

EUGENE WATER & ELECTRIC BOARD
WORK SESSION
EWEB BOARD ROOM
JUNE 5, 2007
5:30 P.M.

Commissioners present: Mel Menegat, Ron Farmer, and John Brown. Commissioners Patrick Lanning and Vice President John Simpson were excused.

Others present: Randy Berggren, Dick Varner, Tom Buckhouse, Jim Wiley, Debra Smith, John Yanov, Deborah Brewer, Brenda Sirois, Kevin Biersdorf, Marty Douglass, Dick Helgeson, and Krista Hince of the EWEB staff; Ruth Atcherson, City of Eugene minutes recorder.

President Menegat convened the work session of the Eugene Water & Electric Board (EWEB) at 5:30 p.m.

STRATEGIC PLANNING REVIEW

Employee, Customer & Community Services Director Debra Smith stated that the item was a follow-up to the March 13, 2007, Strategic Planning Session, which had included an environmental scan and had resulted in a list of things the Commissioners felt were of strategic importance. She averred that through the course of the discussion the priorities cited by the Board were largely consensus priorities. She provided a power point presentation of the consolidated notes taken from the session.

Commissioner Farmer commented that he had the most questions about the *Customer/Stakeholder Perspective*. He felt the Board needed to establish a target around rate affordability.

General Manager Randy Berggren noted that the intent of developing an affordability index was to determine where the rates should be in relation to the economics of the area.

Commissioner Farmer said he wanted to ensure that the Board was aware of the index when taking action that could affect ratepayers.

In response to a question from Commissioner Farmer, Ms. Smith said she had extrapolated from the conversation regarding political relationships that the Board wanted both the staff and Board to be more engaged in the community and more engaged in those areas that EWEB could influence.

Commissioner Farmer averred that each strategy should have an expected outcome and in respect to political relationships there did not seem to be any. Ms. Smith replied that when staff and the Board had “brainstormed this” it had not resulted in any outcomes. She hoped to gain a sense of the desired outcome from the Work Session.

Ms. Smith asked what outcome Commissioner Farmer would like to see. Commissioner

Farmer responded that he wanted a better working relationship with the City.

Commissioner Brown remarked that had he been a Commissioner when the Mayor's Sustainable Business Initiative (SBI) Task Force had been convened he would have "pushed [his] way" into the process. He opined that if participation by the public utility was not integral to that process he did not know what would be. He added that the political relationships were not just limited to that with the City Council; EWEB also needed to foster its relationship with legislators.

Commissioner Farmer recommended that a management plan be developed around those issues. He thought EWEB needed to think about what the Board wanted to do and then determine how to "get the city on board."

President Menegat agreed with Commissioner Farmer, but he had "mixed feelings" about it. He believed that times had changed and EWEB now needed to play more of a political role.

Ms. Smith observed that when disseminating public information EWEB needed to be just as effective in conveying the good news as it was with other information. She said they were working on a strategy on how to accomplish that.

Commissioner Farmer felt the Board needed to state the goal and the staff should develop the strategies or action steps to achieve the goal.

Ms. Smith asked what the goal of public information should be. Mr. Berggren said the goal of public information was to create a positive customer perspective on major activities undertaken by the utility.

Commissioner Farmer agreed with that goal. He had been concerned because at times it seemed the newspaper would cover an item for which staff was exploring recommendations and the public would react as if a decision had already been made and implemented. He did not want to make decisions without educating the public about them.

Commissioner Brown concurred. He thought putting things into layman's terms so the public could have an understanding of why things were being done in a certain way helped people recognize the need for certain expenditures and the corresponding increase in rates.

President Menegat observed that customers often looked at individual components of the utility's activities as they affected them individually, such as tree trimming or outages, but the community as a whole saw the utility as community resource. He thought EWEB provided multiple avenues for public access to information, citing *The Pipeline* as an example. He commented that it seemed when the utility had public hearings they heard from "the same four people." He was concerned that the Board was not receiving adequate input from ratepayers.

Ms. Smith stated that staff shared that concern. She said one of the challenges lay in finding

more representative feedback from the community.

Commissioner Farmer asked if EWEB was looking forward in order to determine what the potentially controversial items would be for 2008. Ms. Smith replied that EWEB was dealing with a constantly shifting set of issues. She said sometimes EWEB was taken by surprise. She also noted that the public affairs division was undertaking a more formal process for the formation of a four-year work plan.

Public Affairs Manager Marty Douglass said the division had tried to take a long-range approach to a couple of issues, such as the Roosevelt relocation project and the water infrastructure issue. He noted regarding the latter that Public Affairs was putting together a plan for public information through 2008.

Ms. Smith noted that the contract for the benchmark survey was up at the end of 2007. She thought it could lead to finding a different way of approaching public information. Mr. Douglass agreed, adding that it could lead to a significant revamp of the survey.

Commissioner Farmer said he wanted to know how customers' felt about the decisions the Board was going to make. He suggested, as an example, that it would be good to know whether customers wanted a secondary water source if it would increase their bills and whether customers wanted EWEB to provide more conservation.

