

EUGENE WATER & ELECTRIC BOARD  
REGULAR BOARD MEETING  
EWEB BOARD ROOM  
NOVEMBER 6, 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, Dick Varner, Tom Buckhouse, Jim Wiley, Dick Helgeson, Cathy Bloom, Jim Origliosso, Debra Smith, Mark Oberle, Ken Beeson, Lance Robertson, 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 Commissioner Lanning was excused.

### **AGENDA CHECK**

There were no changes to the agenda.

### **PUBLIC INPUT**

There was no one present who wished to speak at this time.

### **APPROVAL OF CONSENT CALENDAR**

#### **Minutes**

- 1a. September 18, 2007, Regular Board Meeting
- 1b. October 4, 2007, Regular Board Meeting

#### **Business Service Agreements**

2. Franklin Contracting, Inc. – Electric Utility Right of Way Mowing Services – Electric Division - \$250,000 for five years
3. Hodgson Tree Service – Utility Pole Clearing Service – Electric Division - \$50,000 for five years
4. JCI (Jones Chemical Inc.) – Chlorine for Water Treatment – Water Division - \$180,000 for the next three years
5. Martha Bueche – Leadership Coaching and Team Development Services – Power Trading – Power Resources Division - \$30,000
6. Triangle Pump and Equipment, Inc. – Hayden Bridge Backwash Pumps – Water Division.

#### **Resolutions**

7. Resolution No. 0717 – Photovoltaic 2008 Power Purchase Rate

#### **Land Purchase**

8. Evergreen Land Title Company – Sunflower Systems, Inc. (Seller) – Gillespie Butte Pump Station, Water & Steam Divisions. - \$150,000

Commissioner Simpson pulled Items 1 (a) and (b).

Commissioner Brown pulled Item 8.

Commissioner Farmer pulled Item 5.

Vice President Simpson, seconded by Commissioner Brown, moved to approve the Consent Calendar excepting the aforementioned four items. The motion passed unanimously, 4:0.

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

Vice President Simpson observed that a portion of the minutes had been inadvertently deleted at the bottom of page 8. The passage that was missing is included, as follows:

*Mr. Maloney related that the BPA had public customers in Idaho and transmission costs to get power to them. He said it had made sense to use those customers as a "sink" for the energy; the BPA could avoid transmission costs and it could re-dispatch power on the west side to a delivery point for EWEB. He noted that the best delivery point had been determined to be the Grand Coulee facility. He stated that it took a while for the BPA to recognize that everyone would benefit from this arrangement.*

*Mr. Spettel reported that Steve Wright, administrator for the BPA, was "excited" about the exchange agreement. He said when they were ready to sign Mr. Wright had indicated he would try to get some publicity for the event.*

Mr. Helgeson had also submitted changes in writing to the minutes for the agenda item on *Regional Issues*.

Vice President Simpson, seconded by Commissioner Farmer, moved approval of the minutes from the Regular Board Meeting held on September 18, as amended. The motion passed unanimously, 4:0.

Commissioner Farmer, seconded by Commissioner Brown, moved to approve the minutes from the Regular Board Meeting held on October 4, with minor changes. The motion passed, 3:0:1; Vice President Simpson abstained as he had not been present for the meeting.

Commissioner Farmer said he pulled Item 5 (Martha Bueche contract) to highlight an ongoing frustration of his. He acknowledged that the amount of the contract was not high but pointed out that there were management employees already working at EWEB that he thought could conduct this type of training service.

Commissioner Brown commented that he had reviewed the figures and it appeared to him that, at every other week for four hours, the amount paid came to \$600 per hour. Power Resources Division Director Dick Helgeson responded that this was not accurate. He explained that when they had estimated the cost of the contract they had arrived at \$19,500. He said the Purchasing Division was concerned that it was close enough to the Board's threshold of \$20,000 for the Consent

Calendar. They had thought they should ensure that the amount suggested would not be exceeded and it had been budgeted at a level that would accommodate the amount. He said he was uncertain what the hourly rate for the individual in question was but he was sure it was not anywhere near \$600 per hour.

