

EUGENE WATER & ELECTRIC BOARD  
REGULAR BOARD MEETING  
EWEB BOARD ROOM  
MAY 15, 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, Lance Robertson, Jim Wiley, Dick Helgeson, Mat Northway, and Judy Chase of the EWEB staff; Ruth Atcherson, City of Eugene Minutes Recorder; and members of the public.

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

### **AGENDA CHECK**

President Menegat requested a motion to extend the time for public input given that five people had signed up.

Commissioner Lanning, seconded by Commissioner Brown, moved to extend the Public Input portion of the meeting to 15 minutes. The motion passed unanimously, 5:0.

### **PUBLIC INPUT**

President Menegat reviewed the rules for public input.

**Ruth Duemler**, EWEB ratepayer, said she moved from San Diego for the water in the Eugene area. She alleged that the water in San Diego was undrinkable and in short supply. She did not understand why anyone would buy bottled drinking water. She had been appalled to learn that any industry could move into the area even though they used a great deal of water. She recalled that a former Commissioner had suggested that industries tap into the Willamette River and clean the water themselves. She asserted that heavy water users who did not pay their fair share were causing rate increases. She hoped that the largest users would pay the largest charges.

Ms. Duemler supported the idea of a public relations campaign to advertise how great the water was in the area.

**Brendan Lynch**, EWEB ratepayer and former Intern with the Water Management Services of EWEB, said he would soon graduate from the Energy Management program at Lane Community College. He related that he had participated in the Solar Power Discussion Groups that had arisen from the Lane County Energy Round-up and that had explored ways to raise awareness of locally distributed power generation. He recognized the valuable contributions that EWEB had made supporting renewable energy through its incentive and Green Power programs. He said as a citizen owner he wished to inform EWEB of a growing desire to create a community supported energy project. He stated that they seek to reestablish the citizen involvement committees within EWEB to address the inception and management of the project. He underscored that energy conservation and building design must come first but the community must be engaged in order to become energy

producers to offset consumption. He noted that the group consisted of members of the Eugene Sustainable Business Initiative, local solar installers, renewable energy educators, interested community members, and students. He related that they were just entering discussions to lay the legal framework to introduce a community supported energy project to the public. He said one working scenario would be to construct a collection of small-scale of photo-voltaic and solar thermal systems that would provide power and hot water to a group of homes or a large building through a net metered agreement and another proposal would be to build a medium-scale photo-voltaic generation system to produce and sell energy to the utility. He stressed that such projects were in line with the Integrated Energy Resource Portfolio (IERP) and would help EWEB achieve its goal of meeting the present and long-term energy needs of the community.

**Kathy Ging**, EWEB customer, cited a 1980 *Harvard Business Review* article entitled *Coming Market for Energy Services* that declared the time had come for new offerings by energy resource agencies. She supported a move toward being a “distributed utility.” She averred that solar energy caused no waste and was good for the environment. She referred to an article in the *Register Guard* that focused on the Autohaus, the first business to use EWEB’s new Green Power program. She related that the Autohaus utilized solar power. She said the television show *Nightline* had focused on an entrepreneur who invested in electric cars. She predicted that electric cars would soon be family-sized. She asserted that EWEB should recognize that bio-fuel would not be the panacea it was projected to be and that more drivers would have electric cars. She asserted that the questions around distributed utilities, solid transition, and utility companies becoming energy service providers had been discussed “for decades.” She read a portion of an article from *The Energizer*, published by the Solar Energy Association of Oregon that asked why solar energy had not been embraced by our culture given that it made sense. She provided her testimony in writing.

**Mike Hatton**, EWEB customer, said he was a long-time energy consultant and educator. He related that he had seen EWEB lead in demand side activities and programs. He thought this could serve as a foundation for EWEB to join the community and “take the next step.” He had witnessed a “marked change” in the community discussion and the level of interest in energy issues and the associated environmental impacts of those issues. He invited and encouraged EWEB to engage in the community discussion of alternative energy. He said the area was seeing “an unprecedented intersection of awareness and external events” that would shape future decisions and, in turn, frame the patterns of energy generation and use. He averred that EWEB should take a leadership role in this process. He suggested EWEB form a joint committee comprised of both staff and community members who could assist the Board in helping develop a new vision and policy direction to engage the utility in a meaningful way in the issues of the day, primarily climate change. He asked the utility to consider how EWEB could respond to rapidly changing shifts in demand for use.

