

EUGENE WATER & ELECTRIC BOARD
REGULAR BOARD MEETING
EWEB BOARD ROOM
MARCH 20, 2007
7:30 P.M.

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

Others present: Randy Berggren, Dick Varner, Tom Buckhouse, Debra Smith, Jim Origliosso, Patty Boyle, Terry Bequette, Dave Koski, Dick Helgeson, John Yanov, Mat Northway, Marty Douglass, Gale Banry, Jean Meyers, John Mitchell, and Judy Chase of the EWEB staff; Ruth Atcherson, City of Eugene minutes recorder.

President Menegat convened the Regular Meeting of the Eugene Water & Electric Board (EWEB) at 7:40 p.m.

AGENDA CHECK

There were no changes to the agenda.

PUBLIC INPUT

Zachary Vishanoff, an EWEB customer, provided copies of a book to the Commissioners. He said he would explain why he had provided the book to them after they read it because he felt no one would understand if he explained it at the present meeting.

Mr. Vishanoff related that he had felt alarmed by the Work Session with the City Council on the riverfront property. He urged the Board to engage much public involvement and to engage it as early in the process as possible. He noted that he served on the agenda planning committee for the City Club. He said there would be a discussion on April 6 on the riverfront property and Mayor Kitty Piercy would be the speaker.

Commissioner Lanning thanked Mr. Vishanoff for the book.

APPROVAL OF CONSENT CALENDAR

Minutes

- 1a. January 10, 2007 Executive Session
- 1b. January 16, 2007 Executive Session
- 1c. January 31, 2007 Executive Session
- 1d. February 26, 2007 Executive Session

Business Service Agreements

2. IHS Consulting – Industrial Hygiene Consulting – Safety – Corporate Services - \$160,000

3. Indus International – EWEB’s Complex Billing Requirements and BillGen Implementation Preparation – Key Accounts – General Manager’s Division - \$23,380
4. Kearns West & Associates – Facilitation services during the Relicensing Settlement Negotiations – Electric Division - \$150,000
5. Ken Morgan Consulting – Consulting Services for Transformer Design Review and Factory Testing – Electric Division - \$25,000
6. Keri Green & Associates – Facilitation Services – Electric Division - \$100,000
7. Miner & Miner – Software Implementation Services – Electric Division - \$225,000
8. SelectTemp – Temporary Services – Power Trading – Power Resources – \$35,000
9. Terex Utilities West – Trailer Mounted Cable Puller – Electric Division - \$126,000

Resolution

10. Board Resolution No. 0710 – Photovoltaic (PV) Contracts and Purchase Rate – Power Resources Division.

Commissioner Brown, seconded by Vice President Simpson, moved to adopt the Consent Calendar. The motion passed unanimously, 5:0.

ITEMS FROM BOARD MEMBERS

Commissioner Lanning related that he would be presenting at an international conference on teaching and learning and would be gone on April 3.

Vice President Simpson indicated that he would also be absent from the April 3 meeting.

President Menegat thanked the public relations staff for the announcement of the public hearing in the newspaper. He found the announcement to be informative and interesting. He appreciated the work that had gone into it.

CORRESPONDENCE

General Manager Randy. Berggren related the following items of correspondence:

- The Leaburg Lake level was increased by six inches and would remain increased for ten days. Letters were sent to all of the Leaburg property owners requesting that they monitor the shoreline areas adjacent to their properties to be sure there was no damage. The Friends of Leaburg Lake Association had also been advised of the lake raise and it had been noticed in the *McKenzie River Reflections*;
- The most recent issue of *Fresh Air* was out and it spoke about Green Power;
- A recent memorandum on the status of the Roosevelt Building public design review had been provided to the Commissioners;

- EWEB's Legislative Lobbyist Jason Heuser had included an update, dated March 14, on the Renewable Portfolio Standard (RPS) under consideration in a bill at the State Legislature. He believed it was a continuing success on EWEB's part.

Vice President Simpson noted that Ms. Hince had issued an email to the Commissioners regarding "EWEB Day" at the State Capitol. Mr. Berggren added that the trip was scheduled for March 28.

BOARD AGENDAS

Mr. Berggren provided the Board Agenda Report. He advised the Board that any actions taken at the April 3 meeting would have to be approved by unanimous vote given that only three Commissioners would be present.

In response to a question from Commissioner Farmer, Mr. Berggren suggested that Board consider a "minor adjustment" in the Bylaws in order to move from the Work Session to the Regular Board Meeting should the Work Session end earlier than its appointed time.

SPRING WATER RATES PROPOSAL

Senior Rates/Financial Analyst Patty Boyle reviewed the *May 2007 Water Rate Proposal* with power points. She noted that the proposed rate increase would cost approximately \$1.30 on the average residential water bill.

