

EUGENE WATER & ELECTRIC BOARD
STRATEGIC PLANNING SESSION
HILTON HOTEL – STUDIOS B & C
MARCH 13, 2007
6 P.M.

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

Others present: Randy Berggren, Tom Buckhouse, Debra Smith, Jim Origliosso, Kevin Biersdorf, Dave Koski, Roseanna McArthur, Dick Helgeson, and Krista Hince of the EWEB staff; Ruth Atcherson, City of Eugene minutes recorder.

AGENDA REVIEW

Assistant to the General Manager Debra Smith explained that the goal of the Eugene Water & Electric Board (EWEB) strategic planning session was to conduct a scan of the utility for the purpose of planning into the future.

General Manager Randy Berggren stated that the strategic work would tie into the General Manager goals, laying the groundwork for the next year's goals.

Kevin Biersdorf, EWEB facilitator for the session, initiated discussion with a quote from Dwight D. Eisenhower: "*In preparing for battle, I have always found that plans are useless, but planning is indispensable.*" He asked the group to consider how planning was learning, noting that planning involved imagining the future. He averred that one could not think about the future unless one was "reflective and curious." He believed that planning would deepen the capacity to both predict different outcomes for the future and to influence change. He stated that public policy issues supported the charter and that operational plans came out of strategic plans.

Socio-Demographic

Water & Steam Division Director Tom Buckhouse provided copies of handouts he had received at the American Water Works Association (AWWA) conference in Portland the previous weekend. He stated that the first handout, a graph entitled *In 2010, Female Candidates for Employment to Surpass Male Candidates by 6 Million*, delineated the impacts of changing gender demographics. He said the second handout, a graph entitled *The Size of the Baby Boomer Generation and Much Smaller Gen-x Generation Combine for a Double Whammy*, demonstrated that the size differential in the generations would create a staffing void in the coming years.

Vice President Simpson suggested that the staffing "void" was more imminent than the graph suggested.

Commissioner Brown observed that with so many people on a fixed income the affordability of utilities in the future would be a huge issue.

Vice President Simpson agreed that the missing generation would impact the employee pool.

Commissioner Lanning predicted that the Baby Boomer generation would be more vociferous about expressing their needs than the preceding generation.

Vice President Simpson stated that the youngest demographic would be the most technically savvy generation.

Commissioner Brown noted that in employee satisfaction EWEB employees ranked second to last.

Mr. Biersdorff acknowledged that the employees and the customers wanted a more collaborative relationship with the utility.

Commissioner Brown said the employment/workforce element was important to him. He underscored that almost no trades were being taught. He felt that with no partnership with the Lane Community College (LCC) to develop line workers, etc. there would be a void in the future.

Vice President Simpson suggested that EWEB consider becoming a regional training center.

Commissioner Farmer commented that the purpose of the retreat was to identify the issues and to ask staff what plans they were making to address them.

Commissioner Farmer thought employee satisfaction would be a huge challenge for all public agencies in the coming years. He said the agencies could not keep sustaining huge increases in the benefits costs and adapting to them. He stated that the people believe “and rightfully so” that they deserve the benefits.

Ms. Smith noted that she was working with a woman on a project who worked for a bank that was about to institute a “Babies at Work” program for the working mothers employed there.

Mr. Berggren observed that the line work in the trades was hard work. He said if there would be a shortage of qualified line technicians and that more of them would be women, the utility may need to think about how the work gets done.

Commissioner Farmer said the other challenge the utility faced in this respect was the continued movement in the Eugene area toward a higher cost of living without a commensurate boost in wages. He felt it was becoming more difficult to live here.

Power Resources Division Director Dick Helgeson believed that the City of Eugene did not have an evolving economic engine. He did not see the economy evolving in a way that supported cash flow.

Commissioner Brown agreed, adding that there was a disproportionate amount of growth in the community that was not paying property taxes. He cited the new Federal Courthouse and the University of Oregon as examples of government entities that were exempt from property taxes. He said all of the basic core services in the community were “shoved” onto the wage earner.

Commissioner Farmer stated that all of the issues they had talked about were issues that would

require political solutions. He said if EWEB was going to be part of the process it would have to take more of a leadership role in the political arena.