In response to a follow-up question from Commissioner Farmer, Mr. Berggren stated that because there was a purchasing threshold and if the contract went over it by \$500 it would be in violation of the contract, the Purchasing Department asked the party that was billed in the service contract to give themselves some extra room in the contract for a maximum expense.

Vice President Simpson, seconded by Commissioner Brown, moved approval of Consent Calendar Item 5, a contract for leadership coaching and team development services from Martha Bueche. The motion passed unanimously, 4:0.

Commissioner Brown had pulled Item 8 (Evergreen Land Title Company) because he wanted to ask if the water pump station was being put in to facilitate the movement of water up Gillespie Butte. He felt that EWEB was creating a lot of value for the subdivision owner there. Real Property Manager Mark Oberle responded that it was not being constructed on a new lot; Lot 5 had been an established lot with water service available for 15 years. He said the owner of the lot was different from the person who was developing the subdivision.

Commissioner Brown did not want to pay for value that EWEB was creating. Mr. Oberle assured him that the lot had service to it and the pump station would increase fire flow in the area; it also would allow EWEB to tie into the other side of the mountain. He said it would provide flow to some new lots that were further up the hill.

Commissioner Brown asked if the remainder of the lot could be sold. Mr. Oberle replied that it could.

Vice President Simpson, seconded by Commissioner Brown, moved to approve Item 8, a land purchase agreement with Sunflower Systems, Inc. The motion passed unanimously, 4:0.

## **ITEMS FROM BOARD MEMBERS**

Vice President Simpson reported that he had seen coal-powered energy generation plants on his trip across Canada. He had been somewhat shocked by their appearance.

Commissioner Brown said he would be absent on November 20. He asked for an update on the gate issue with a property owner that had claimed EWEB had impacted the value of his land. General Manager Randy Berggren replied that the gate across the canal had been put down because it was "that time of the season." He related that the property owner had been pleased.

Commissioner Brown had circulated an email suggesting that EWEB take the lead in reducing the speed limit from Vida through Leaburg by working with State Representative Barnhart. He was pleased to see that EWEB would be proactive on this as it would increase road safety and reduce the likelihood of having a truck land in the river.

## **CORRESPONDENCE**

Mr. Berggren reported the following items of correspondence:

- The new pole for the Quail Run subdivision had arrived but had been rejected almost immediately because it was not built to the specs EWEB had provided the company. He said the manufacturer had committed to ship the correct one by November 19.
- Roosevelt Project Manager Ken Beeson planned to provide an update on the Roosevelt Building Project on November 20. Mr. Beeson also planned to set up at 4:30 p.m. to allow members of the public to come and learn about the project.
- Copies of a memorandum sent to the City regarding the Roosevelt project will be provided to the Board. He explained that it was an advance communication to keep them positioned for coming before the council in February regarding a Uniform Revenue Bond Act (URBA) bond.
- Hydroelectric Relicensing Manager Gale Banry included a memorandum in Board packets regarding the response from the Federal Energy Regulation Commission (FERC) to the request for an extension. An extension of 180 days has been granted.
- Senior Financial/Rate Analyst Patty Boyle sent the Board a memorandum regarding forecasts versus actual water consumption over the last decade.
- Customer Information Services Supervisor Charles Walker provided the Board a memorandum updating the Board on the status of the attempts to upgrade the Customer Information System (CIS), which was not going well at this point. He noted that it had been a difficult upgrade and EWEB had not been getting much vendor support.

Vice President Simpson asked if EWEB had not hired several temporary customer service representatives. Mr. Berggren replied that EWEB had hired seven representatives. He said given the training time required to keep those people they were likely going to keep the representative through the May date. He commented that attrition “was doing its natural thing” as some of those people were accessing internal postings and moving into other positions.

Mr. Berggren continued his report:

- EWEB employees delivered a truck load of food to Food for Lane County (FFLC). He said he would provide a \$2,000 donation to FFLC, under his authority as General Manager; in order to help mitigate the cash flow issue the agency was experiencing.
- Mr. Berggren reminded the Board that the City Council intended to discuss the draft Memorandum of Understanding (MOU) on November 21. He suggested that commissioners might want to attend that work session.

