

EUGENE WATER & ELECTRIC BOARD
REGULAR BOARD MEETING
EWEB BOARD ROOM
SEPTEMBER 4, 2007
7:30 P.M.

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

Others present: Randy Berggren, Jim Wiley, Marty Douglass, Dick Helgeson, Dick Varner, Lance Robertson, Jay Bozievich, Terry Bequette, Debra Smith, Jim Origliosso, Mel Damewood, Steve Newcomb, and Krista Hince 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). He noted that Commissioner Lanning was excused.

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. January 31, Regular Board Meeting
- 1b. June 19, 2007, Work Session
- 1c. June 19, 2007, Regular Board Meeting
- 1d. August 7, 2007, Regular Board Meeting

Business Service Agreements

2. Axelrod, LLC – Coal Gas Site Investigation – Environmental Management – Employee, Customer & Community Services Division –
3. CDI Vaults – Offsite Record Storage Services – Office Systems – Information Services.
4. Gartner, Inc. – Utility Industry IS Advisory Subscription – Information Services – Corporate Services Division
5. Interactive Intelligence, Inc. – Internet Protocol Telephone System (IPTS) – Information Services – Corporate Services Division.
6. Oregon Electric Construction, Inc. dba Integrated Systems Group – Installation and Modified Horizontal Structured Cabling System for EWEB HQ Building – Information Services – Corporate Services Division.
7. Portland Energy Conservation Inc. (PECI) – “Change a Light, Change the World” – Energy Management Services – Power Resources Division.
8. R2 Resources Consultants, Inc. – Leaburg Rollgate Mortality Study – Compliance Management – Electric Division.

9. Standard Utility Contractors, Inc. – EWEB Headquarters Fiber Backbone – Information Services – Corporate Services Division.
10. TECHSTAR, Inc. – Systematic Operations Course – Electric Division.

Resolution

11. Resolution No. 0714 – Creation of a Committee for the General Manager’s Performance and Salary Review.

President Menegat pulled Item 11, noting that a wording change had been recommended during the Work Session.

Vice President Simpson, seconded by Commissioner Brown, moved to approve the Consent Calendar with the exception of Item 11. The motion passed unanimously, 4:0.

ITEMS REMOVED FROM THE CONSENT CALENDAR

President Menegat indicated the following wording change in Resolution No. 0714, a resolution regarding the creation of a committee for the General Manager’s performance and salary review:

- paragraph 7, last sentence: “Subsequent appointments, ~~if needed~~, will occur at the first Board meeting of each calendar year.”

Commissioner Brown, seconded by Commissioner Farmer, moved to approve Resolution No. 0714, as amended. The motion passed unanimously, 4:0.

ITEMS FROM BOARD MEMBERS

Commissioner Brown said he would speak to the Rotary Club on September 13. He noted that Governmental Affairs Coordinator Deborrah Brewer and External Communications Coordinator Lance Robertson had been very helpful in providing him with good information.

Commissioner Farmer announced that the Northwest Energy Coalition (NWEC) would hold its annual meeting in Seattle on October 12 and 13. He noted that EWEB had agreed to sponsor a table. He explained that it was the 26th anniversary of the organization. He hoped that anyone who wanted to attend would let him know. He was uncertain as to whether he would be able to attend more than just the dinner.

Vice President Simpson reminded his colleagues that he would be absent from October 1 through October 21.

Vice President Simpson related that he had staffed the EWEB Oasis booth at the Lane County Fair and he had received a compliment on EWEB’s water quality.

In response to a question from Vice President Simpson, Public Affairs Manager Marty Douglass stated that the Home Show was scheduled for October 1. Assistant Secretary Krista Hince added that there would be an EWEB Oasis booth at the Eugene Celebration, scheduled for September 7, 8, and 9.

CORRESPONDENCE

General Manager Randy Berggren informed the Commissioners of a fiber break at the Willamette substation. He said staff was able to reroute the service to larger customers such as PeaceHealth in a relatively short amount of time and that no one was out of service for an extended period of time.

Mr. Berggren confirmed that a public meeting on the boat landing had been scheduled for 7 p.m. on September 20 at the Vida Community Center. He said while it was intended primarily to be a meeting attended by staff, Commissioners were welcome to join them. He noted that a formal date for a Board meeting up river had yet to be scheduled.

