

EUGENE WATER & ELECTRIC BOARD
REGULAR BOARD MEETING
EWEB BOARD ROOM
APRIL 3, 2007
7:30 P.M.

Commissioners present: Mel Menegat, Ron Farmer, and John Brown, Vice President John Simpson participated by telephone and Commissioner Patrick Lanning was excused.

Others present: Randy Berggren, Dick Varner, Tom Buckhouse, Debra Smith, Jim Origliosso, Lance Robertson, Ken Beeson, Patty Boyle, Katie Sproles, Jim Wiley, Roseanna McArthur, Jay L'Estrange, and Krista Hince of the EWEB staff; Ruth Atcherson, City of Eugene minutes recorder.

President Menegat convened the Regular Meeting of the Eugene Water & Electric Board (EWEB) 7:28 p.m.

AGENDA CHECK

There were no changes to the agenda.

PUBLIC INPUT

There were no members of the public who wished to speak at this time.

APPROVAL OF CONSENT CALENDAR

Minutes

- 1a. February 6, 2007, Work Session.
- 1b. February 6, 2007, Regular Board Meeting.

Business Service Agreements

2. Black & Veatch Corporation – Backwash System Upgrade at Hayden Bridge – Water & Steam Division - \$89,134
3. Lane Council of Governments (LCOG) – PAN-Telecommunications Consulting – Electric Division - \$30,000
4. OBEC Consulting Engineers – Backwash System Upgrade at Hayden Bridge – Water & Steam Division - \$73,194
5. TECHSTAR, Inc. – Systematic Operations Course – Electric Division - \$30,432.55

Resolution

6. Resolution No. 0712 – Reserve Transfers and Targets.

Vice President Simpson moved to approve the Items on the Consent Calendar.

Commissioner Brown noted that he had submitted corrections to the minutes via email. President Menegat acknowledged that the Board had received the corrections and deemed them, without objection, accepted.

Commissioner Farmer provided the second. The motion passed unanimously, 4:0.

ITEMS FROM BOARD MEMBERS

Vice President Simpson expressed interest in initiating a discussion on the development of a potential climate change policy. He noted that the Snohomish County Public Utility District had adopted a policy. He averred that development of such a policy would further demonstrate EWEB's environmental leadership in the region.

Commissioner Farmer had no objection to putting the item on the list for planned agenda items but he was uncertain as to what "climate change policy" meant. He did not want to undertake a large scale effort that could potentially undermine all of the work that went into the Integrated Energy Resource Portfolio (IERP) process.

Commissioner Brown indicated his support for the item, adding that he believed it was timely and worthy of discussion.

General Manager Randy Berggren noted the Board's approval of the item and said he would include it in the Agenda Report queue.

Commissioner Brown stated that Eugene Mayor Kitty Piercy would be speaking at the City Club on April 6 regarding the master planning process for the EWEB riverfront property. He intended to go as a City Club member. He encouraged the other Commissioners to attend.

President Menegat reported that the Building Advisory Team (BAT) had met and a summary of that meeting had been provided to the Board.

CORRESPONDENCE

Mr. Berggren reported the following correspondence:

- Board members received a copy of the response letter to State Senator Vicki Walker acknowledging her interest in the issue of metal theft on EWEB's behalf.
- Power Resources Division Director Dick Helgeson sent Commissioners a memorandum regarding the climate change symposium scheduled for 8 a.m. to 3 p.m. on April 19. Mr. Berggren noted that three staff members were attending as was President Menegat and there were two more seats should the other Commissioners be interested.

BOARD AGENDAS

Mr. Berggren reviewed the *Eugene Water & Electric Board Agenda Report* dated April 3, 2007. He reiterated that the climate change policy item had been added to the queue. He stated that

the Work Session scheduled for April 17 would be solely focused on the Roosevelt building project with the possibility that the Board may choose to take action during the Regular Board Meeting. He noted that another Executive Session was scheduled for the latter part of April regarding the headquarters land sale. Additionally, a joint meeting between the Board and the City Council had tentatively been reserved for May 30, to be convened in the EWEB Board Room.

Budget Amendment Nos. 1, 2, and 3 - Major Projects

Treasurer Jim Origliosso explained that there were two budget amendments related to the electric utility, both reflecting changes to the Capital Improvement Program (CIP). He related that the previous year had been unusual in that there had been a positive budget variance of \$4 million. He attributed this to the work stoppage, work that had been completed for less than the budgeted amount, and work that had been deferred. He outlined the two amendments. He noted that the scope of the Carmen-Smith relicensing project had increased and had not been included in the CIP as proposed in September.

