douglas confirmed that the present draft was the last draft.

BOARD AGENDAS

Mr. Berggren reviewed the *Board Agenda Report* dated *November 21, 2006*. He noted that an Executive Session was scheduled for November 28. He also noted that the geothermal contract was not ready for consideration so it would be pulled from the discussion of December 5. He said a new potential item had been added to discuss a budget amendment for the Carmen Smith project. An Executive Session was planned for the December 19 meeting in addition to the Work and Regular Sessions.

In response to a question from President Bishop, Mr. Berggren said based on the last discussion regarding the College Hill Reservoir the action on that item had been rescheduled to February 6. He noted that he might have to return to the Board on January 16 regarding fish ladder feasibility.

CONTRACT AWARD FOR THREE-PHASE PAD-MOUNTED TRANSFORMERS

Systems Engineering Supervisor Rod. Price predicted that the Board would be seeing more long-term contracts due to market conditions including material shortages and escalating prices. He said EWEB was also facing longer lead times for such contracts. He stated that having a long-term contract allowed staff to have manufacturers that were familiar with EWEB's specifications. He noted that EWEB required its transformers to be more energy efficient than the "standard off-the-shelf" transformers. He underscored that the price for these transformers had increased by 86 percent in the last two years. He declared that the more staff could "nail down" the pricing for these types of items, the better staff could conduct its budget planning for the Electric Division. He stressed that excellence in planning was a target for the division. He added that he wished to recognize the purchasing department for the hard work staff members undertook to forge these kinds of contracts.

In response to a question from Commissioner Farmer, Mr. Price estimated that there were 50,000 such transformers in EWEB's system. Mr. Berggren estimated that there were 20,000 to 40,000 in the system.

Commissioner Farmer noted that EWEB replaced about 28 transformers per year.

Vice President Menegat, seconded by Commissioner Farmer, moved to approve contracts with Hees Enterprises, Inc., HD Supply Utilities Ltd., and Wesco Distribution, Inc. for the purchase of three-phase pad-mounted transformers, as needed. The motion passed unanimously, 4:0.

2007 BUDGET AND WORK PLAN

Fiscal Services Supervisor Dick Varner reviewed the *2007 Budget* with the aid of power points. He noted that there was no change in full time equivalent (FTE) employees from the previous year, but there was a net increase in total labor costs – an average of the wage and salary increases of all employees, both represented and non-represented. He said the budget included assumptions regarding an increase in the employer contribution to the Public Employees Retirement System (PERS), but the information from PERS regarding new rates had just arrived and he would analyze it to see if it would have a material change on the budget. He did not think it would.

Regarding conservation costs, Commissioner Farmer asked if staff had looked at how much EWEB was expensing versus how much it was amortizing. Mr. Varner replied that the two were within \$500,000 of each other.

Mr. Varner reviewed the assumptions for the electric utility. He said the largest portion of the retail revenue increase was attributable to the Hynix contract. He stated that EWEB continued to utilize an 85 percent “hydro assumption” in its budgeting process and that he did not anticipate a retail rate action for 2007.

President Bishop averred that the 85 percent hydro assumption was the most accurate way to look at unpredictability. Mr. Varner responded that once the reserve funds were replenished EWEB should reevaluate the assumption.

Mr. Varner related that there were no indications that the Bonneville Power Administration (BPA) would implement any Cost Recovery Adjustment Clause (CRAC) provisions through the spring, 2007.

Mr. Varner reviewed the *Non-Labor O&M Items* that would affect the budget. He noted that the Leaburg Canal was scheduled for an inspection, which was projected to cost “a few hundred thousand dollars.” He stated that EWEB was revising its photo-voltaic (PV) program. He explained that nearly \$100,000 was budgeted for incentives; EWEB was essentially purchasing PV power from customers at a premium.

Mr. Varner explained that Lane Electric Cooperative, under the new contract with Hynix, would receive eight percent of whatever Hynix paid to EWEB until 2009.

Mr. Varner elaborated on coal site remediation, explaining that the total cost was \$1.3 to \$1.4 million but 80 to 90 percent of it would be paid for by other parties.