Mr. Biersdorff recorded the following from the discussion on flip charts:

- Fixed income and affordability
 - Employment: work force composition is being changed by shifts in age, gender, etc.
 - Significant implications of the aging Baby Boomers generation
- Generation “Y” – bringing pressure and high expectations for technology use by organization
 - Demands placed on organization from employees
 - Statistics comparing EWEB with other organizations
 - How to get skilled employees in the future; are there partners we should be pursuing?
 - Public utilities will continue to have challenges; a market adjustment may be needed – EWEB has been out in front with some things (e.g. employee benefits)
 - Recruiting and retention – closely linked (what we do on benefits side will impact the other.)
 - Local cost of living is becoming more expensive; including housing Eugene one of the most expensive places to live in nation
 - High percentage of public/government presence in Eugene is a constraint on growth potential
 - Political nature of issues can push us into taking leadership role.

Competition/Substitutes

Mr. Biersdorff acknowledged that EWEB did not have a lot of competition aside from natural gas consumers.

Mr. Helgeson thought it possible that the trend would be toward more private retail sales. He commented that affordability was a component that affected future sales.

Vice President Simpson averred that it went beyond rates. He said the quality of EWEB water and the reliability of its electric services added benefit to EWEB’s customers. He felt EWEB added to the attraction to a business that was looking for a place to establish itself.

Commissioner Farmer thought of it in a couple of different arenas. He said EWEB should consider whether it was involved in economic development or not. He noted that some of the utilities that buy power from the Tennessee Valley Authority (TVA) had Web sites built around economic development. He added that he had some concern about how EWEB could “grow” revenue in an environment in which there were strict limits on territory. He stated that if volume could not be increased, unit price would have to be increased.

Mr. Helgeson related that early in the 20th century electricity had been very expensive and volume growth had been the key to cost reduction.

Commissioner Brown commented that he had heard that EWEB might become a regional

supplier for water. He pointed out that once an entity became attached to a resource it would be difficult to take it away.

Commissioner Farmer expressed concern that the electric utility would not be able to find other revenue.

Mr. Helgeson noted that Senate Bill (SB) 1149 would allow industry to shop for power suppliers.

In response to a question from Mr. Biersdorf, Mr. Berggren averred that Distributed Generation (DG) was a strategic issue that was possibly a decade away.

Mr. Helgeson commented that electricity prices have gone up but so has everything else. He said the question lay in how electricity would compete as a commodity in comparison to other fuels.

Commissioner Farmer said planning had to evolve. He averred that it would be challenging to make a concrete plan for ten years from now; EWEB would have to be financially agile.

Mr. Berggren observed that there were other factors contributing to the future scenario for the utility, which included climate change and global warming. He said all of those things would begin to drive socio-political reactions. He stated that this would promote competition and competition led to technological breakthroughs. He averred that “all of a sudden” the business landscape could shift for EWEB.

Vice President Simpson postulated that a dramatic breakthrough could occur on many levels, such as a battery that would eliminate the need for transmission lines.

Mr. Berggren said the steam plant provided the utility a learning opportunity. He related that natural gas suppliers also competed with one another for the installation of other equipment. He stated that they were trying to sell new systems and one way of dealing with that was to say that EWEB would not be generating steam for much longer and the customers should get ahead of the curve.

Commissioner Farmer observed that most new houses were heated by natural gas.

Mr. Biersdorff recorded the following from the discussion on flip charts:

- Quality and reliability are important considerations as well as price
- The factors/considerations for attracting people to locate here
- EWEB’s role in economic dent
- Volume and price relationship – growing revenue with urban growth boundary (UGB) limitations a concern (e.g. control on expenses is critical without new revenue sources)
- Being a regional supplier of water could offer a potential revenue source to offset costs
- EWEB’s need to fund its own growth
- Bonneville Power Administration (BPA) limits as a future supplier could have market/competitive implications, SB 1149 may also impact the utility

- Micro-generation could be a potential threat
- EWEB must have financial agility as it faces the fiscal challenges of the Carmen Smith relicensing project and other capital pressures
- Shifts in generation technology can be expected in next 20 years both in terms of efficiency and generation; the distribution system may look very different and the business landscape can change with an increase in market drivers
- Steam plant – future impact potential for alternative suppliers

Economics

Ms. Smith said in her mind economics did not equal rate competitiveness. She stated that an academic view of economics was that of supply and demand, in other words, contribution margin plus debt capacity; what available funding was there to meet “a ton of demands” on that funding capacity for the electric utility.

Commissioner Farmer reiterated his concern that EWEB did not have the demand to support all of the projects it needed to undertake. He said the utility was focused on conservation and this was a big factor when it came to demand. He felt that if EWEB was going to be a “no growth utility” it would have to look at how much conservation it promoted; otherwise the utility would have to “jack up” rates.