Mr. Berggren reported that the road across Leaburg Dam would be closed on September 12 in order to work on the intake gates. He said residents across the road had been notified.

Commissioner Farmer asked if there was a contingency plan in the event a resident had a medical emergency. Mr. Douglass replied that typically if there was an emergency an emergency vehicle would be allowed through. He stated that EWEB was in touch with McKenzie Fire & Rescue during the closure. He noted that there was another route out of the area, but a person who was unwilling to allow the road to be used for access privately owned it.

Commissioner Brown wondered if there was an opportunity to stage an emergency vehicle as a precaution. He questioned how fair it was to residents to close the road. Mr. Douglass responded that there were times the dam had to be closed for work. Mr. Berggren added that the work needed to be done and while it was a valid concern the inconvenience was a part of living in that location.

Commissioner Farmer acknowledged the necessity of the work. He observed that it would be “horrible” to have someone die from a heart attack because an emergency vehicle could not access the area quickly enough.

Mr. Douglass underscored that given the nature of the work it was not impossible to move equipment in an expedient manner to allow access.

Vice President Simpson recommended that McKenzie Fire & Rescue also maintain contact with EWEB staff.

Mr. Berggren reported the following items of correspondence:

- Brochures were circulated to the Commissioners regarding a Customer Care run to raise funds, planned for the Saturday before Thanksgiving.
- Copies of the quarterly litigation report were provided to Commissioners.
- Background information had been provided to the Board regarding a new State of Oregon association of water and sewer utilities that were joined together in an effort to develop cooperative relationships for emergency conditions.
- Employee, Customer and Community Services Division Director Debra Smith provided a memorandum regarding work on the Strategic Plan.
- A memorandum was provided to the Board to give a current view of progress on the customer information system upgrade. It was likely that implementation of the project would be delayed because of numerous vendor errors in the system.
- SAIF will feature EWEB in its news publication related to EWEB's progress on safety.

In response to a question from Commissioner Farmer, Mr. Berggren stated that the SAIF publication was called Comp News. Ms. Smith noted that it was a quarterly publication and the Commissioners would receive copies of it when it came out.

Mr. Berggren continued his report on correspondence:

- Electric Division Director Jim Wiley provided a memorandum regarding the extension request to the Federal Energy Regulatory Commission (FERC).

Mr. Berggren acknowledged the letter from City Manager *Pro Tem* Angel Jones requesting the Board to further consider inclusion of the Transportation System Maintenance Fee (TSMF) in utility bills. He said staff would review the request and provide a recommendation. He noted that the City did not need a commitment on this issue for a year. He felt EWEB should conduct at least a cursory review of the TSMF billing and identify some solutions that could work for the City and could also mitigate some of the Board's concerns. He opined that it was timely for the Board, in the spirit of cooperation, to at least consider the options.

Commissioner Farmer pointed out that the Board had unanimously voted down the issue "a couple of times." He said if EWEB wanted to continue the discussion for the sake of the relationship with the City, the key would be to establish a standard that the City would have to meet. He felt the issue had always been that the Board did not want a tax from the City to somehow be interpreted by the public as coming from EWEB.

Commissioner Brown opined, "once that train leaves the station it would be hard to turn it around." He felt the input at this point was very limited and that the Board needed to know how far the City would go with it.

In response to a question from Commissioner Brown, Mr. Berggren said he believed that the request had come from the City Manager but it was with City Council support.

Commissioner Brown indicated his willingness to go along with the process. He said EWEB needed a level of cooperation in the land use/master planning process.

President Menegat noted that he had been a part of the 5:0 votes. His concern lay in the minimal information the City had provided in the past. He supported going forward and indicating a level of willingness to consider the proposal.

Mr. Berggren offered to draft a formal response letter for President Menegat to sign and the Commissioners to review.

Vice President Simpson favored reexamining the issue. He felt EWEB was at the forefront of a relationship building process with the City that seemed to be going in the "right direction." He supported a road tax for things related to transportation. He noted that EWEB's base of customers was not the base of the users of roads. He voiced his support for drafting a letter to the city.

BOARD AGENDAS

Mr. Berggren highlighted the *Eugene Water & Electric Board Agenda Report* dated September 4, 2007.

President Menegat observed that the agenda report now included consent calendar items of major importance.

Commissioner Farmer noted that he would be in California on September 18.