Continuing, Mr. Origliosso stated that the third budget amendment was in regard to the water utility CIP. He clarified that it would help fund the two technological projects the electric utility budget amendments included as the project was shared between the two facilities, with 86 percent of the responsibility falling on the electric utility and 14 percent of the responsibility falling on the water utility. He said the amendment would be funded by reduced expenditures in other projects.

Commissioner Brown asked how the Roosevelt building project affected the work. Information Services Manager Terry Bequette replied that the primary headquarters building was being rewired and the amendments were intended for existing facilities. Commissioner Brown asked if the Roosevelt building project could be included in the work. Mr. Bequette replied that it was not covered in the bids that had been received for this particular project.

In response to a follow-up question from Commissioner Brown, Mr. Berggren stated that improvements included in City projects, such as the undergrounding project for River Avenue, were paid for by the EWEB ratepayers and the City did not collect money nor did it reimburse money to EWEB for that aspect of the work.

Commissioner Farmer expressed surprise that the budgeted telecommunications items cost had increased by 200 percent. He had hoped the improvements in scoping the work that Electric Division Director Jim Wiley had kicked off would help avoid these types of discrepancies. He attributed it to a lack of due diligence.

Mr. Origliosso surmised that the placeholder in the budget had been cursory. Mr. Bequette said staff thought \$200,000 would be sufficient as originally the project only intended to expand the band width. He explained that staff had determined that installing a change in technology would be prudent at this juncture and this change had altered the wiring requirements for both buildings. He

underscored that it was only when EWEB had received bids on the project that the cost had been truly understood.

Commissioner Farmer asked that staff somehow denote items in the CIP that held a high degree of uncertainty. He felt under budgeting items created financial risk.

Mr. Berggren concurred.

In response to a question from Commissioner Brown, Electric Systems Engineering Manager Dean Ahlsten explained that the 2007 budget for River Avenue was part of the umbrella budget for undergrounding, which allocated \$300,000 to undergrounding on an annual basis.

Commissioner Brown asked who determined which undergrounding projects would be pursued. Mr. Ahlsten responded that it was largely an internal decision.

Commissioner Farmer observed that the cost of the project on River Avenue had increased by approximately \$100,000. He expressed concern that this was circumventing funding for the other undergrounding projects in the works. Mr. Ahlsten replied that the Coburg Road project had been reallocated for 2008.

In response to a follow-up question from Commissioner Farmer, Mr. Berggren affirmed that EWEB set aside \$300,000 annually for undergrounding. He explained that EWEB staff conferred with City Public Works staff to get ideas of where the next undergrounding project should be installed. He said the money was not always spent in a year, but EWEB was firm in its commitment to engage in undergrounding projects when possible.

Commissioner Farmer asked if the item listed at \$600,000 meant the working cash was \$600,000 less than it appeared. Mr. Varner replied that the money was reflected in the budget as a withdrawal from the capital reserve.

Vice President Simpson asked if a vendor had been selected for the phone switch. Mr. Bequette affirmed that the selection had been narrowed to one vendor.

Vice President Simpson remarked that more people were working from their homes and asked if the system would support telecommuting. Mr. Bequette replied that it would.

Commissioner Brown noted that the City assessed River Avenue businesses and residents for improvements through a Local Improvement District (LID). He asked how EWEB handled this. Mr. Berggren replied that EWEB did not contribute any money toward the City's project. He said ratepayers paid for the improvements.

Commissioner Farmer, seconded by Commissioner Brown, moved to approve the revised

2007 through 2011 Capital Improvement Program, Major Capital Project Budget Amendment No. 1, Omnibus Budget Amendment No. 2, Major Capital Project Budget Amendment No. 3 and the amendment to the Major Capital Projects List as delineated in Attachment 5. The motion passed unanimously, 4:0.

COMPARATIVE RATE STUDY CRITERIA

Senior Financial/Rate Analyst Patty Boyle restated staff's commitment to bring the Board information regarding the comparative rate position of EWEB compared to other utilities. She reviewed the schedule for the study, which would culminate in a Board action in October.

In response to a question from Commissioner Brown, Ms. Boyle stated that for comparison purposes a typical single family dwelling was considered to be 1,300 square feet.

Fiscal Services Supervisor Dick Varner elaborated, explaining that the energy management services people have come up with energy use profiles in each month of the year for a single family home of 1,500 to 1,700 square feet. He said they take those profiles and compare them to the rates of other utilities to determine what that "amount of house" would cost in another location.

Commissioner Brown asked if they considered how many people were in a residence. Mr. Varner replied that there was nothing specific to the number of residents. He said staff had looked at 30 or 40 houses and had averaged the consumption.