**Anand Keathley**, EWEB customer, provided copies of his testimony in writing and CDs containing information related to it to the Commissioners. He stated that he was with the Lane County Energy roundup (LCER) Sustainability Education subcommittee. He hoped to convince the Board of the need to develop better ways to work to improve energy efficiency, conservation, and to increase renewable energy. He discussed the concept of peak oil, noting that he had included a copy of the *Portland Peak Oil Task Force Report* on the CD. He averred that the area was only seeing the

“tip of the iceberg” in gasoline price jumps. He believed transportation was shifting to electricity as a power source as a result. He concluded that the converging issues of peak oil, global warming, and an increased need for electricity left little time to address the changes in depth. He urged EWEB to lead the community in this.

President Menegat closed the Public Input portion of the meeting and called for comments from the Commissioners.

Commissioner Farmer said Ms. Duemler’s comments pointed to the challenge that educating the public presented. He said it would be hard to make people understand that EWEB had plenty of water and rate increases were being caused by the need to replace aging infrastructure.

Vice President Simpson commented, in regard to testimony on conservation and global energy, that he believed conservation needed to come first. He thought EWEB could do much to “squeeze more” efficiency out of the system through strong research and development efforts and conservation metrics. He thought the community was only seeing the tip of the iceberg in new energy saving technologies. He wished EWEB had a huge research and development budget so that it could be a national leader in this type of activity. He observed that EWEB was a “small fish in a big pond” of regional energy suppliers. He felt focusing on conservation efforts would give the community the best bang for the buck. He was uncertain at this juncture as to whether blanketing the community with photo-voltaic systems would truly provide a great benefit.

Commissioner Lanning thanked those who testified. He found the input to be beneficial.

Commissioner Brown said he wished more people would come and speak to the EWEB Commissioners and thanked those who had come.

President Menegat echoed Commissioner Brown’s comments.

## **APPROVAL OF CONSENT CALENDAR**

### **Minutes**

1. March 6, 2007, Regular Board Meeting.

### **Business Service Agreements**

2. Cascade Machine Company – Case Model 580 Super M Series 2 Backhoes – Shop Facilities – Corporate Services Division - \$203,220
3. Delta Environmental – Rainwater Catchment Sampling & Analysis – Water Division - \$35,000
4. K4 Electrical Systems, Inc. – Leaburg Canal Hazard Mitigation Project – Electric Division - \$74,143
5. USDA Forest Service, Willamette National Forest – Carmen-Smith Recreation Complex Maintenance – Generation Department – Electric Division - \$22,000
6. Verb Marketing & PR – Water Communications Plan – Water Division - \$35,000
7. Westates Flagman Escort, Inc. – Flagging Services – Water and Electric Divisions - \$200,000 electric, and \$100,000 water

### **Resolutions**

8. Resolution No. 0714 – Creation of a committee for the General Manager’s Performance and Salary Review
9. Resolution No. 0715 – Post-Retirement Medical Plan Trust.

Commissioner Farmer pulled Items 8 and 9 for discussion.

Commissioner Brown, seconded by Commissioner Lanning, moved to approve the Consent Calendar with the exception of Items 8 and 9. The motion passed unanimously, 5:0.

### **ITEMS REMOVED FROM THE CONSENT CALENDAR**

Commissioner Farmer said his question on Resolution No. 0714 was housekeeping in nature. He noticed in (D) under the policy BL-5 language that it indicated that “draft goals” would be presented at the beginning of the year. He asked why it said ‘draft.’ President Menegat understood that this meant the General Manager would draft the goals and the Board would adopt them.

Commissioner Farmer asked where it said the Board would approve the goals. President Menegat replied that he did not see this specifically directed in the policy. Commissioner Farmer suggested the item be revised and brought back to the Board.

Assistant to the General Manager Debra Smith noted that Human Resource Manager Jean Meyers had requested two approvals, one for the governance policy BL-5 and the other was for Resolution No. 0714 (Post Retirement Medical Plan Trust). She noted that BL-5 had not made it into the Consent Calendar and suggested that it be revised and submitted for the next Consent Calendar in June.

The Board agreed to defer the item until it could be revised.

Commissioner Farmer commented, regarding the section of Resolution No. 0714 that referred to appointments to the committee that it seemed that appointments should be to serve for one year. He thought it should include some language that indicated how long the appointments were for.