Mr. Berggren asked Power Resources Division Director Dick Helgeson to provide a brief update on the residential exchange.

Mr. Helgeson related that there were some recent developments in the Residential Exchange that were the subject of a news story that had appeared in *The Oregonian*. He recapped the situation; the court had struck down the Bonneville Power Administration (BPA) approach to the Residential Exchange payments in May 2007. He said the BPA had suspended their payments and this had resulted in the Investor-Owned Utilities (IOUs) having to, in effect; increase their rates to their customers. He reported that this had brought on negotiations that the BPA had encouraged between the IOUs and the publicly owned utilities. He said they were trying to resolve the issues and to give the BPA "some guidance" as to how to bring things forward and comply with the direction of the court and to be able to restore some level of the benefits that would "hold at bay some political considerations." He stated that negotiations proceeded through July and were followed by a 90-day hiatus during which the BPA held some public workshops about the Residential Exchange. The parties had been reticent to continue trying to make progress toward each other's positions. He reported that as they were now "directly in front of the BPA process" the BPA had urged the parties to meet again as soon as possible and the IOUs and the public utilities had met twice during the previous week. He felt the IOUs had made substantial concessions during those meetings, such that there was a conceptual agreement as to how the situation should be resolved moving forward. He explained that it would allow for a re-initiation of the payments effective back to October 1 and it would also allow for a corollary and simultaneous reduction in rates in effect for the publicly owned utilities. He stated that the parties would be working together with the BPA to determine a long-term benefit level that would fall as a result of the "BPA mechanics" somewhere between \$200 and \$220 million per year, \$100 million less than the current amount. This level would be held constant with no escalation over the next 20 year contract period. He said as a participant in the negotiations EWEB would likely appear as being involved and there would be public communication on this topic in the next couple of days. He stressed that none of his involvement assumed approval on the Board's part or took positions with respect to EWEB as an organization.

Commissioner Farmer asked if he expected the courts to give a final decision soon. Mr. Helgeson replied that he thought it was set up; the issue had been remanded to the BPA with the expectation that the BPA "would redo all of it." He was certain someone would challenge the actions of the BPA in the next proceeding.

## **BOARD AGENDAS**

Mr. Berggren highlighted the *Eugene Water & Electric Board Agenda Report* dated November 6, 2007.

In response to a question from Commissioner Brown, Mr. Berggren stated that the City Council's discussion on the draft MOU was not going to be a joint meeting between the two elected bodies and it would not be considered an *ex- parte* contact should Commissioners deign to speak with Councilors on the subject.

### **THIRD QUARTER FINANCIALS**

Assistant Treasurer Cathy Bloom provided an overview of the *Third Quarter Financial Statements* with power points, hard copies of which were provided to all who were present. She noted that the balances listed were as of September 30, 2007. She said the overall view of the financial statements was positive and there would be a discussion after the first of the year on how best to distribute the net operating revenue. She stated that the projected balance in the power reserve at year end was \$27 million and staff was anticipating transferring some of this into the capital reserve. She said staff would come back after the first of the year to determine how the Board wished to address the extra revenue.

Commissioner Farmer asked why most of the revenue above projections had come from the first quarter. Mr. Helgeson explained that it was because this was the time of the year that the runoff from the snow pack happened.

Ms. Bloom continued with her presentation. She stated that the non-power operations and maintenance costs were projected to be at budget by the end of the year.

Ms. Bloom discussed the financial statements for the water utility. She underscored that the water utility was not in the excess revenue position the electric utility was in. She said the utility was expecting a lot of construction in the next three months and this was why the capital budget was anticipating a positive variance of \$35,000.

Ms. Bloom stated that staff would be returning before the Board in December to transfer post-retirement medical reserves of \$8 million to a new trust. She requested that one of the Commissioners consider serving on the Board of Directors for the trust, which would be set up by the end of the year. She noted that EWEB was looking into making the interest on the trust tax exempt. She said the Internal Revenue Service would be providing an answer on this by the end of the year. The transfer of funds would also generate a budget amendment, which would come before the Board.