Ms. Smith related that she had visited Southwest Natural Gas in Las Vegas in 2005 and it featured a showroom with outdoor fireplaces and other features that would spur demand for their product. She commented that it was a completely different culture.

Commissioner Farmer noted that the electric utility was facing a limited supply but the water utility was not. Ms. Smith replied that in order to obtain and retain water rights it was a requirement to preach conservation.

Commissioner Brown observed that the expenses of the future would be balanced on the backs of someone. He felt that addressing the expenses sooner would be prudent. He recommended establishing a sinking fund for long-term capital projects.

Commissioner Farmer wanted to emphasize the need to explore options for capturing revenue. He remarked that the best time to look at expenses was when things were good.

Commissioner Brown said if EWEB began to meet regional water demand he would promote the idea of developing the water rights to the Willamette River that the utility had at its East 4th Avenue site to meet that demand.

Commissioner Farmer commented that the budgeting for the move out to the Roosevelt Boulevard site had not been based on the scientific input it should have. He worried about the Carmen-Smith relicensing project because it was going to be a huge outlay of money. He said when it came to fish ladders and dams he did not want to find himself in a position where he did not have a

comprehensive understanding of what was being paid for.

Mr. Berggren remarked that once the fish agencies and other agencies begin directing the utility how to construct its fish ladder it became difficult to project costs.

Mr. Helgeson said as staff looked at different levels of investment, staff was trying to understand how the investment would reposition the utility from where the value is today in that resource to where the value lay in the future.

Commissioner Lanning asked if the Board had considered, when faced with the Leaburg Dam relicensing, whether it should just not do it. He was not convinced that the Carmen-Smith relicensing was worth doing. Mr. Berggren affirmed that there had been some doubt when the Leaburg Dam had undergone the Federal Energy Regulation Commission (FERC) relicensing process. He added that it was important to be forward-looking; to take into consideration projections of future power costs. He pointed out that it would cost a lot of money to decommission a power generating dam.

Mr. Biersdorf recorded the following from the discussion on flip charts:

- Debt capacity and contribution margin are inter-twined
- Where is the volume growth going to come from to support new projects especially given that a continued emphasis on conservation, while important, runs counter to growth
- Water rights require a conservation strategy
- Development of a “sinking fund” that anticipated long-term capital projects for both the water and electric utilities
- The utility should pursue alternatives to generate sources for more cash
 - Alternatives to increase resources for the provision of pure water should be pursued (e.g. the development of the Willamette River water right)
 - How to uphold the Board’s fiduciary responsibilities and to factor value considerations on complex expensive projects?
 - Constraints on projects are placed by outside agencies and others that impact EWEB’s desire to discuss alternative approaches

Political/Regulatory

Mr. Berggren stated that EWEB faced many regulatory issues that ranged from the water regulations on testing for purity to the increasing regulation passed down by the PUC. He listed some of the more recent regulations that the PUC had imposed on EWEB.

Commissioner Brown wanted to pursue a strategy to improve the relationship with the City Council. He did not think there had been good communication between the two entities.

President Menegat observed that EWEB would continue to be faced with PUC issues. He opined that they drove EWEB’s bottom line. He underscored that the primary implication of regulation was cost.

Corporate Services Director Roseanna McArthur added that it became a productivity issue as

the regulations added bureaucratic layers.

Vice President Simpson said it brought the concept of “buy-in” to mind. He felt that some of the PUC dictums were cumbersome while others made a lot of sense because they were designed for safety or to fix problems in utilities that had not been “watching their Ps and Qs.” He thought one tack EWEB could take would be to push back on a political level.

Commissioner Farmer advocated for the development of an operating plan for the Executive Management Team (EMT) that would position EWEB to be a leader in both the political and regulatory arenas. He felt the starting point should be at the local level as the utility’s ability to impact FERC was minimal while its ability to impact the City of Eugene was much larger. He asked what EWEB could do to assume a leadership role so that it was proposing solutions rather than being reactionary.

Mr. Berggren related that EWEB staff had been working on the Renewable Portfolio Standards (RPS), basically writing the language on the bill that was being presented to the legislature in Salem. Mr. Helgeson added that the utility would probably end up with a bill that both staff and the Board could support.

Vice President Simpson felt staff had done a great job of getting out in front of that legislation. He asked what could be done to get out in front of the PUC. Mr. Berggren replied that for now there was nothing to do; EWEB found out about regulatory changes when the PUC was conducting inspections.

