

EUGENE WATER & ELECTRIC BOARD
REGULAR BOARD MEETING
EWEB BOARD ROOM
OCTOBER 16, 2007
7:30 P.M.

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

Others present: Randy Berggren, Marty Douglass, Dick Varner, Tom Buckhouse, Patty Boyle, Jim Wiley, Dick Helgeson, Cathy Bloom, Jim Origliosso, Debra Smith, 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). He noted that Vice President Simpson was excused.

AGENDA CHECK

Commissioner Lanning suggested that the Draft 2008 Budget be moved to last on the agenda so that those who wished to testify on Steam Rates would not have to wait as long. The Commissioners were amenable to the change.

PUBLIC INPUT

Bob Cassidy, EWEB Customer, asked that EWEB give positive consideration to the possibility of collecting road tax money for the City of Eugene. He averred that 20,000 students attended the University of Oregon and used city roads and services, but did not pay tax monies at the state level. He underscored that the University also did not pay property taxes, as it was exempt. He declared that the fairest way to collect a road tax was to tax everyone who used the street and collecting this along with the electric bill was a prudent way to do so.

Doug McKay, EWEB custom questioned the policy on deposits for commercial accounts. He explained that he had been a customer for 50 years, had changed his business name, and was now being asked for a \$12,000 deposit. He asked if Macy's had been required to pay a deposit when it took over the Bon Marché store.

Commissioner Farmer asked if Mr. McKay had talked to anyone beyond the clerical staff. Mr. McKay replied that he had not. Commissioner Farmer stated that EWEB had put in an appeal process as part of the deposit policy. He said the Employee, Customer and Community Services Director Debra Smith would provide Mr. McKay with information.

APPROVAL OF CONSENT CALENDAR

Minutes

1. July 24, 2007 Budget Planning Session

Business Service Agreements

2. Babb Construction dba Delta Construction – Willamette Substation Oil Containment System – Electric Division - \$97,226
3. SOLARC Architecture and Engineering – Design, Bidding, and Construction Administration of New Visitor Shelter and Water Board Park – Public Affairs – Employee, Customer & Community Services Division - \$15,950
4. Think Resources, Inc. – Temporary Staffing Services for Engineers – Electric Division - \$500,000

Resolutions

5. Resolution No. 0727 – Raft River Geothermal Project Ratification

Commissioner Brown, seconded by Commissioner Farmer, moved to approve the Consent Calendar. The motion passed unanimously, 4:0.

ITEMS REMOVED FROM THE CONSENT CALENDAR

There were no items removed from the Consent Calendar.

ITEMS FROM BOARD MEMBERS

Commissioner Farmer reported that he had attended the Northwest Energy Coalition anniversary meeting in Seattle. He had also attended the key customer reception and participated in a panel discussion, which he thought had gone really well. He said it had been a nice change from the routine.

Commissioner Farmer suggested that the Consent Calendar portion of the agenda include an indication of what the amounts that were budgeted for the items and a running total through the year of what that was adding up to.

Commissioner Farmer shared an email from Vice President Simpson, who was enjoying his vacation in Halifax.

Commissioner Brown asked for clarification on whether he was the alternate Commissioner-representative on the McKenzie Watershed Council (*later clarified that Commissioner Farmer was.*).

In response to a question from Commissioner Brown, Mr. Berggren stated that the master planning process was “unfolding as we speak.” He said they had just finished with the City Attorney’s interpretation of the draft.

Commissioner Brown expressed some concern regarding recent developments in the petition

for historic status for Civic Stadium. He noted that though the School District 4J had repeatedly asked to provide input the district had been bypassed. He wanted to ensure that this would not happen with the steam plant owned by EWEB. He underscored that historic status could have a significant impact on how a property could be used and the owner had no appeal rights after the designation was completed.