President Menegat recalled that some of the appointments were anticipated to continue for more than one year.

Commissioner Farmer said he took no issue with continued service on the committee by one Commissioner.

Vice President Simpson related that the committee hoped the terms would be for three years in order to maintain consistence. Commissioner Farmer responded that he was not opposed to having a committee member serve for three years, but commented he merely thought it should be included in the resolution language.

President Menegat ascertained that Resolution No. 0714 would be deferred to another meeting in order to refine the language.

Regarding Resolution No. 0715, Commissioner Farmer said he wanted to clarify that no other government entity had moved to establish such a trust. He asked if there was any sense of danger in being the first. Treasurer Jim Origliosso replied that it was the general sense of the finance staff that the danger lay in delaying action. He said it was a good bond rating point to address the unfunded liability. He commented that some entities were “burying their heads in the sand.”

Commissioner Farmer asked if the plan was paying for the trustees that would administer the fund. Treasurer Jim Origliosso replied that it would come from the earnings of the plan.

Commissioner Farmer said if trust assets were being used to pay all of the administrative staff, would it mean that EWEB would ultimately have to pay more. Mr. Origliosso responded that it might mean that EWEB would be paying for less than it was currently funding. He explained that EWEB intended to put \$7.5 million into the trust at present because the permitted investments that EWEB could make on behalf of its plan were more conservative and lower yielding than investments that the trustee would be allowed to make.

In response to a follow-up question from Commissioner Farmer, Mr. Origliosso elaborated, explaining that EWEB could anticipate a greater return on its investments this way. He stated that EWEB was currently allowed to invest in short-term agencies, and under the plan the trustees would be allowed to invest in a mixture of fixed assets, real estate, and vested trusts.

Commissioner Farmer noted that the language referred to the General Manager. He asked whether this referred to the General Manager of the trust or General Manager Randy Berggren’s position. Mr. Origliosso said Mr. Berggren would be given the authority to set up the trust and to appoint trustees. He noted that one of the trustees was supposed to be an outside person, a Commissioner serving in an *ex officio* capacity, whose primary obligation was to ensure the trust did nothing illegal.

Commissioner Farmer asked what would happen if EWEB invested money in the trust and the trust went “south;” and who would have liability. Mr. Origliosso replied that in general EWEB would have responsibility for the plan.

In response to a question from Vice President Simpson, Mr. Origliosso affirmed that Mr. Berggren would appoint the Commissioner member of the trust. Mr. Berggren added that he would consult with the Board.

Commissioner Brown asked what motivated EWEB to form this trust. Mr. Origliosso replied that it was largely due to the Government Accounting Standards Board (GASB) statement 45, regarding the funding of post-retirement medical benefits.

Commissioner Brown asked if other municipalities were forming this type of trust. Mr. Origliosso affirmed that EWEB was not the only one, but it was the first in Oregon to do so.

In response to a question from President Menegat, Mr. Origliosso stated that the Resolution called for an annual audit of the trust.

Vice President Simpson, seconded by Commissioner Farmer, moved to approve Resolution No. 0715, a Resolution to establish a post-retirement medical plan trust in accordance with the Government Accounting Standards Board statements 43 and 45. The motion passed unanimously, 5;0.

## **ITEMS FROM BOARD MEMBERS**

Commissioner Brown related that he had been on the McKenzie River recently. He expressed dismay at the continued degradation of the riparian area. He averred that the County had zero enforcement of land use regulations. He wanted to be proactive about opposing further installation of septic tanks in proximity to the riparian zones by the river.

Commissioner Lanning thanked Commissioner Brown and staff for the proactive response from EWEB on the smolt migration issue, for which a letter of gratitude had been sent by Tim Wright of the Department of Fish and Wildlife (ODF&W).

Commissioner Lanning encouraged his colleagues to attend the Lane Council of Governments (LCOG) event planned for June 7. He felt it presented an opportunity to teach more about LCOG and the work it does.

Additionally, Commissioner Lanning related that he had been offered a job at another institution of higher education. He said this may impact his ability to serve on the Board. He felt his new position would help him be able to address core school funding issues. He stated that community colleges in Oregon had dropped to 46<sup>th</sup> in the nation. He said for him access to higher education should not be a privilege it should be a right. He opined that our society was heading in the wrong direction.