Ms. Bloom announced that the auditors would be meeting with the Board on December 4 to discuss the plan for the 2007 audit. In response to a question from Vice President Simpson, she affirmed that they would see the same audit team.

Commissioner Farmer commended the budget presentation, saying he had to look hard to find questions. He asked, regarding the classification of product and operating costs, why the revenues listed under "other revenues" was down by \$3 million. Ms. Bloom replied that it was partly attributable to the change in classification.

Commissioner Farmer referred to the page that broke sales down by volume and asked why wholesale sales continued to substantially increase. Ms. Bloom replied that it varied a lot. She said she would look further into it. Mr. Berggren added that they had made a change in how they booked the sales at the auditors' behest.

Commissioner Farmer said he would be interested in having the page that showed financial

ratios include staff suggestions for some targets to think about as a Board for the date to equity ratio. He reiterated his appreciation for the spreadsheet that had been included in the report.

In response to a question from Commissioner Brown, Ms. Bloom explained that the term “appreciation” referred to all of EWEB’s assets and was not a real expense.

### **THIRD QUARTER STATUS ON GENERAL MANAGER GOALS**

Mr. Berggren highlighted the memorandum entitled *2007 Third Quarter GM Goals Status*. He noted that EWEB continued to be off target for *Safety – Recordable Incidents* and *Call Center Availability*.

Vice President Simpson asked how the safety statistic contrasted with a recent memorandum the Board had received that announced that there had been 40,000 hours of incident-free work. Mr. Berggren replied that the water construction division had no recordable incidents and no lost days for a year. He said they held a small celebration for them. He thought EWEB was very close to target for incidents, nonetheless.

Commissioner Farmer asked how they could be above target for incidents but below target for lost days. Mr. Berggren explained that reportable incidents according to the Occupational Safety and Health Administration (OSHA) could include sprains and bee stings if they occurred on the job. He said if the incident did not result in an injury there were no lost days.

Vice President Simpson asked how a “recordable incident” was defined. Treasurer Jim Origliosso explained that it meant medical treatment above general first aid had been needed.

Commissioner Farmer remarked that it seemed like a “ton” of Customer Service employees had been hired. He asked if they were now trained. Employee, Customer and Community Services Division Director Debra Smith affirmed that they were now trained. She said they were now within eight percent and were on track to meet the previously approved target of six percent lost calls by the end of the year.

Mr. Berggren commented that when the new phone switch was installed they would likely have to determine a different set of metrics.

Vice President Simpson congratulated the General Manager on the System Average Interruption Frequency Index (SAIFI) and the System Average Interruption Duration Index (SAIDI) numbers.

Mr. Berggren stated that the third quarter update on strategic performance was attached to the memorandum.

Regarding the fish ladder, Mr. Berggren reported that they were still at the table negotiating the details of the proposed fish ladder, which continued to be an integral part of EWEB's proposals for the Carmen-Smith relicensing process. He noted that it was not likely that the final license application would be completed before April, 2008.

Mr. Berggren related that EWEB was "closing in" on an MOU with the City of Eugene regarding the master planning process for the Riverfront site. He said City Manager Angel Jones had indicated that most of the councilors were generally comfortable with the MOU in its current iteration. He felt optimistic and thought they would start the process in 2008.

Mr. Berggren said he would be providing a larger presentation on November 20 regarding his third goal, which had to do with changes in EWEB's public input process.

Commissioner Farmer noted that Strategic Initiative 3.2 discussed securing existing water rights and having it include regional partnerships. He wanted to see more focus on securing the water rights and looking at what opportunities there might be in regional partnerships. Mr. Berggren assured him he would continue to try and respond to Commissioner Farmer's concerns and would be back before the Board with updates on the situation.

Vice President Simpson wanted to ensure that staff would not develop "yes and no" quality to their response to Automatic Meter Reading (AMR) because he was concerned it could lead to stalling on the project. Mr. Berggren recalled that (AMR) was in the Capital Plan for 2010.

## **ADJOURNMENT**

President Menegat adjourned the Regular Board Meeting at 8:35 p.m.

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Assistant Secretary

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President