Commissioner Brown did not think EWEB could get people to come to the utility to say what they thought about an issue. He believed that EWEB needed to "push" the information out to the public. He recommended that the Board and staff take any opportunity to "get in front of a crowd," such as neighborhood association meetings and public forums.

Mr. Douglass observed that the public meeting on the Roosevelt relocation project held at Peterson Barn had been well attended.

Commissioner Farmer remarked that he was as interested in the opinions of people who were not directly affected by a Board decision as those who were directly affected.

Commissioner Brown said, regarding the affordability index, that when the cost of living was measured against the cost of housing, it was generally measured against the mean income of a community. He pointed out that if EWEB did not factor this in it would not get an accurate picture of the local community.

Mr. Douglass related that on several occasions staff had tried to bring up other cities as comparators when talking with the public. He agreed that people look at the rate charged by EWEB in the context of their own daily living and the comparisons were not relevant to them.

Commissioner Farmer reiterated that any time EWEB was educating the public about what the utility was doing there needed to be some discussion on how it affected affordability.

President Menegat anticipated that they would be able to look at EWEB's long-range financial plan and surmise where the "blips" from different projects would fall. He thought they would be able to determine what a reasonable point on the affordability index would be.

Ms. Smith recalled that the discussion about *Financial Perspective* largely focused on balancing potentially conflicting priorities and ensuring the resources were available for larger financial challenges that could arise.

Commissioner Farmer averred that financial perspective included stability and flexibility. He thought EWEB should have the stability to address whatever projects the utility was faced with and enough of a cushion to provide flexibility in order to respond to emergent needs. He commented that though EWEB had benchmark targets it did not always have a plan for when it intended to achieve those targets.

In response to a question from Ms. Smith, Commissioner Farmer said there was not enough focus on the financial impacts of an action when the Board was voting on an item. He felt the Board often voted based on what was thought to be the right thing to do without focusing on the financial picture.

Commissioner Brown supported building reserve funds for the future now. He commented that in reviewing the financial plan for the water utility, he saw the reserve allocation for the direct but not the indirect costs into the future. He did not want to strap the future with huge projects.

Commissioner Farmer agreed. He opined that if the EWEB board and staff were "really good financial planners" they would be planning a sinking fund for the relicensing process for Leaburg/Waltermville that was 40 years away.

President Menegat commented that he did not know whether he needed to know every dollar amount that would affect targets and ratios. Mr. Berggren responded that there was a threshold of impact where it began to have a "cumulative opportunity to shift." President Menegat surmised that it might be good to review this when considering governance.

Ms. Smith commented that the utility was able to manage variable costs but the three to five percent cost escalation for fixed costs was less manageable. She asked if planning and development of additional revenue sources was an objective.

Commissioner Farmer affirmed that it was, adding that the utility needed to determine how to address cost escalation.

Ms. Smith remarked that economic development, "though not necessarily a comfortable set of words in this community," was one way revenue enhancement would occur.

Commissioner Farmer observed that some utilities Web sites featured programs developed around economic development. He noted that the Tennessee Valley Authority had “a huge effort” around development.

In response to a question from Commissioner Brown, Mr. Berggren affirmed that EWEB charged for use of its power poles by other cable users.

Commissioner Farmer suggested that different items be looked into such as offering an Internet cable service or charging for trimming of trees for the purpose of revenue enhancement.

Ms. Smith asked if the Board saw economic development as one strategy. She noted that it was not EWEB’s role to engage directly in economic development. She related that EWEB’s key accounts staff worked with the State Labor Commission staff on a regular basis and when there were entities interested in the City of Eugene EWEB was a part of that package. She said EWEB had an attractive package on the commercial side of things.

Mr. Berggren said when a larger customer came into town and wanted to make a better deal it was not possible for EWEB to do so and to also maintain service-based rates. He observed that this brought up the question of whether economic development should be subsidized or not.

Commissioner Farmer opposed such subsidization.

Commissioner Brown concurred. He could not conceive of one user receiving a subsidy on the backs of other users.

President Menegat indicated that he was generally opposed to subsidization of economic development but he might be willing to take a look at a proposal that included something that would generate several hundred jobs, as an example.

Ms. Smith moved on to the *Internal Operational Perspective*. She said it would be helpful to staff to be very clear relative to the secondary water source.

Commissioner Farmer stated that his priority was to formulate a plan to deal with regional water issues. He thought it was more important than a secondary water source, although that was important.

President Menegat said finding a secondary water source was a primary concern for him. Regarding regional water issues, he indicated that he needed more information in order to determine the magnitude of the issue in relation to EWEB. He stated that preparing for the post-2011 power allocation from the Bonneville Power Administration (BPA) was an area of great uncertainty for him and for the utility.

Commissioner Farmer declared that the post-2011 agreement with the BPA was a very

important issue. He thought EWEB should plan for what they expected the decision on power allocation to be.

Ms. Smith observed that the discussion on research and analysis had not been targeted on one issue. She did not think it would have a specific piece of work attached to it.

Commissioner Brown recalled that Commissioner Lanning had cited wave generation as a potential research item.