CORRESPONDENCE

General Manager Randy Berggren reported the following items of correspondence:

- Copies of a letter from the Friends of Leaburg Lake Association had been included in Board packets that laid out “expectations” of how EWEB should approach its decision making process regarding the boat landing issue.
- Roosevelt Project Manager Ken Beeson sent a memorandum to Board members that was a status report intended to update them on the operations center project.
- Intergovernmental Affairs Coordinator Deborrah Brewer included an email in packets encouraging Commissioners to make a recommendation to City Councilors to recruit an EWEB staff member to serve on the City’s Sustainability Commission. Tom Williams had volunteered to serve on the Commission and applied. He was not even interviewed, but Councilors still had the ability to make individual appointments. Mr. Berggren found it paradoxical that the Mayor lauded EWEB’s efforts around sustainability but that the utility was unable to secure some point of representation on the Commission.

Commissioner Farmer inquired as to whether the Mayor had been asked why EWEB had been excluded. Mr. Berggren replied that she had not been asked at this point, but he intended to ask that question.

BOARD AGENDAS

Mr. Berggren highlighted the *Eugene Water & Electric Board Agenda Report* dated *October 16, 2007*. He stated that the meeting in Vida would begin with a tour of potential boat landing sites at 5:30 on October 23 and then would take public input on the subject at the Vida Community Center from 7:00 p.m. He noted that the Board would be discussing strategic staffing in depth, beginning with an initial discussion on November 6.

Commissioner Brown asked that consideration be given to the placement of public hearings on an agenda so that people wishing to testify would not have to sit through great portions of a meeting in order to give testimony. Mr. Berggren responded that staff could pay closer attention to that and try to place such hearings toward the front of a meeting.

STEAM RATES OVERVIEW

Fiscal Services Supervisor Dick Varner reviewed the **2008 Steam Rates** with power points, hard copies of which were provided to all who were present. He explained that the driver for the rate action proposal was repayment of a loan from the Electric Division.

Commissioner Farmer asked why the steam budget showed a deficit of \$138,000. Mr. Varner explained that the deficit was the revenues at the current rates less the expenses.

Mr. Varner highlighted the rate proposal. He conveyed staff's recommendation that the Board approve the increase to the commodity charge.

Commissioner Farmer surmised that the customers were being asked to pay off an operating debt that had accrued over the last two years. He thought that realistically the utility should have increased the rates two years ago. He asked if the rate would decrease once the operating debt was paid off. Mr. Varner replied that the increase would provide the flexibility to the utility to address higher fuel costs and lower contract sales.

Mr. Berggren averred that if all things were equal, once the operating debt was paid off, the rates could be reduced, but it was not likely that costs would not escalate.

Commissioner Brown observed that the proposal would raise the rates an average of 5 to 6 percent, but if the rates dropped \$3 it would equal a 25 percent decrease. He asked how this worked out. Mr. Varner explained that there was some room in the steam budget to cover about half of the pay off of the operating loan and the rate increase only covered half of it. He also clarified that the apparent 25 percent drop was in the commodity charge but the fuel charge would remain the same; the fuel charge was over half of the total charge. He said if one considered the total cost, which was \$27, \$3 was approximately 11 percent of that and half of that equaled the increase.

PUBLIC HEARING ON STEAM RATES

President Menegat opened the public hearing on steam rates. Seeing no one who wished to testify he closed the hearing.

STEAM RATES AND RESOLUTION NO. 0726

Commissioner Brown, seconded by Commissioner Lanning, moved to adopt Resolution No. 0726, a resolution regarding steam rates. The motion passed unanimously, 4:0.

DRAFT 2008 BUDGET

Mr. Varner introduced the *2008 Budget Preliminary Review*. The presentation included power points, hard copies of which were provided to all who were present.

Senior Rates/Financial Analyst Patty Boyle initiated the discussion on water rates. She stated that the forecast for 2007 was nearly exact. She explained the Cost Of Service Adjustment (COSA), which analyzed consumption behavior and allocated costs based on the shared system use with meters and services. She reported that the early COSA results had not included any “big surprises.” She noted that fire lines were significantly higher because the cost is largely attributable to facilities.

Commissioner Brown asked why the increase for fire lines was dramatic given that there was almost no consumption. Ms. Boyle replied that the water in the fire lines was treated but the cost was largely due to the cost of the facilities. Mr. Varner added that it only cost approximately 10 cents on the dollar to produce potable water; the rest of the cost was entirely due to the fixed costs associated with the system.