Commissioner Farmer asked why the water districts' rates were being increased by 5.5 percent. Ms. Boyle replied that the districts had a low consumption year in 2006. She explained that rates had been increased by 13 percent at the time and now the districts had recovered because of higher consumption. She said if one looked at the rates over time they would even out in comparison with the other rate increases.

Commissioner Farmer expressed concern about the financial condition of the water districts. He asked if the water utility was looking at imposing higher rates on them. Ms. Boyle replied that contracts with the districts were due to be renegotiated in 2008. She said it would be possible then.

Vice President Simpson asked if the increasing cost of the electricity needed to pump water to the higher elevations was taken into consideration in rate increases. Ms. Boyle responded that the elevation charges did include the budgeted amount anticipated for those associated costs.

In response to a question from Vice President Simpson, Water & Steam Division Director Tom Buckhouse stated that there was no current plans to replace pumps but staff was looking into larger pumps that utilized less power for use in future pump replacements.

Commissioner Brown noted that the City hoped to ramp up street replacement. He asked if the rate increase assumed the same level of replacement. Mr. Buckhouse replied that the City's plans were, in part, why the utility had a steep "up-ramp" in capital expenses.

SECOND PUBLIC HEARING ON SPRING WATER RATES PROPOSAL

President Menegat opened the public hearing. Seeing no one who wished to speak on the item, he closed the hearing.

President Menegat noted that he had been handed an emailed letter of testimony in opposition to the rate increase. The person who submitted the testimony indicated he was a veteran on a fixed income and could not afford rate increases.

SPRING WATER RATES PROPOSAL

Commissioner Brown, seconded by Vice President Simpson, moved to approve Resolution No. 0709, a resolution that would revise water rates effective as of May 2007.

Commissioner Farmer said he would support the motion, but he thought the Board needed to ensure that the public understood the cost drivers behind the rate increases. He stated that EWEB had budgeted for more revenue than it had received in the water utility. He believed this was the real cost driver. He averred that there were more serious problems with the water utility and a 9.2 percent increase would not cover them.

President Menegat indicated that the Board would be addressing the capital needs of the water utility over the course of two or three work sessions in the current year. He was certain the Board would have an opportunity to inform the public.

Commissioner Brown agreed with Commissioner Farmer. He did not think the public had any idea of the amount of work that was ahead.

Commissioner Lanning agreed that the utility needed to have clarity regarding the infrastructure replacement. He also thought there needed to be clear communication that EWEB was looking at being a regional provider. He said there were things that EWEB was doing to be proactive.

The motion passed unanimously, 5:0

WIND RATE PROPOSAL

Senior Rates/Financial Analyst John Yanov and Energy Management Services Manager Mat Northway reviewed the proposed increase in wind power rates with a power point presentation. Mr. Northway stated that the cost had gone up, tax credits had gone down, and the approach at this point was to realign the windpower rate structure to the Green Power rate structure. He thought people would move to Green Power because it was attractive to them as a way to pursue conservation.

Vice President Simpson observed that the Tier 1 windpower consumers would actually pay less under the revised rate structure.

Commissioner Lanning asked how much impact the rate changes were predicted to have on the approximately 200 larger customers. He wondered if a lot of them would choose to unsubscribe. Mr. Northway replied that it would not have a large effect on many customers.

Commissioner Farmer noted that the rate increase was not as high as had originally been suggested. Mr. Berggren responded that they had shifted away from full cost recovery. He said they were transitioning out of it and not phasing it out immediately.

Commissioner Farmer asked what the amount of the subsidy was. Mr. Yanov explained that initially the utility was trying to recover \$250,000 and this proposal would recover \$67,000. Mr. Berggren added that there was approximately \$190,000 of continued subsidy, but the utility intended to be out of the windpower business in 12 to 18 months and into the Green Power program.

Power Resources Division Director Dick Helgeson did not think it could be considered a traditional subsidy. He said the Board had indicated its support for a shift to Green Power. He agreed that in a sense the rate proposal maintained a subsidy but it was not fully allocated. He added that the proposal would fix the anomaly of having the large customers pay less for windpower.

Commissioner Farmer supported getting out of the program "sooner rather than later."

Mr. Yanov commented that from a pricing standpoint it made sense given that windpower was part of the Green Power program.

Commissioner Lanning thought having a transition phase made sense. He averred that new technology was more expensive on the front end.

Vice President Simpson said he paid \$10 to \$15 more per month for the privilege of subscribing to windpower. He observed that approximately 300 households would experience a windpower rate decrease with this proposal and questioned why they would consider a rate action with no negative impact at all. Mr. Helgeson responded that this would equalize the rates in a way that would correct the previous differential between larger and smaller customers.