Mr. Biersdorff recorded the following from the discussion on flip charts:

- Relationship with the Eugene City Council should be improved
- The implications on economic and productivity issues that Public Utility Commission (PUC) issues raise because of the need they created for EWEB to add crews and equipment to comply
- Applicability or lack thereof of PUC and other regulatory requirements both drives EWEB activities and motivates EWEB to engage at a political level
- Board needs staff input to effectively create solutions and to undertake the political work to address the regulations level
- What strategies should be pursued to enable the Board be most effective on regulatory and political issues, working with staff and within the Board

Mr. Biersdorf called for a 15-minute break.

Technology

Ms. McArthur stated that technology seemed to permeate all of the other areas of focus.

Vice President Simpson observed that technology was not just communication devices and wires, it was also the way steel was made for water pipes and the way conductors were made that

were lighter and more sturdy, among many others. He liked to think of it as “working smarter not harder” and creating materials that were easier to handle that lasted longer, and extended the working lifetime. He felt that the customers looked to EWEB to deliver the most products for the least amount of money.

In response to a question from Commissioner Farmer, Vice President Simpson said he was talking about the fact that EWEB was delivering more than water and electricity. He wanted to give customers a strong sense of ownership through transparent governance and communication. From the standpoint of a strategic initiative, he felt that EWEB should ask the consumers what they want and to determine what could be improved.

Mr. Biersdorff surmised that Vice President Simpson saw the opportunity to leverage technology to improve the relationship with the customer.

Ms. Smith observed that technology was ensconced in everything EWEB did.

Ms. McArthur said from a strategic standpoint staff tried to keep abreast of what was “coming down the pike.”

Commissioner Brown hoped that staff would provide cost/benefit analyses when it brought forward technological innovations. He also wanted the technology to be adaptable. He noted that social services had come to EWEB for vouchers to offset utility bills during the holiday season and EWEB had not been able to generate them. He said EWEB needed to be more adaptable.

Commissioner Farmer said it was a mistake to identify technology as computers alone. He said he thought of technology as including the backhoe and bucket truck as well. He believed in determining the cost benefit of all technology. He noted that as a layman board it was sometimes difficult to make judgments regarding the technological aspects of the utility. He looked to staff recommendations to aid in decision-making.

President Menegat stated that he saw that a lot of the technology was in relation to the more operational aspects of EWEB. He did not know how he could be involved in a lot of those decisions. He added that he appreciated hearing a “real voice” when he called EWEB instead of a mechanically generated menu.

Commissioner Farmer suggested the establishment of a *de minimus* level at which technological decisions should be brought to the Board.

Commissioner Lanning asked if EWEB was conducting enough research and development. He said change was happening rapidly and noted that now wave generation technology was on the horizon. He averred that EWEB needed to have the research and analysis piece to say whether the Carmen-Smith generation facility was where EWEB wanted to put its resources with the long-term view in mind. From a strategic position, he believed that EWEB was not as far away from DG as was previously thought. He believed that EWEB was too conservative in its approach to technological developments.

Commissioner Farmer concurred. He felt that EWEB needed to move up the spectrum of research but not so much that it would take a greater degree of risk.

Mr. Biersdorff recorded the following from the discussion on flip charts:

- Technology is a broad topic that promotes “working smarter/not harder,” impacts how customers do business and how our employees process those transactions, and impacts that we recruit and retain
 - Technology affects how the customer experiences EWEB
 - Technology allows employees to work efficiently
 - How technology is used (e.g. Web applications, etc.) can form impressions of EWEB as an organization (e.g. efficiency, convenience, etc.)
 - How can cost and benefits be best balanced without being too restrictive on how much was spent on given applications
 - As a layman Board, recommendations for technological improvements from staff benefit decision-making
 - Technological improvements do not typically mean staff is no longer needed
 - A distinction should be made between the technological aspects of the discussion and the operational aspects of the discussion –questions that came up included:
 - How and at what point should the Board be engaged in these types of considerations?
 - What criteria should require Board involvement:
 - Dollar amount?
 - The strategic nature of the decision?
 - Degree of disruption or change in organization?
 - When seeking broader direction from the Board on technology, staff should plan and prepare how to gain the best direction
 - There is a sense that EWEB is too conservative when it comes to research and development – EWEB needs to position itself for the future and staff should call this out
 - “We’re either on the leading edge in regard to research and development or we are on the bleeding edge.”

Industry/Suppliers

Mr. Berggren underscored that EWEB was in a challenging position from the industry perspective due to labor shortages in the skilled vocations, major aging infrastructure issues, and issues with cost escalation.

Commissioner Farmer commented that this was not terribly unique to EWEB, with the possible exception of the aging infrastructure.