Commissioner Farmer reported that he would be attending the Northwest Energy Coalition (NWECC) conference in Boise, Idaho on May 19. He said the NWECC had circulated a draft resolution. He related that he would not vote in favor of or in opposition to the resolution because the draft had only been circulated the day before and there had not been adequate time to process it at the Board level. He did not wish to vote independent of Board consensus. He stated that the resolution called for cutting greenhouse emissions by two percent per year.

## **CORRESPONDENCE**

Mr. Berggren reported that the third annual Safety Break celebration was planned for the following day from 11:30 a.m. to 3 p.m. Representatives of the Occupational Safety and Hazard Administration planned to be present to give EWEB the Safety and Health Achievement Recognition Program (SHARP) award. He encouraged the Commissioners to attend.

Vice President Simpson, Commissioner Brown, and Commissioner Farmer indicated they would attend for a portion of it.

Mr. Berggren reported the following items of correspondence:

- A public meeting was scheduled to be held upriver at the Vida Community Center at 7 p.m. on May 17 regarding the Leaburg Lake raise.
- Board packets included a memorandum sent by Intergovernmental Affairs Coordinator Deborah Brewer and External Communications Coordinator John Mitchell containing a *Summary of EWEB's Conservation and Renewable Energy Efforts* dated May 7, 2007.
- As called out by Commissioner Lanning, two letters had been received from ODF&W and the Leaburg Hatchery thanking EWEB for its efforts to improve the river's flow to help steelhead smolts.
- Board packets included an *Update on Q1 Outage Indices* submitted by Reliability Distribution Manager Dave Koski.

## BOARD AGENDAS

Mr. Berggren reviewed the items for future agendas. He thought the second item regarding whether public input speakers should include their home addresses, could be handled administratively. He related staff's feeling that having the speaker establish whether or not he or she was an EWEB customer was adequate. He highlighted the *Eugene Water & Electric Board Agenda Report* dated May 8, 2007.

## 2007 FIRST QUARTER FINANCIALS

Treasurer Jim Origliosso provided a power point presentation on the first quarter financials, summarized in a memorandum entitled *First Quarter Financial Statements* dated May 7, 2007. He predicted that the targets for cash reserves would be met. He said net operating revenue was up by \$4.5 million from the previous year, though the warmer than average March had lowered residential power sales.

In response to a question from Vice President Simpson, Mr. Origliosso said the financial projections had been based on an 85 percent hydro year, but the year was at 90 to 95 percent of average.

Mr. Berggren said the budget looked secure thus far.

Mr. Origliosso observed that the capital budget had "seasonality" in it. He said there were projects scheduled for later in the year. He reported that the three largest draws on the capital budget would be the Willamette Substation, Carmen-Smith relicensing related work, and the Roosevelt building project.

Mr. Origliosso related that the operating budget comprised 21 percent of the total budget for the electric utility.

Commissioner Farmer asked if the drop in the current ratio from 3:1 to 2:1 was attributed to using cash to fund some of the capital projects. Fiscal Services Supervisor Dick Varner replied that the Board was looking at a first quarter number and the target number was a year-end number. He said EWEB tended to have the best ratio at the end of the first quarter because of the good wintertime power sales and that expenses were low.

Mr. Origliosso reviewed the first quarter financial report for the water division.

Vice President Simpson asked what the target was for minimum working cash. Mr. Origliosso replied that the utility preferred to have between \$1.5 and \$2 million, but at this point it was low. Mr. Varner added that it was good to have \$1 million at the beginning of June in order to make it to the summer increase in usage. The water utility always had a net loss in the first two quarters.

Mr. Origliosso reported that the capital budget was 24 percent spent, which was appropriate for the end of the first quarter.

In response to a question from Commissioner Brown, Mr. Varner explained that the Contribution in Lieu of Taxes (CILT) was a function of EWEB's relationship with the City. He stated that EWEB paid the City 17 percent of its net profit on wholesale sales. He said because EWEB had "put options" that were "deep in the money" the profit was based on the difference between what power was sold for and what the index was. He believed this was an issue that should be discussed with the City, as it did not seem fair to pay taxes on "puts." Mr. Berggren agreed, adding that EWEB ought to be able to average it out with its losses.

Commissioner Brown asked why EWEB gave a small payment to Springfield. Mr. Varner replied that it was because Weyerhaeuser was located there.

Vice President Simpson asked why wholesale sales were 32 percent higher. Mr. Varner responded that EWEB budgeted for gross sales and gross purchases. He said accounting standards directed that only the net flow of money should be recorded and not the megawatt hours.

