

EUGENE WATER & ELECTRIC BOARD
WORK SESSION
EWEB BOARD ROOM
SEPTEMBER 4, 2007
5:30 P.M.

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

Others present: Randy Berggren, Jim Wiley, Tom Buckhouse, Marty Douglass, Lance Robertson, Dick Helgeson, Dick Varner, Debra Smith, Jim Origliosso, Mel Damewood, Jay Bozievich, Jean Meyers, Terry Bequette, 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. He related that Commissioner Lanning was excused because of a work obligation.

ELECTRIC CAPITAL PLAN

Electric Division Director Jim Wiley reviewed the *Electric Utility 2008-2012 Capital Improvement Plan* with power points. He related that the Carmen-Smith schedule change had affected the cash flow. He said EWEB was seeking a delay of six months from the Federal Energy Regulation Commission (FERC) because of the initial review in tandem with the National Environmental Protection Act (NEPA) process. He stated that the delay extended the cash flow out for one year. He related that the expenditure for 2008 would increase from \$1.5 million to \$2.6 million and the lost generation would be delayed accordingly.

Vice President Simpson asked if the additional year was being “squeezed” into 2010. Mr. Wiley clarified that it was being extended out so that another year of administration would have to be carried over.

Mr. Wiley discussed Automatic Meter Reading (AMR).

In response to a question from Commissioner Farmer, Mr. Wiley stated that there was approximately \$300,000 to \$500,000 to move forward with planning efforts for the AMR project.

Commissioner Farmer asked when the Board could expect a recommendation as to whether the utility should proceed with AMR or a partial use of AMR. Mr. Wiley said he anticipated that staff would be back in the first quarter of the next year.

Mr. Wiley briefly reviewed the *2008-2012 CIP Expenditure & Funding Source Summary*. He reiterated that electric materials had gone up 50 to 100 percent in the last two years. He said that indications were that prices for materials were leveling to the general rate of inflation.

Continuing, Mr. Wiley provided an overview of the *2008-2012 CIP Work Category Summary*. He pointed out that if the Carmen-Smith relicensing project and the Roosevelt building project were taken out of the summary, 40 percent of the capital resources were being applied to the aging

infrastructure.

Commissioner Farmer asked if there would be a way that staff could establish on an annual basis the status of the problem that aging infrastructure presented and that the money invested was making a dent in the problem. Mr. Wiley replied that the true indicator that the money invested in aging infrastructure was having an effect was that reliability continued to be high.

Mr. Wiley stated that pole replacement would be ramped up in 2010 to \$1.6 million. He noted that one area of uncertainty was whether the Capital Improvement Plan (CIP) would fall short of the projected pole, transformer, and underground cable replacement needs.

In response to a question from Vice President Simpson, Mr. Wiley confirmed that each pole was inspected every other year. He added that there might be treatment that could extend the life of a power pole.

In response to a question from Commissioner Farmer, Fiscal Services Supervisor Dick Varner explained that in preparing the five-year plan it had been thought that the rate increase was not providing enough money on a forward-looking basis. He said EWEB had yet to spend the available money, resulting in a slow build of the capital reserve fund. He stated that planning predicted that eventually the balance would tip.

Mr. Berggren noted that the electric utility had just begun being fully staffed.

In response to a question from Commissioner Farmer, Mr. Wiley clarified that staff was not saying that the rate increase instituted in 2004 should have been greater. Mr. Berggren added that the escalation in costs had been the unknown quantity when the rate increase had been instituted in 2004. He believed that the number was accurate in 2004.

Commissioner Farmer remarked that the Board and staff had thought that a 5.7 percent increase would cover the capital needs in 2004. He wondered if it should have been a 10 percent increase. Mr. Varner replied that staff was concerned that at a point in the future EWEB would have to take a capital rate action to remain “ahead of the curve,” but at present it was not possible to quantify by how much.

WATER CAPITAL PLAN

Water Engineering Manager Mel Damewood presented the *Water Utility 2008-2017 Capital Improvement Plan*. He reiterated that a 4 percent rate increase per year was planned for the water utility.

Mr. Damewood affirmed, in response to a question from Vice President Simpson, that the cost escalation was primarily due to the increase in materials costs, especially concrete pipe and steel.

Mr. Damewood reviewed the *2008-2017 CIP Expenditure* chart. He said the water utility would be “hitting the CIP pretty heavily” in the first three years, primarily related to the construction contracts related to the Hayden Bridge facility expansion. He stated that the second source work was a “huge unknown.” He reported that the water utility was projecting to spend \$129.5 million over ten years, \$102 million from rates, from both cash and bonding capability, and \$26 to \$27 million from systems development charge (SDC) funding.