Commissioner Lanning thought some of the cost drivers due to the globalization touched EWEB more greatly than had originally been predicted. Regarding the labor market, he noted that he and Electric Division Director Jim Wiley had discussed the creation of a lineman training program at

Lane Community College.

Commissioner Farmer observed that most manufacturers could farm out work to third world countries for cost savings, which was something EWEB could not do.

Commissioner Brown suggested that the Board discuss whether EWEB intended to buy into the Mayor's Sustainability Initiative. He thought EWEB would be pushed to return to localized billing, as an example, in the effort to utilize local businesses and reduce fuel usage.

Ms. Smith noted that former-Commissioner Sandra Bishop had tried to participate on the Mayor's Sustainability Business Initiative team and had not been given a spot. She questioned what that set up in terms of the sense that the City and the utility were cooperating and that the utility had something to offer to the discussion.

Mr. Helgeson remarked that the process had been driven by perceptions without awareness of what EWEB was doing in that arena and how low the utility's carbon load already was.

Commissioner Farmer said, regarding suppliers that he would like to have a strategy to address the change in the contract from the Bonneville Power Administration (BPA). He did not feel very grounded in it at this point. He suggested that staff present three scenarios with corresponding strategies.

Mr. Biersdorff recorded the following from the discussion on flip charts:

- Aging infrastructure, cost escalation and changing demographics are impacting EWEB
- Globalization may impact us more greatly than it does other industries
- EWEB has an advantage in that its project cannot be produced overseas
- The push for maintaining a local presence, one example was customer perceptions of the current practice of outsourcing bill processing to Vancouver, Washington
- The implications of the local Sustainability Initiative, maintaining local awareness of the sustainable elements of EWEB operation
- How should we position ourselves strategically for BPA supply contract term close in 2011
- Staff should prepare options for Board consideration

Customers/Citizens

Customer and Financial Services Director Jim Origliosso observed that the utility's customers were the final arbitrators of the value of the services that EWEB provided.

Commissioner Farmer felt the benchmark survey was a weak mechanism to obtain data. He said if a poll asked a customer whether he or she wanted EWEB to "do more conservation" the customer would say 'yes,' but if a poll asked that customer if he or she wanted to pay more for it the answer would be 'no'. He averred that when EWEB had a rate hearing the "same four people" show

up every time and this did not provide input.

Mr. Berggren asked what it meant when the same people showed up every time. Commissioner Farmer replied that it probably meant that it did not rise to a level for many people at which they wished to testify. He postulated that some people feel disenfranchised and some people were just busy.

Ms. Smith said EWEB was located in a diverse community. She averred that Commissioner Farmer would hear more from the business community about emerging issues while Commissioner Brown could be more likely to hear about water quality issues. She felt a person could self-select a group that would support a point of view. She noted that if a customer was polled after being in contact with the energy management services he or she was typically thrilled with the utility because EWEB had just given them money.

Mr. Berggren asked if Commissioner Farmer thought the survey was not scientific enough. Commissioner Farmer replied that he was dissatisfied with it.

Commissioner Lanning felt EWEB had looked at how to serve the different demographics. He cited as an example that EWEB had simplified the start/stop service process for the more transient student population of Eugene. He said he tried to represent the majority view of the two wards he served but there were times he realized that the executive group and the General Manager had educated him to a level that he could make a decision that his constituents would not be able to convey in a survey or make themselves. He felt that in this case it was up to the Commissioners to lead and make decisions. He averred that the better information the Commissioners had access to, the better it could make decisions. He did not believe that the survey provided the best level of information to base decisions on.

Vice President Simpson commented that more people benefited from EWEB's services than just Eugene's customers. He cited streetlights that light residents and visitors and family members who benefit from EWEB's services as a couple of examples. He felt it was important to reach beyond the person who EWEB had the business relationship.

Mr. Origliosso noted that while there were over 85,000 electric meters there were 40,000 water meters. He explained that EWEB had two wholesale customers, Santa Clara Water District and the River Road Water District, who were intermediaries between EWEB and consumers. He said there were other communities, such as developers, that EWEB did a lot of work for. He noted that EWEB did a lot of work for developers and the developers paid for it.

Commissioner Farmer advocated for getting out of the idea that EWEB had a monopoly. He said there were many customers that EWEB did not have. He suggested that EWEB could try to "win back" customers lost to Northwest Natural Gas. He asked for ideas in a strategic plan to increase the utility's customer base.

Ms. McArthur asked if Commissioner Farmer was suggesting marketing or, perhaps, branding. Commissioner Farmer replied that he would consider marketing or branding as tools to increase the customer base.

