

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

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

Others present: Randy Berggren, Dick Varner, Tom Buckhouse, Jim Wiley, Dick Helgeson, Cathy Bloom, Jim Origliosso, Debra Smith, Terry Bequette, Patty Boyle, 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) at 7:13 p.m.

AGENDA CHECK

There were no changes to the agenda.

APPROVAL OF CONSENT CALENDAR

Minutes

1. a. October 16, 2007, Regular Board Meeting
- b. October 16, 2007, Work Session

Business Service Agreements

2. Nation's Mini-Mix, Inc. – Redi-Mix Concrete and Delivery on “As Needed” Basis – Water Division - \$275,000
3. Northwest Capital Management, Inc. – Deferred Compensation Program Review – Fiscal Services – Corporate Services Division - \$145,000

Resolution

4. Resolution No. 0719 – Administrative Overhead Definition & Rate Charges for various administrative functions.

Commissioner Brown, seconded by Vice President Simpson, moved to approve the Consent Calendar. The motion passed unanimously, 5:0.

ITEMS REMOVED FROM THE CONSENT CALENDAR

There were no items removed from the Consent Calendar.

ITEMS FROM BOARD MEMBERS

Vice President Simpson announced that he would attend the Friendly Area Neighbors (FAN) Executive Board meeting on December 10. He said as an Executive Board Member of the McKenzie Watershed Council (MWC) he would be attending a meeting on December 6. He noted that the meeting would include a review of the MWC director, Larry Six, who, he opined, would get very

high marks for his leadership over 2007.

Vice President Simpson thanked staff for the prompt response to recent storm events. He said there had been approximately 2,000 customers without power and most had been restored in a timely manner.

Commissioner Brown said he would also try to attend the FAN meeting scheduled for December 10. He recalled that the meeting would focus on the College Hill Reservoir.

Commissioner Brown related that the Lane County Board of Commissioners had recently discussed Ballot Measure 37 and 49 claims and that groundwater had been specified as an issue. He hoped that EWEB had someone present for that meeting and requested a backgrounder on what had transpired.

President Menegat shared that he had the opportunity to attend the November 26 Eugene City Council meeting for the purpose of accepting a 2007 City of Eugene appreciation award. He explained that it had been presented to thank EWEB for its involvement in the land banking program and for its commitment to provide safe and affordable housing for low-income people.

CORRESPONDENCE

General Manager Randy Berggren reported the following item of correspondence:

- A letter to the Board had been received from the Sara Patton, director of the Northwest Energy Coalition, thanking EWEB for helping to sponsor the 26th anniversary gala in Seattle.
- A “substantial document” on the revisions to the contract renewal procedures had been submitted by Ed Case for Board review. The revisions sought to make the procedures compliant with changes made in the legislature.
- A holiday party for EWEB was planned for December 14 at the Hilton Hotel. He noted that at present there were six tickets left so there was a possibility that the event would be expanded.

Mr. Berggren wished to add his kudos for the response to the recent storm event. He said he had requested an assessment of the response from Electric Division Director Jim Wiley. He wanted to determine what the most significant contributors to the response had been during the windstorm. He thought it likely that the recent investments in tree trimming had made a significant difference.

BOARD AGENDAS

Mr. Berggren highlighted the *Eugene Water & Electric Board Agenda Report*. He noted that Walterville/Leaburg Stream Flows Retention was a typographical error; the word 'Reduction' should be substituted for 'Retention.' He said the response due date was scheduled for March 1, 2008. He also pointed out that the next Board meeting would include a brief "pre-discussion" of Board appointments and assignments for liaisons and committees.

Commissioner Lanning thought this was a good idea, but that it should be included in the work session. Mr. Berggren responded that it could easily be shifted to the Work Ssession.

Commissioner Lanning suggested that the Board consider moving the public input portion of the meeting later in the agenda given that the meetings had tended to begin earlier than scheduled in recent months.

PUBLIC INPUT

Zachary Vishanoff thought there had been talk of building a baseball stadium in the courthouse area. He predicted that EWEB land would be used for parking lots and "duck shops." He said the University of Oregon was pursuing bonds for \$200 million for the proposed basketball arena. He believed this would affect EWEB as it would take resources and would divide people who did not think it represented a good business model. He urged EWEB commissioners to get more information on the bonding and to weigh in on it.

DRAFT 2008 BUDGET

Fiscal Services Supervisor Patty Boyle reiterated that there would be a second public hearing on the draft budget. She reviewed the *2008 Budget* with power points, hard copies of which were provided to all who were present.