Vice President Simpson asked if the inspection of the transmission lines could be conducted in one year. Mr. Damewood replied that it would be completed in phases over several years. He related that the seven miles from the Hayden Bridge facility to Interstate 5 would be inspected first as it was the most critical “artery” for water.

Commissioner Farmer encouraged staff to educate the public. He said the Commissioners were familiar with the CIP at this point, but it was important to keep informing the public as to why the rates would have to be increased. Mr. Damewood responded that he was actively working with Public Affairs Manager Marty Douglass and External Communications Coordinator Lance Robertson on an education plan for the public.

Vice President Simpson asked for elaboration on the public outreach plan. Mr. Robertson explained that staff had been doing a number of things in an effort to be more proactive. He said they had put out a news release and the television station KVAL had been in earlier in the day. He stated that staff would continue to ensure that the rate impacts that were built into the budget process would be included in all communications. He underscored that the need to increase expenditures had been included in articles printed in the *Pipeline* publication and in the water quality report. He related that staff would be available to help commissioners when they were going out on speaking engagements with power point presentations and information.

Commissioner Brown arrived at 6:13 p.m.

Vice President Simpson asked if staff felt that due to this public outreach the public was aware that EWEB was talking about a 20 percent rate increase followed by a series of smaller increases. Mr. Robertson affirmed that it was staff’s belief that the public was being educated about this.

GOVERNANCE POLICY – GENERAL MANAGER PERFORMANCE EVALUATION

Human Resource Manager Jean Meyers stated that the governance policy related to the General Manager’s performance evaluation, Resolution No. 0714, would be on the Consent Calendar. She reviewed the terms of the resolution.

Commissioner Farmer pointed out that all of the other committees were appointed annually.

He felt the performance evaluation committee appointments should be conducted in the same way.

Mr. Berggren suggested striking the words “if needed” from the last sentence of paragraph 7 in the resolution.

Commissioner Farmer agreed. He supported having the appointments to the performance evaluation committee occur at the first part of the year along with the other appointments for board liaisons and committees.

Vice President Simpson supported deleting “if needed” from the language.

Commissioner Farmer noted a discrepancy, in that the final goals were listed as being completed on January 20 on page 3 and January 31 on page 2.

Commissioner Farmer averred that from a logical standpoint the performance evaluation should be completed before or at the same time as the goal-setting process was slated to occur for the coming year.

President Menegat indicated that he would pull the resolution from the Consent Calendar so that the language could be amended.

Ms. Meyers proceeded to the final language for Board Staff Linkage policy BL-5 regarding evaluation of the General Manager’s performance. She said the committee had reviewed the policy and reordered the language but the language had not substantially changed. She stated that staff hoped to bring the policy forward to the September 18 meeting for adoption.

Ms. Smith reviewed the *Updated List of Board Governance Topics* dated *August 20, 2007*. She asked for a sense of what the Board wished to work on in 2007-2008.

Commissioner Farmer indicated that he would prioritize Board Policy SD11, the General Compensation Policy; given the “gyrations” EWEB had gone through with the International Brotherhood of Electrical Workers (IBEW).

Employee, Customer and Community Services Director Debra Smith related that the Executive Management Team (EMT) had discussed the Compensation Policy and the third item on the list, which was development of new executive limitations on labor negotiations. She said, regarding the latter, that staff needed to have a discussion on goals, responsibilities, strategy, and policy objectives in order to have a clear sense of direction prior to the next round of negotiations. She wanted to schedule time in 2008 for an in depth discussion at the Board level.

Ms. Smith stated that the update to Board Policy SD9, the Rate Setting Policy, was merely a housekeeping item and would appear on the Consent Calendar in October.

Ms. Smith noted that the Draft Policy SD15, the Climate Change Policy, was related to the work Environmental Manager Steve Newcomb was doing with the Board.

Ms. Smith said modifications to the existing Policy GP10 regarding Public Input had potential. She noted that Commissioner Lanning was not present to advance his position on placing a three-minute cap on response time to public input. She was uncertain as to whether it remained an issue but was willing to “take a stab” at the language.

Commissioner Brown pointed out that the City Council had a time limit on councilor responses to input.

Vice President Simpson requested a copy of the City Council operating agreements.

Ms. Smith asked if there was interest on the part of the Board to rewrite Board Policy SD14, regarding real property policies. Commissioner Brown thought because of the declaration of land as ‘surplus,’ the terminology triggered a set of criteria.