PUBLIC HEARING ON WIND RATE PROPOSAL

President Menegat opened the public hearing. Seeing no one who wished to speak to the item, he closed the public hearing.

WIND RATE PROPOSAL

Commissioner Brown, seconded by Vice President Simpson, moved to adopt Resolution No. 0711, a Resolution to approve the proposed windpower rates. The motion passed unanimously, 5:0.

GENERAL MANAGER 2006 PERFORMANCE EVALUATION

President Menegat recalled the Executive Session at which the General Manager's performance evaluation had been discussed. He noted that this had been the fourth year the current evaluation format had been used and the Board had worked hard on the evaluation.

Human Resource Manager Jean Meyers reported that Mr. Berggren had received a generally favorable performance review in that he met or exceeded expectations in five performance areas. He was cited in particular for the following:

- For the planning efforts that preceded the labor strike;
- For the strong relationship he had developed with the Board;
- For positioning the utility to respond to the relicensing of the Carmen-Smith facility;
- For helping to secure the new contract with Hynix Semiconductor, Incorporated;
- For the work on the Roosevelt Boulevard building site.

Ms. Meyers related that the following areas that did not go as well as hoped from the Board's perspective:

- Efforts in strike avoidance;
- Management of the upstream fish passage and the public's perception of EWEB's approach and analysis;
- The adjustments in the electric reliability metrics;
- The delays in the long-term regional water strategies.

Ms. Meyers listed some of the future areas for continued improvement:

- Work on strengthening the relationship with the city councilors and mayor so that the General Manager can help to shape the Board's political interests;
- Continue striving to become a higher profile in the community;
- Work to develop a strong reserve plan for the water utility;
- Work on strengthening the employee relations, particularly with the International Brotherhood of Electrical Workers local.

Commissioner Lanning thanked Ms. Meyers and commended her work.

Ms. Meyers explained how the merit increase was calculated.

Commissioner Brown asked if it would be fair to assume that Mr. Berggren's salary was consistent with the salaries of other general managers of utilities in comparable revenue classes. Ms. Meyers affirmed that it was. She noted that the salary range was updated every three years and provided copies of the updated salary structure to the Board.

Commissioner Farmer remarked on the difficulties in comparisons with other utilities. He averred that there was no absolute science to the establishment of salary ranges and increases.

Commissioner Brown asked what Commissioners who were new to the Board traditionally did regarding the General Manager's evaluation. Vice President Simpson replied that all of the Commissioners had the right to vote and the right to evaluate the position. He added that he had recused himself in his first year of service on the Board.

Commissioner Lanning also recalled that new Commissioners recused themselves. He said a new Commissioner was then provided a detailed analysis of the process.

Vice President Simpson moved to give a five percent pay increase to the General Manager. The motion died for lack of a second.

Commissioner Farmer, seconded by Commissioner Lanning, moved to give a three percent pay increase to the General Manager.

Ms. Meyers clarified that a three percent increase would give Mr. Berggren a salary increase of \$5,777 for a base average annual salary of \$190,343.

Commissioner Lanning asked Commissioner Farmer for the rationale behind his motion to give Mr. Berggren a three percent salary increase. Commissioner Farmer responded that it had been a mixed year. He noted that he had been “harsher” than the other Commissioners in his evaluation. He tempered his judgment regarding Mr. Berggren’s salary with where the general manager salary fell in the overall quartiles. He thought the Board had tried to address the quartile issue in the last couple of years and that Mr. Berggren should not be penalized for it in the years going forward. Nonetheless, he felt the Board needed to consider the other factors the utility had been faced with over the year.

President Menegat stated that the overall performance score had been 3.75 and 3.8 and above represented “exceeds expectations.” He said the utility had been faced with numerous situations over the year that had required Mr. Berggren to step out. He felt Mr. Berggren had addressed the issues well. He declared his support for a salary increase in the 5.5 percent range.

Commissioner Farmer asked what wage increase was budgeted for employees as a whole. Ms. Meyers replied that it had been budgeted at 3.6 percent.

Vice President Simpson averred that a 5 percent increase was warranted given that Mr. Berggren had more than met expectations. He indicated that he would not support a three percent increase.

President Menegat called for the vote.

The motion passed, 3:2; President Menegat and Vice President Simpson voting in opposition.

Mr. Berggren thanked the Board for its constructive criticism. He also thanked the Board for the merit increase in his salary.

ITEMS REMOVED FROM THE CONSENT CALENDAR

There were no items removed from the Consent Calendar.

The meeting adjourned at 9:02 p.m.

Assistant Secretary

President