Commissioner Lanning thought EWEB had a long history of the “value-added piece.” He said if EWEB just looked at the economic piece it could lose something of greater value. He did not want it to be the only primary focus.

Ms. McArthur remarked that some customers did not come to EWEB because they did not speak English.

Commissioner Lanning noted that the population of Latino people was projected to increase.

Mr. Biersdorff recorded the following from the discussion on flip charts:

- The wide array of customer segments represented different demographics, homes and businesses, low and high income, differing generations
- Questions remain on what customers want and need
- What approach and/or method works best to confirm what customers want
- What are the tradeoffs and implications of choices made
- We want to know at the very least what “the majority” thinks even in a diverse community such as Eugene
- Broader acknowledgement and consideration needed for:
 - Visitors
 - Other products and services we provide for new construction, vendors and contractors, and the River Road and Santa Clara Water Districts
- Commissioners serve as citizens and in leadership positions and must take on difficult issues
- EWEB could look to ways to increase the customer base to grow revenue
- Comparisons with other utilities should be considered in relation to the affordability of this area.
 - Some customers just can’t afford an increase in their utility bills (regardless of how EWEB compare with other utilities)

Review – Anything Missed?

Mr. Biersdorff asked the Commissioners to spend a few minutes reflecting on the process and whether the results were what would provide staff the tools to put together a strategic plan. He asked the Commissioners to consider what items were most compelling and whether anything had been missed.

Vice President Simpson felt the Board had not teased out its strategic direction. He felt staff should take the input and refine it to a few larger ideas.

Commissioner Lanning preferred to give staff more finite direction. He suggested that one item the discussion had missed was succession planning for Mr. Berggren and other members of the

EMT.

Ms. Smith underscored that Mr. Berggren was the Board's employee.

Commissioner Farmer expressed some frustration in the process, as he did not feel the Board had narrowed down the information to tell staff where they wanted the utility to be five years from now.

Ms. Smith said this was why the notion of setting targeted results was important; staff needed to know what the Board's issues and concerns were and what direction to move in.

Mr. Biersdorff posed the question of how the utility should maintain its course in the face of changing Boards and changing staff.

Commissioner Brown asked how a dramatic shift in the focus of the Board would affect the utility and long-range plans.

Ms. McArthur observed that in her 18 year tenure she had seen the utility change "dramatically." She believed it was possible to change the way the utility worked but it was not possible to do so overnight. Mr. Biersdorf added that when there were changes on the Board it did not necessarily mean that the organization changed with it because the organization had its own culture. He felt they were not actively engaged in describing the culture of EWEB.

Commissioner Farmer commented that "at the end of the day" it was an elected board and could change overnight. He did not think it would be prudent to have a plan that never changed; a plan would have to evolve to address the changing environment.

Mr. Berggren believed that there had been a fundamental consistency in the values of the Board as they related to EWEB and its charter. He commented that he did not lose sight of the fact that all it would take for a change in direction was a majority vote of the Board.

Commissioner Farmer said it was valuable to have a healthy discussion, but it was very important once there was a majority vote, it was important to support the majority position.

Mr. Biersdorff recorded the following from the discussion on flip charts:

- The strategy has not clearly emerged yet from the discussion
- "Aggregating the arrows back to point to the larger arrow" (referring to opening diagram of small arrows inside big arrow)
- The importance of succession planning for the General Manager position and Executive Management Team members
- Long-term vision – direction should focus on the place we want the utility to be five years from now
 - Question: What do we want the utility to look like five years from now?
 - If the direction we decide to take is different than the one we set out to achieve three years ago, as an example, the utility will adapt and change.

- Agreement on fundamental values is the key to whether or not we achieve alignment in our operational planning

LUNCH TIME DISCUSSION: *What will be most different about EWEB five years from now?*

LUNCH DEBRIEF

Commissioner Lanning related that he had discussed employee hiring during the lunch break. He said currently there were 20 postings. He anticipated that there would be different employee expectations in five years.

Ms. McArthur agreed. She stated that expectations of potential employees were different and noted that the number of women working was increasing.

President Menegat said the people he lunched with had discussed telecommuting and how that would affect the work force. Mr. Biersdorff added that telecommuting would cause EWEB to find a different way of assessing employee activity.

Commissioner Farmer stated that the relationship EWEB had with the BPA would be different. He felt this presented a very big change to all of the utilities the BPA served.

Vice President Simpson related that he had discussed the probability that there would be a new General Manager in five years. He predicted that the operations would be split and the riverfront property sold as well. He said the cost of EWEB's products would increase.