Ms. Smith said staff had researched it with the aid of EWEB’s legal counsel Win Calkins and they did not believe the city language used the term ‘surplus.’ She suggested that switching the wording so that it matched the city’s language would make it cleaner.

Continuing, Ms. Smith stated that development of a new strategic direction policy on conservation funding was an underlying value of EWEB. She had not found a specific policy regarding the conservation funding though it was part of a rate decision made in the 1990s.

Mr. Berggren noted that the policy would refer to both the water and electric utilities.

Commissioner Farmer said it would be worth allotting time for discussion but he did not think it was time sensitive. He remarked that there might be some scenarios in which he would argue for less conservation and more investment in renewables.

Mr. Helgeson indicated that staff would be engaging the Board in a discussion on how much investment in conservation and how much acquisition of renewables EWEB should pursue. He said the question of funding strategy would be an integral part of this discussion.

Ms. Smith related that staff had been discussing how to increase the diversity of the employee base to match that of the community EWEB served. She said staff thought it might be a good idea for the Board to consider development of a policy regarding the diversity in the composition of the Board.

Commissioner Farmer pointed out that it was different for an elected position. He felt they

needed to be very careful not to engage in “meddling” in elections.

Ms. Meyers averred that it was not a question of meddling; it was a question of preparing and mentoring people.

Commissioner Brown did not understand what Commissioners would be reaching out for. He added that it would have been beneficial to his service on the Board to be mentored.

Ms. Meyers thought a conversation on what diversity represented would be good to have.

Ms. Smith moved on to the final item on the list of policies, a periodic review of Board Policy that sought to develop a timetable for the process such as once every two years.

Commissioner Farmer indicated his willingness to talk about such a review but he did not want to invest a great deal of time wordsmithing policies. If the Board wished to have such a review he wanted to focus on the policy and its intent and not the verbiage.

Commissioner Brown recalled that policy review had been a primary focus during his eight year tenure on the Police Commission. He averred that wordsmithing could be a large part of policy oversight given the implications of words such as ‘may’ and ‘shall’ and ‘should.’ He did not think wordsmithing could be separated from the discussion of policy.

President Menegat was interested in an overview of policy but he did not feel a need to “get down to the micro view.” He asked how deeply staff wanted to get into the policies.

Ms. Smith said that staff tried to keep policy at a high level. She stated that the Board would always have the opportunity to approve the budget and the work plans, which provided a connection to the more detailed work. She remarked that she understood why the Board “owned” purchasing policies but it was less clear to her why the Board would have oversight of all of the customer service policies. She felt it was because the public elected the Commissioners.

Vice President Simpson indicated his preference to have the housekeeping items, draft Board Policy BL5, an update of Board Policy SD9, and the modification to Policy GP10 regarding a cap on Commissioner response time, addressed but there was no risk in delaying them. He listed his five top priority items:

1. The modification to Policy GP10 that sought to strengthen the public perception that EWEB was responsive to community interests.
2. Board Policy SD11 regarding the applicability of market position to total wages and the development of a new executive limitations policy on labor negotiations.
3. The Board Policy SD15, the Climate Change Policy.
4. Development of a new strategic direction policy on conservation funding.
5. Discussion of a new GP policy on Board Diversity.

He noted that there were some items that he did not prioritize.

Commissioner Farmer felt that a policy on critical self-evaluation had been overlooked. He averred that the Board set goals but it did not assess which ones were not met. He shared his prioritized list of policies, as follows:

1. Development of a new strategic direction policy on conservation funding.
2. Board Policy SD11 regarding the applicability of market position to total wages and the development of a new executive limitations policy on labor negotiations.
3. A policy not on the list related to discussing and developing a regional water strategy.
4. The Board should reopen the discussion on the Contribution in Lieu of Tax (CILT) payments to the city.

Vice President Simpson concurred with Commissioner Farmer regarding the CILT.

Ms. Smith said there was a Board Policy that indicated that the Board would engage in periodic self-review. She noted that the Board had done so two years earlier.

Commissioner Brown agreed that a discussion on CILT was a priority. He also agreed that the Board could get the updated Policy SD9 regarding rate setting out of the way. He advocated for giving the Board Policy SD14 regarding real property a high priority. He suggested that Real Property Manager Mark Oberle review the policy. He echoed Commissioner Farmer's recommendation to discuss regional water.

President Menegat agreed that regional water and the CILT payments were important issues but his top priority was Board Policy SD11 regarding the applicability of market position to total wages and the development of a new executive limitations policy on labor negotiations. He also supported development of a new strategic direction policy on conservation funding.

President Menegat adjourned the meeting at 7:07 p.m.

Assistant Secretary

President