Commissioner Brown asked staff to help him be able to explain it in layman’s terms. Ms. Boyle responded that the increase was due to a person’s allocated cost for the facilities to get the water to the fire lines. Mr. Berggren clarified that there was an assumption in the COSA that a facility had peak usage, capacity, or consumption characteristics or both. He stated that in the case of a fire line there was no consumption characteristic and the cost was 100 percent allocated to the facility costs.

Ms. Boyle stressed that the goal in the COSA was to ensure that the residential and commercial users did not have a great disparity.

Commissioner Farmer asked how many years out of the last ten years had the utility been under the 9.8 kilogallons level. He observed that it seemed that one of the reasons the water rates had “gotten behind” was due to inaccurate water forecasts. Ms. Boyle replied that since she had come to EWEB no years had exceeded 10 or fallen below 9.3 kilogallons of water consumption in a year. Commissioner Farmer wanted to be certain that the water projection was conservative. Ms. Boyle said she would provide him with a ten-year history of water use.

President Menegat recalled that the Board had deliberately kept rate increases below 10 percent because of political considerations and this had impacted the water utility’s ability to build reserve funds.

Commissioner Farmer averred that the first step in building a budget was a forecast. Mr. Berggren reiterated staff’s intent to provide him with accurate information on past usage.

Mr. Varner discussed strategic staffing. He said a lot of issues were being raised regarding impending retirements and the need to recruit replacement staff in advance of those retirements.

Mr. Berggren commented that the utility's experience in recruiting had been dismal. He said staff was now working on ways to "grow" employees to meet its needs and was working to create a five-year staffing plan. He felt EWEB needed a multi-year view on how those transitions would be made and funded.

Mr. Varner stated that the Electric Division would need to fill at least eight positions just to cover its operations and engineering sections. He said he was looking at putting "a couple million dollars a year" for the next five or six years into the long-term plan to address the need for additional staffing in the short-term to get the utility through "what appeared to be a hump in retirements." Mr. Berggren added that 80 people were predicted to be retiring.

Commissioner Farmer remarked that this was an issue that almost every organization was facing. He felt EWEB needed to be smart about how it would handle the situation. He said he was looking for innovative planning. Mr. Berggren responded that EWEB would likely take a "double staff" approach in the trades. He said EWEB would likely "grow" its own apprentices.

Commissioner Brown asked if EWEB would be considering sign up bonuses. He thought such a bonus might be a better business decision. Mr. Berggren replied that there were risks on all sides. He noted that Lane Electric Cooperative had decided to take on apprentices with the caveat that they had to make a three-year commitment upon achieving journey status.

Mr. Varner provided an overview of the *Electric Budget and Long Term Plan*. He said what staff had presented for the Board's conceptual approval in July was close to the full budget that would be presented in November. He noted that funding strategic staffing would put pressure on reserve funds and might cause the utility to need to "bump" rates or take risks on reserve targets in the out years. He stated that staff would have a clearer idea of this when returning in November. He added that the budget would be including a potential two percent rate increase to cover an increase in operations and maintenance expenses. He said the Board would have to determine whether it wanted to include the rate action in the budget or not.

Commissioner Farmer ascertained from Mr. Varner that staff still believed there would be no Slice True-Ups passed down to EWEB from the Bonneville Power Administration (BPA) in the coming year.

Ms. Boyle discussed the *Water Budget and Long Term Plan*, which was generally consistent with the previous update.

Commissioner Farmer observed that a \$300,000 earmark for an apprentice came to \$75,000 per year. Mr. Varner explained that an apprentice would make approximately \$25 per hour.

Commissioner Farmer remarked that it would make more sense to have someone sign a five-year contract and provide them with a \$50,000 signing bonus. Mr. Berggren agreed that this was a good strategy but countered that there was significant value in acculturating people in the organization by providing them in-house training.

ADJOURNMENT

President Menegat adjourned the Regular Board Meeting at 8:25 p.m.

Assistant Secretary

President