Commissioner Farmer said it was a question of being out “ahead of the curve” or not.

Mr. Berggren recalled that EWEB had made an overt risk management decision not to be on the leading edge of wind power.

Ms. Smith noted that the fourth item under *Internal Operational Perspective*, Renewable Portfolio Standard (RPS), was queued up for discussion at the next board meeting.

Ms. Smith moved on to the *People and Cultural Perspective*. She stated, regarding staffing, that there were a number of different strategies currently at play. She said there were three items that were people-related in the current strategic plan. She felt EWEB had made a lot of progress.

Commissioner Farmer observed that the staffing issue was not unique to the utility industry. He said the huge number of baby boomers that were reaching retirement age was hitting many businesses.

Ms. Smith summarized the discussion. She said it was important to have one strategic plan shared by both staff and the Board. She reviewed the *Next Steps*. She hoped to have something before the Board in November for adoption and potential inclusion in the General Manager’s goals.

ENHANCED EWEB/CITY COMMUNICATIONS – INITIATIVE 3.4

Intergovernmental Affairs Coordinator Deborrah Brewer highlighted the proposed language for *Strategic Initiative 3.4 Enhanced EWEB/City Communication*.

Mr. Berggren remarked that the spirit of the work was good but it was important for both entities to have the same sense of priority. He said the list of EWEB/City issues was not complete at this point, noting that it contained 34 items. He cited the transportation system maintenance fee (TSMF), which the City had hoped EWEB would include on its bill, as one example from the list. He related that another item was fire hydrant maintenance, which the City had asked EWEB to assume responsibility for but had not included any funding for. He said while it was occasionally possible for staff to address an issue, most of the issues on the list fell under the purview of the elected officials because they rose to the level of political decisions.

President Menegat said though he had seen the list he had not seen all 34 issues. He wondered what the cost lay in “saying no” to the City and what it cost to keep an issue on the list. He had some concern that the number of issues made the list unwieldy and that the list could create a “morass of compromises.”

Mr. Berggren averred that it would be useful to gain some sense from the Board of what the boundaries were around the issues.

Ms. Brewer commented that in the past all that the Board could do was to describe EWEB’s position on an issue and hope to gain some understanding. She was uncertain as to whether that approach would achieve “any success on the other end.”

President Menegat cited the fire hydrant example, noting that it would cost \$200,000 annually. He said while he might not feel strongly about opposing it another Commissioner could feel differently and they could convey different messages to the councilors they spoke with. Mr. Berggren agreed that it would benefit the discussion for all involved to have “the same facts.” He remarked that when he spoke to City Manager Dennis Taylor he always sought to leave the conversations with a complete understanding of his side whether he agreed with him or not.

Commissioner Farmer likened Mr. Berggren’s job to EWEB’s lobbyist at the city level. He said Mr. Berggren was lobbying for the utility’s objectives. He observed that the challenge lay in putting together a plan of action to get the City Council to support EWEB’s activities at the political level. He felt that it was not so much a question of what staff could do for the Board in order to facilitate this as it was a question of what the Board could do for staff to help get the plan achieved. He added that he did not want to get the Board embroiled in operational issue discussions. He noted that when he reviewed the list he was uncertain what some items even involved. He had not seen more than four or five items on the list that rose to the level of being policy issues. He did not believe the fire hydrants issue, as an example, merited a policy discussion. He preferred, from an operational standpoint, that Mr. Berggren come to the Board and say that he did not agree to conduct maintenance on fire hydrants for the city because it did not make sense for EWEB to do so. He also commented that he did not want to have meetings with the City Council merely for the sake of holding joint meetings. He only wanted to convene a joint meeting of the council and the Board if there was a significant issue.

Commissioner Brown referred to the four questions in the memorandum outlining the strategic initiative and indicated he would answer no to the first four, i.e. he did not want to continue regular one-on-one meetings with councilors, he did not want to participate in an orientation for new Commissioners or councilors, and he did not wish to receive a copy of the list of EWEB/City issues. Per the fourth question, he was not certain whether he wanted to establish regular joint meetings with the City Council. He noted that the Police Commission had an annual work session with the council. He suggested that EWEB give the council an opportunity to hold a joint meeting once a year if the council would like to do so. He added that if there was a board-level strategic initiative that involved a collaborative process with the council, then the Board and staff needed to work to

find the middle ground with the city in order to further the process. He said each individual needed to look at what their relationships were with the councilors and how they could communicate with them.

Commissioner Farmer said he intended to formally meet with the key councilors in the wards that he represented.

Ms. Brewer asked if there was anything to be added to the present information. Commissioner Farmer responded that Commissioner Lanning could lend additional insight. He noted that when he had come on the Board there was a “lingering animosity” between the City Council and the Board that he had not understood. He felt this initiative was a pushback from Commissioners to address this.

Ms. Brewer remarked that a division manager with the City Public Works Department had commented to her in an email that this was the best relationship between EWEB and the city in years.

President Menegat adjourned the meeting at 7:26 p.m.

Assistant Secretary

President