ELECTRIC CAPITAL PLAN

Mr. Wiley said he was seeking approval of the 2008-2012 Electric Capital Improvement Plan, as documented in a memorandum dated August 22, 2007, to the Commissioners from Dean Ahlsten and also as presented in the preceding Work Session.

Vice President Simpson, seconded by Commissioner Brown, moved to approve the Electric Capital Improvement Plan, as presented. The motion passed unanimously, 4:0.

WATER CAPITAL PLAN

Water Engineering Manager Mel Damewood stated that the Water Capital Improvement Plan was before the Board for approval. He said the Water Division's 10-Year Capital Plan was outlined in the August 27 memorandum to the Board and in subsequent materials presented to the Board during the Work Session. He wished to bring out one additional item. He explained that Item 12 on

the agenda was in regard to the Laurel Hill Reservoir, which had a significant overage from the contract in the present year's budget, which had resulted in its inclusion in the 10-year plan.

Vice President Simpson, seconded by Commissioner Farmer, moved to approve the Water Division's 10-Year Capital Plan.

Commissioner Farmer wished to point out for the record that the lack of discussion in the Regular Board Meeting did not reflect a lack of due diligence on the part of the Board. He encouraged anyone who read the minutes to refer to the Work Session.

The motion passed unanimously, 4:0.

CLIMATE CHANGE POLICY

Environmental Manager Steve Newcomb discussed the *Suggested Climate Change Policy – SD15*. He said he would bring the policy back before the Board on September 18 for approval. He noted that he had included more specific objectives at Commissioner Brown and Vice President Simpson's request. He stressed that EWEB had a long history of encouraging conservation of electricity and water. He averred that the policy would provide a platform to talk about EWEB's successes.

Mr. Newcomb reiterated that even if no further greenhouse gasses were emitted into the atmosphere climate change would still occur. He underscored that the policy was about "doing the right thing" and establishing a guide for staff to direct their energies and a way to communicate with the public about what EWEB was doing in that respect. He reviewed the eight recommended policy objectives.

Mr. Newcomb recommended that SD15 be approved as a general policy. Staff planned to develop more detailed policies over the next three to five years that could be worked into the budget.

Vice President Simpson thanked Mr. Newcomb for organizing the material into a "mitigation/adaptation" style. He said he would want policy objective 7, which sought to garner citizen input on what impacts and opportunities they saw resulting from climate change mitigation and adaptation, to be pinned to a timeframe so that it would be on a predictable cycle. He wanted to support the research and development efforts suggested in policy objective 8. He believed it stood out as an incredible opportunity to build business models that recognized that conservation and renewable development had tremendous economic opportunities. He felt EWEB could become one of the driving forces to concentrate the effort in the beginning.

Mr. Newcomb said he had been thinking of the Integrated Energy Resource Portfolio (IERP) process when forming policy objective 7.

Commissioner Farmer asked what was currently being funded. Mr. Newcomb responded that EWEB was funding research on the McKenzie River aquifer being conducted by Dr. Gordon Grant of the Oregon State University. Commissioner Farmer recalled that Dr. Grant had provided a presentation at the previous year's Key Customer Reception.

Commissioner Farmer did not want to cast the policy "in stone." He preferred to show the policy as consisting of areas that were being explored. He believed that because EWEB was reliant on hydroelectric power it put it at a high bar to begin with. He asserted that EWEB should not be afraid of saying that it was doing a good job already. He recommended telling the public, as part of the objectives, that though EWEB would try to do better it was already doing very well with respect to climate change.

Commissioner Brown hoped that benchmarks be included to measure progress when establishing some of the more detailed policy directives that would be covered in the budget.

Mr. Newcomb stressed that the policy as proposed should be interpreted as consisting of items that were being explored and as being flexible.

President Menegat thanked Mr. Newcomb for doing "an excellent job."

BUDGET AMENDMENT NO. 5 – CARMEN-SMITH RELICENSING

Treasurer Jim Origliosso explained that the budget amendment represented the financial impact of a number of different items that the Board had been informed of over the year. He said a budget amendment of \$892,195 was proposed for work on the Carmen-Smith relicensing process. He reviewed the favorable and unfavorable variances in the budget. He stated that the bulk of the money was planned to come from interest earnings from the Carmen-Smith Equity Reserve Fund.