Mr. Biersdorff recorded the following from the discussion on flip charts:

- Employees:
 - Telecommuting
 - More females in operational areas
 - Outcome-based measurement (working out of home)
 - Succession Plan
 - BPA
 - Fundamental change in 2011
 - Senior Management
 - New General Manager
 - Split Operation

DISTINGUISHING STRATEGIC ISSUES FROM OPERATIONAL ISSUES AND PUBLIC POLICY ISSUES: STRATEGIC CHART-TOPPERS

Vice President Simpson stated that a "chart-topper" for him was how to increase revenue without increasing rates.

Commissioner Brown said an overarching concern for him was the relationship of the overall cost of EWEB's services to the consumer relative to the mean income of the area. He wanted the

Board to consider how the strategic decisions would affect this into the future so that the services did not become disproportionately expensive.

Vice President Simpson suggested that one possibility for revenue would be to sell bottled water. Commissioner Brown replied that he was uncertain that EWEB could do so.

In response to a question from Mr. Biersdorf, Commissioner Brown said electricity and water were nearly as important as food and health care to the utility's customers. He felt continuing to raise rates without taking into consideration the purchasing power and how rate increases affect the populace would not be prudent. He did not want to negatively impact the quality of life for people.

Commissioner Farmer responded that he did not think it was a big leap to develop a strategy around that. He felt it was important to look at all of the things that EWEB needed to plan for on the five-year horizon and consider how it would affect rates. He noted that EWEB did compare itself to peer groups. He thought considering the local market represented an additional component to the cost strategy and should be an integral part of the budget.

Commissioner Brown stated that a "chart-topper" was the development of a secondary water source other than the Willamette River water right or below the Hayden Bridge intake facility. He believed that strategically it was necessary to ensure that a safe and adequate water supply for EWEB was not compromised.

Vice President Simpson stressed the importance of approaching 2011 from a proactive standpoint relative to the BPA. Mr. Helgeson agreed that it was important as an underlying strategic issue to prepare the utility for a potential change in circumstances.

President Menegat commented that the first three items had to do with financial flexibility and financial stability. He found this to be a bit of a conundrum.

Commissioner Lanning remarked that EWEB faced similar challenges to LCC, especially in the realm of technical training. He said what LCC was currently teaching was obsolete in two years. He believed that the research and analysis and how it impacted all of the things EWEB did was critical. He felt the investment in research and analysis would become more important as EWEB moved forward. He reiterated that some of the new technologies in electric generation were advancing so swiftly that it was mandatory to stay ahead of the curve.

Commissioner Farmer reiterated the need to develop a plan to enhance revenue absent rate increases. He also wanted to establish a level of political leadership and the ability to affect change. He said EWEB should be a "player from the get-go" and should have the leadership established before a problem arose that needed to be addressed.

Commissioner Brown remarked that until a political change happened and the urban growth boundary was expanded, it would be difficult to increase revenue for EWEB as there were no pieces of land on which a substantial increase in development could occur.

Commissioner Farmer pointed out that expanding the UGB would not affect the revenue for the electric utility.

Commissioner Brown reiterated that if EWEB focused on economic development he was not sure EWEB could surpass the current practical limitations on it. He felt that increasing rates would be a given. With that, he stressed the importance of a continuing public education campaign. He noted that he had no idea that the water utility infrastructure was in serious need of replacement until he served on the Board. He averred that continuous education of the public would help further understanding of why the rates would need to increase.

Commissioner Lanning stressed the importance of determining what the customers' needs and wants truly were.

Commissioner Farmer remarked that he did not know enough about the RPS from the state. He wondered if EWEB should have a strategy in place as to how it would approach the renewable standards.

Vice President Simpson said EWEB was an industry leader in that area.

Mr. Helgeson acknowledged the Board's desire to revisit the resource strategy in line with the new standards.

Commissioner Lanning underscored the importance of maintaining and improving communication with the other governing bodies EWEB interacted with.

Commissioner Brown expressed some concern that disagreement from the City Council could cause EWEB to have to turn to the voters for bond funding for the move to the Roosevelt Boulevard site. Mr. Simpson felt that EWEB needed to maintain a positive public sentiment.

President Menegat said he was still concerned about staffing, both the issues of succession and the shortage of trained personnel for the line work positions.

Mr. Berggren stated that the EMT had a set of strategic staffing priorities. He guessed that in the last seven to eight years EWEB had experienced a 60 percent turnover in staff.

Ms. McArthur felt that EWEB needed to "think outside the box" regarding how best to attract workers.