Commissioner Brown noted that the newer homes were much more energy efficient than the older stock and asked if there was a mean age of the homes that had been considered. Mr. Varner responded that the houses that had been studied were typically built in the 1960s and 1970s.

Commissioner Brown asked if staff had differentiated between houses that utilized ceiling heat, given that it was a very inefficient mode of heating. Ms. Boyle responded that they had not taken that into consideration but they certainly could look for it.

Mr. Berggren said it was possible to provide data on the relative inefficiencies of houses, but that was a different profile of study. He stated that for the purposes of this study staff had focused on what the same consumption pattern in another area would cost.

Mr. Varner remarked that one of the things on his "to do list" was to develop five or six strata of types of residential housing in order to construct profiles of different types of housing. He wanted to show the difference in consumption profiles between newer housing and older housing.

Commissioner Farmer felt the issue of consumption profiles was important to understand. He commented that the important thing to him was to understand the differences between utilities. He said then the Board and staff could make value judgments on whether the difference was worthwhile.

Vice President Simpson averred that the comparisons would show that EWEB was selling more than electricity.

Commissioner Farmer said in order to react to being different he needed to know why EWEB was different and what ratepayers were getting for it.

In response to a question from Vice President Simpson, Mr. Berggren said for him there were two attributes to the original proposal for a comparative rate position. He stated that one sought to gain insight into the comparable content of rates from a service and value perspective and the other one was a more global view in that EWEB had a lot of priorities on its plate and if it did them all the utility would have the highest rates in the region. He averred that EWEB needed a reference point that it did not want to exceed on a relative basis in the region.

Vice President Simpson observed that EWEB was the fourth bar from the right on the bar graph representing *Typical Single Family Dwelling Annual Electric Bill*. He thought customers were getting more than just electricity from EWEB. He suggested that the utilities “to the left of us” were not offering the services that EWEB offered such as zero interest loans for conservation. He said it would be interesting to see what percentage of the “EWEB bar” was attributable purely to electricity in relation to the others. He emphasized the importance of continuing to be conscious supporters of alternative energy.

Vice President Simpson expressed some concern that EWEB was not charging enough for water, given that it was the second bar from the left on the graph that delineated *Typical Residential Monthly Bill (9Kgal)*.

Commissioner Farmer reminded Vice President Simpson that the Board had voted for water rate increases.

Ms. Boyle remarked that this effort would not necessarily be the most precise measurement but she thought they would be able to draw reasonable conclusions from it. Mr. Berggren added that EWEB would likely gain better data for itself in spite of the vagaries between utilities.

In response to a question from Vice President Simpson, Mr. Berggren stated that the tiered rates would have a definite impact on the cost for the average number. He noted that comparators may or may not have tiered rates. He thought an adjustment of a component of the tiered rate structure could change EWEB’s comparative rate position.

Ms. Boyle noted that the use of annual consumption rates reduced the impact of the tiered rate structure on rates.

Vice President Simpson expressed some concern that the focus on residential comparators would overlook commercial comparators. Mr. Berggren thought it best to remain focused on

residential rates. Ms. Boyle noted that EWEB did have data on all customer classes.

Vice President Simpson suggested that staff provide the option of one-on-one sessions with Commissioners in order to help the Board members get grounded in the facts. Mr. Berggren said this would be no problem.

Mr. Varner cautioned the Board regarding inclusion of commercial rates, noting that some utilities would load its commercial rates to offset residential rates and vice versa.

Vice President Simpson indicated his support for the comparative rates study as presented by Ms. Boyle.

Commissioner Farmer felt ultimately the study would have to go to the bottom line cost of the product and then recognize it as a guideline and not an absolute.

Vice President Simpson viewed the cost of services as different for each EWEB customer because of the tiered rate.

Commissioner Brown asked Ms. Boyle to include information on water costs for Veneta, Junction City, Coburg, and Cottage Grove. Ms. Boyle replied that she would include the information in the basic charts.

Vice President Simpson noted that each bar on the bar graph represented average consumption for a single family. He requested that the Board be provided the rate structures of the different utilities EWEB was using for comparison. He also requested comparative figures on service reliability. Ms. Boyle indicated that she would try to obtain that data.

President Menegat said he was looking to determine why a kilowatt hour (KWH) at each utility cost what it cost. He also suggested that they review what employee costs were at the different utilities. He preferred to review data from the regional comparators.

Commissioner Farmer opined that the Board and staff would “beat this information to death” and ultimately it would be an “economic viewpoint.” He said if someone did not like the price of electricity here they would likely not put a business here, or on the other hand, the reverse could be true.

ADJOURNMENT

President Menegat adjourned the Regular Board Meeting at 8:45 p.m.

Regular Board Meeting
April 3, 2007
Page 8

Assistant Secretary

President