In response to a question from Vice President Simpson, Mr. Origliosso stated that the value of the Carmen-Smith reserve fund was \$21 million.

Commissioner Farmer asked how the increase in staff labor costs worked. He understood that a lineman in a storm would earn overtime wages but he wondered how a salaried person could cost more in a project. Mr. Origliosso replied that the budget was built around a major project and an increase in staff labor costs meant more people were working on it. In response to a follow-up question, Mr. Origliosso affirmed that the overall labor cost to the utility did not change because a person shifted to one project would then not be working in another area of the utility.

In response to a question from Commissioner Brown, Mr. Origliosso clarified that the contract amendment that had come before the Board for approval was now incorporated into a budget amendment. He stressed that the \$800,000 for the facilitators was in the contract and would be in the budget upon adoption of the budget amendment.

Commissioner Farmer asked if the delay in the negotiating process would create a risk that the Federal Energy Regulatory Commission (FERC) would not approve the request for the delay. Mr. Wiley responded that FERC was behind in its process as well. He said FERC preferred parties to be able to settle issues and make a proposal that worked for them. He predicted that FERC was “98.9 percent” likely to approve the delay.

Commissioner Brown, seconded by Commissioner Farmer, moved to adopt Budget Amendment No. 5 for the Carmen-Smith relicensing process. The motion passed unanimously, 4:0.

BUSINESS SERVICES AGREEMENT – WILDISH PAVING COMPANY DBA WILDISH BUILDING COMPANY

Senior Water Engineer Jay Bozievich reviewed the Business Services Agreement that was proposed.

Mr. Berggren asked what items were included in the change of scope. Mr. Bozievich responded that some of the change of scope was attributable to delays the developer of the subdivision had experienced. He said EWEB had to wait on that work before the utility could get the land use permit to build the reservoir. The permitting process delayed the work to the point at which EWEB had to meet new stormwater regulations, which included requirements for added stormwater facilities. He explained that the Planned Unit Development (PUD) amendment process had added to landscaping requirements and had required an access road to be built. He noted that delays had added to the cost of materials.

In response to a question from Vice President Simpson, Mr. Bozievich clarified that the \$1.1 million quoted for budget purposes one year earlier had been an estimate.

Commissioner Farmer asked if Mr. Bozievich could qualify the added scope. Mr. Bozievich replied that the access road had been a separate item and had cost \$160,000; the landscaping had cost approximately \$20,000 to \$40,000. He said the total change in scope was approximately \$200,000.

In response to a follow-up question from Commissioner Farmer, Mr. Bozievich said staff had originally hoped that the developer would build a road to the reservoir or that EWEB could gain access by a simple gravel road. He explained that it turned out that the land needed a significant amount of grading and that EWEB would have to build approximately 2,000 feet of the road.

Commissioner Farmer had been concerned because the estimate had been "50 percent off." Mr. Bozievich replied that the scope of work had significantly changed.

Commissioner Brown asked if the developer would receive any benefit from the road. Mr. Bozievich replied that it would be exclusive to EWEB.

Commissioner Brown averred that the developer was receiving an economic benefit from the road and wondered if there was a way to recover some of it. Mr. Bozievich clarified that the agreement between EWEB was such that it required the loss of four lots for the developer, a move of premium lots down the hill, and an agreement on the part of EWEB to put in the road.

Commissioner Brown stated that he was on contract with Wildish Paving Company on occasion to provide consulting for them and this could be considered a perceived conflict of interest.

Vice President Simpson, seconded by Commissioner Farmer, moved to approve the business services agreement with Wildish Paving Company for work on the Laurel Hill 850' Reservoir in the amount of \$1,645,000. The motion passed unanimously, 4:0.

ADJOURNMENT

Commissioner Farmer asked what the status of the memorandum of understanding (MOU) between EWEB and the City was. Mr. Berggren replied that City Manager *Pro Tem* Jones had decided to present the MOU to the City Council on November 21 for review. He related that Ms. Jones intended to have City Attorney Glenn Klein present the MOU in order to remind the City Council of the legal limitations to its power.

Commissioner Brown hoped staff would stress that the Council needed to be expeditious. He felt EWEB could lose an opportunity if it was delayed.

Mr. Berggren assured the Board that he had done his best to impress upon the City the importance of expeditious action.

President Menegat adjourned the Regular Board Meeting at 8:27 p.m.

Assistant Secretary

President