Commissioner Farmer found the information to be much improved from the previous report. He noted that the conservation expenses had increased and questioned how this had happened. Mr. Varner replied that the auditors had recommended a change in accounting practices. He said because EWEB had "rate-based" the conservation and were not collecting it in the future, running it through the balance sheet was not the best way to go.

Commissioner Farmer noted the drop in industrial power sales and asked what it could be attributed to. Mr. Varner was not certain. He thought it could have something to do with how Hynix Semiconductor, Inc. was doing things.

Commissioner Lanning left the meeting.

## **2007 FIRST QUARTER GENERAL MANAGER'S GOAL STATUS**

Mr. Berggren reported that he did not anticipate meeting the goal under the operational performance measure (OPM) for conservation, as it was a project-by-project effort. He said the other goal under OPMs that might not be met was in regard to call center availability. He stated that EWEB had hired more customer service representatives and was in the process of installing an upgrade to the system. He predicted service would improve once the personnel were trained and the new system was on line.

In response to a question from Commissioner Farmer, Mr. Berggren said a meeting with Federal Energy Regulation Commission (FERC) representatives had been scheduled for the following day and he sensed that at the latest a reliable cost estimate for the Carmen-Smith relicensing project would be ready by the third quarter. He said staff was uncertain of the risks and the options that would happen if EWEB did not ask for an extension.

Regarding the master planning process with the City, Commissioner Farmer observed that the goal was for a July date of approval. He thought it highly unlikely that this would happen. He wondered if another timeline would be put in place. Mr. Berggren responded that they would all have a better sense of how things would transpire after the joint meeting with the City Council.

Commissioner Farmer recommended that the goal regarding the master plan be updated after the joint meeting.

Continuing, Commissioner Farmer related that he was concerned that the public, and in particular the press, were reading the backgrounders written by staff that contained a recommendation for action and assuming the action was a foregone conclusion. He noted that an editorial had appeared in the *Register Guard* imploring EWEB not to undertake a “branding” process, but the Board and staff had not really even begun any work on the issue. He encouraged the public relations staff to be very proactive.

Vice President Simpson said he appreciated the thoroughness of the report. He was pleased with the first quarter results.

Vice President Simpson averred that EWEB should be “ever vigilant” in its public relations messages. Mr. Berggren responded that the press in regard to the particular story that Commissioner Farmer had cited had misled staff.

Commissioner Farmer stressed that he had no interest in becoming less transparent.

In response to a question from Commissioner Farmer, Mr. Berggren said *Initiative 1.1*, having to do with customer service, was changed but it was not “dead.”

Commissioner Farmer expressed concern regarding *Initiative 3.2*, which had to do with securing existing water rights while developing a diverse drinking water supply. He felt work was slowing down in that area. Mr. Berggren responded that he had a lot going on particularly in regard to the economic aspects of the regional water supply. He hoped to come back to the Board in June with an economic feasibility assessment.

Commissioner Farmer felt there was not much structure in place for *Initiative 3.4*, an initiative that sought to enhance communication and understanding on issues of mutual concern and/or interest to the City of Eugene and EWEB.

## **CUSTOMER SERVICE POLICIES**

Mr. Origliosso recalled that the draft Customer Service Policies had been brought before the Board in a Work Session in April. He said the Board had been provided a final copy with all of the changes denoted in red. He recommended that the Board approve the policies.

Commissioner Farmer said he could not find anything in the policies that raised concern for him.

Commissioner Farmer, seconded by Vice President Simpson, moved to approve the revised Customer Service Policy outlined in the backgrounder dated *April 27, 2007*. The motion passed unanimously, 4:0.

### **WATER SECTION OF CUSTOMER SERVICE POLICIES**

Water & Steam Divisions Director Tom Buckhouse stated that information on the revisions to the Water Service Conditions section and the Steam Service Charges and Rates section of the EWEB Customer Service Policies and Procedure had been provided to the Commissioners. He requested Board approval of the revisions.

Commissioner Farmer echoed his comment on the previous item.

Commissioner Brown, seconded by Vice President Simpson, moved to approve the revisions to the Water Services Conditions section and Steam Service Charges and Rates section of the EWEB Customer Service Policies and Procedure. The motion passed unanimously, 4:0.

### **ADJOURNMENT**

President Menegat adjourned the Regular Board Meeting at 9:10 p.m.

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Assistant Secretary

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President