Mr. Biersdorff summarized the discussion:

AFFORDABILITY INDEX

How to increase revenue without increasing rates needs to be a fundamental consideration. How will an overall strategy impact this? Electricity and water are essential commodities in life.

DEVELOPING A SECONDARY WATER SOURCE

EWEB must ensure that the integrity and the purity of the water source is not compromised.

APPROACH 2011

EWEB needs to be proactive as opposed to reactive. The point is to be prepared well in advance of possible changes in the BPA contract.

FINANCIAL ABILITY AND STABILITY

EWEB needs to position itself financially to accomplish the tasks ahead.

RESEARCH AND ANALYSIS

Research and analysis are needed at all levels within the organization. There is a need to get the Board positioned to make informed and timely decisions in order to assess risk and strategic uncertainty.

REVENUE ENHANCEMENT

EWEB should work to plan and develop additional sources beyond the traditional and historical methods.

POLITICAL INFLUENCE

EWEB must be positioned to shape and influence the policies that directly affect it.

ECONOMIC DEVELOPMENT

Growth is limited due to the urban growth boundary land constraints. EWEB should tie this to a revenue enhancement strategy and take a more proactive approach on opportunities like Glenwood.

PUBLIC INFORMATION

Public information should educate customers regarding all components to the identified strategies of the Board. The Board must be proactive in its efforts to educate them.

CONFIRMING/KNOWING CONSUMER/CUSTOMER EXPECTATIONS

This should be tied to the research and analysis strategy.

RESOURCE PORTFOLIO/RPS

EWEB should develop a strategy to meet applicable mandates. How should EWEB implement the Renewable Portfolio Standard.

APPROACH TO POLITICAL ENTITIES

A fall back or contingency plan will be needed if current efforts are not successful. One approach would be to use the customer base to gain support (e.g. like the utility tax issue in 1980's).

STAFFING

Succession planning and addressing areas of need are critical. The risk still lingers even with 300 new employees in last eight to ten years. In the next five years the key areas for staffing needs include the Executive Management Team, senior management, and engineering, power trading, and in information technology.

NEXT STEPS

Ms. Smith stated that staff would take the input from the Board and put it together. She said staff would sort some of the "brain dump" and would find the areas that were interconnected. She said the "chart-toppers" would be listed and reviewed to look for inconsistency or areas that EWEB would struggle to find the resources to accomplish. She planned to bring the refined list back to the Board in June, though the information compiled from the retreat would be available to the Board sooner than that.

Mr. Berggren said there would be connectivity between the operations plan and other plans and the strategic work of the Board. He added that staff would also bring forward any items that were determined to be a priority for the EMT that the Board had not brought up during the strategic planning retreat.

Ms. Smith commented that at least half of the items the Board raised were already being worked on to a certain extent. Staff intended to provide progress updates to the Board on those items.

Commissioner Brown wondered why the agenda was set up so that the Items Removed from the Consent Calendar were considered last. He suggested that it be placed immediately after the Consent Calendar vote.

Vice President Simpson said he could support doing so as long as there were "time guards" in place.

Ms. McArthur confirmed that the item was placed at the end of the agenda because it had been taking too much meeting time.

Ms. Smith observed that the items that were removed were not provoking as much discussion as they had when this change had been made.

President Menegat felt that Commissioners who had questions about Consent Calendar items should pose those questions to staff prior to the meetings.

Ms. Smith related, in regard to minutes approval, that the Board had decided that Commissioners should submit minor minutes corrections prior to the meeting so that minutes would not need to be pulled unless there was a substantial change to be made.

Vice President. Simpson requested that the minutes be enumerated to make it simpler to pull them.

Commissioner Farmer suggested that the regular meeting be noticed as starting right after the Work Session so that the Board would not have to wait should the Work Session end earlier than anticipated.

Commissioner Brown concurred. He added that it would be simple to always schedule the public testimony for a time certain so that people would not miss the opportunity to provide testimony.

Ms. Smith noted that currently all contracts for \$1 million or more were required to be brought as an agenda item. She explained that some of these contracts were for a period of five years, which meant that the amount of money was not \$1 million per year.

Vice President Simpson favored returning to the former practice of approving such contracts on the Consent Calendar.

Commissioner Farmer remarked that he often felt the backgrounder was well-written and he did not need a presentation. He said if a staff presentation was truly just a recap of the backgrounder he would prefer to pass on the presentation and move to a discussion.

Ms. Smith observed that there were some topics that the public had an interest in and in those cases it was good to have a short presentation on the item.

The strategic planning session adjourned at 2:25 p.m.