Continuing, Mr. Varner stated that EWEB was projected to end 2006 with a \$22 million positive variance in net revenue, though it had budgeted for between \$8 and \$9 million. This bode well for the utility. He said net revenue for 2007 was budgeted at \$7 million and this was slated for the power operating reserve.

Commissioner Farmer observed that 2006 had been close to a normal hydro year, but EWEB was budgeting for an 85 percent hydro year. He expressed concern that the 2007 estimate was higher than the net revenue a normal hydro year would provide. Mr. Varner explained that sales for resale for 2007 had some “quirks” in it because some additional power had been purchased that could be sold. He said this provided an increase in purchase power because of the change in the BPA contract between 2006 and 2007.

In response to a follow-up question from Commissioner Farmer, Mr. Varner clarified that EWEB had a “step up” in its Block purchase from the BPA. Additionally, to allow EWEB to hedge forward, traders had purchased index contracts, which meant they had bought power “at index”, and would sell power “at index.” He said EWEB would have to prepare a fixed or floating swap.

Commissioner Farmer ascertained from Mr. Varner that a normal water year in 2007 would translate to a similar bottom line to 2006.

Regarding capital expenditures, Mr. Varner predicted that staff would be bringing in more budget amendments generated by the Roosevelt Boulevard project.

Additionally, Mr. Varner stated that he had not called out one assumption. He explained that given that the utility had a surplus for its planned activities and the power reserve was more than fully funded, staff recommended that \$20 million be transferred from the power reserve fund to the Carmen Smith reserve fund.

President Bishop asked why the electric utility would not loan the money to the water utility. Mr. Varner replied that his priority was funding reserves. He also wanted to keep the water and electric utilities as separate as possible.

Mr. Varner noted that he had included a pie chart of the *Electric Utility 2007 Budget*. He pointed out that more than half of the expenditures in the budget were for power.

Mr. Varner briefly reviewed the *Steam Utility* budget. He reminded the Board that there had been a significant discussion six weeks earlier when the most recent rate action for the steam utility had been enacted.

Senior Rates/Financial Analyst Patty Boyle reviewed the 2007 budget for the water utility. She reiterated that the utility was in a “year of transition,” adding that nothing new had arisen since the conversation with the Board that had occurred in September and October. She stated that consumption had risen slightly, but this increase had been offset by the loss of the contract with Williams Bakery and the water service to Springfield Utility Board (SUB) for Glenwood.

Regarding *Water O&M Items*, Ms. Boyle noted that the approximately \$85,000 increase in expense for purification chemicals was largely associated with the global market and increasing transportation costs.

Ms. Boyle reported that the *Water Capital* included the 2007 budget approved by the Board. She said it would be funded by a combination of rates, SDCs, a draw on the water capital fund, and a loan from the electric utility. She underscored that the loan would have to be paid in full or converted into long-term debt. She said she would return before the Board in 2007 to discuss specific projects.

Commissioner Lanning asked if the increase in filtration costs was solely attributable to the increase in chemical costs. Ms. Boyle replied that she would find the exact cost break down and provide it to the Board.

Commissioner Lanning asked what areas saw the largest increases from the budget estimate. Mr. Varner said the largest single item for the electric utility was work on a change in the electric trading software. Ms. Boyle surmised that for the water utility it would likely be the cost of office furniture and equipment.

Ms. Boyle reiterated that the second public hearing was scheduled for December 5.

FIRST PUBLIC HEARING ON 2007 BUDGET AND WORK PLANS

President Bishop opened the public hearing.

President Bishop read into the record written testimony submitted by Greg Anson, Sr. He did not support an increase in the water rates. He explained that he was elderly; his social security had increased by three percent while his medicines had increased by 30 percent. President Bishop asked that staff respond to Mr. Anson.

Zachary Vishanoff, somewhere on Patterson Street, said he had heard the desire not to increase rates in the past. He related his concern regarding the possibility that EWEB might sell its riverfront property to the City of Eugene. He thought the City should have “four years to cool off.”

President Bishop closed the public hearing.

President Bishop noted for the record that EWEB had no relationship with the Bank of America and no Commissioners had conflicts of interest in that regard.

ITEMS REMOVED FROM THE CONSENT CALENDAR

There were no items removed from the Consent Calendar.

President Bishop adjourned the meeting at 9:05 p.m.

Assistant Secretary

President