Vice President Simpson remarked that the memorandum entitled *2008 Budgeted Personal Services Costs – Request for Information* dated *November 29, 2007* had been helpful. He requested that this information be provided every year.

Commissioner Brown asked if \$13.2 million was the hard cost with only some of the design work completed at the Roosevelt Boulevard site. Ms. Boyle surmised that it included financing costs and the beginning site work as well.

Commissioner Brown asked for further information on the Trojan Annual Operating Budget. Mr. Berggren explained that the Bonneville Power Administration (BPA) reimbursed it. Treasurer Jim Origliosso added that it was important to keep in mind that at this point participation in the Trojan plant was "just a shell;" EWEB served as the BPA's instrument and there was no financial risk to EWEB that was associated with Trojan.

Commissioner Lanning asked Ms. Boyle to remind the Board how many times they had

discussed the budget. He noted that some people would come and listen to the discussion for the first time and might reach the conclusion that the Board went through the budget process with very little discussion. Ms. Boyle stated for the record that the Board had discussed the budget every time the Board discussed the 10-Year Financial Plan and that the Board had an all-day budget planning work session during the summer to establish assumptions for the major issues. Staff then initiated the work based on Board direction at that time. The process also included a fall work session and a couple of follow-up meetings, an official presentation of the budget in November, and two public hearings.

SECOND PUBLIC HEARING ON THE DRAFT 2008 BUDGET

President Menegat opened the second public hearing on the Draft 2008 Budget. There were no members of the public who wished to speak at this time. President Menegat closed the public hearing.

2008 BUDGET – RESOLUTION NO. 0728

Commissioner Farmer, seconded by Vice President Simpson, moved to approve Resolution No. 0728, to approve the 2008 Budget. The motion passed unanimously, 5:0.

Vice President Simpson thanked Ms. Boyle for her work.

COMPARATIVE RATES DISCUSSION

Ms. Boyle provided a power point presentation on the *Comparative Rate Study*, hard copies of which were provided to those present.

Regarding the *Customer Profiles-Assumptions*, Commissioner Farmer asked what the difference was between the ‘Residential Home’ and the ‘Calculated Residential Average’ for water. Ms. Boyle clarified that the latter was the average of all residential bills and the other was calculated from the Tier 2 residential bills.

In response to a question from Vice President Simpson, Mr. Berggren affirmed that it was staff’s intention to present the current rate structures of the comparators when presenting the numbers.

Vice President Simpson asked which months the comparisons were based on through the year. Ms. Boyle replied that they would use a January through December comparison.

Commissioner Farmer pointed out that the ‘Residential Tier 2’ under the electric category on the slide entitled *EWEB Rank and Percentile* was lower and questioned why this was so. Mr. Berggren responded that they might be getting into rate design, specifically the basic rate charge. He stated that every utility made a political decision on what that charge would be and surmised that the Cost of Service Analysis (COSA) might recommend a higher charge for another

utility. Ms. Boyle suspected that this was a function of EWEB's rate structure and offered to look into it further.

Mr. Berggren remarked that the tiered rate structure had been a Board response to the elasticity of the market and the behavioral response for conservation. He asked how many of the comparator utilities had tiered rates. Ms. Boyle replied that she would have to look into it further, but she thought at least three.

Mr. Berggren expressed some concern regarding the column that showed the percentage plus or minus from Eugene in the tables delineating *Residential Utility Cost as a percent of Median Per Person Income* because it could be represented in "extreme ways."

Commissioner Brown commented that the percentage of the Eugene's population that attended the University affected the median income by drawing it down.

Vice President Simpson suggested that staff come up with a mnemonic or icon for the different comparators to help facilitate tracking what they were.

Commissioner Brown questioned the relevance of the statistic on the median price of a home. He did not believe there was a connection between the utility bill and the cost of a home. Ms. Boyle responded that it could be dropped from the numbers used.

Ms. Boyle stated that the next time the rates comparison would come before the Board would be in tandem with a rates discussion.

Commissioner Farmer suggested that staff look at the things that were considered to be values and show how they impacted EWEB.

Mr. Berggren commented that the rates comparison provided another way of "looking at the landscape."

BUDGET AMENDMENT NO. 6 AND RESOLUTION NO. 0729 – COMPENSATION & BENEFITS MANAGEMENT FOR EMPLOYEE MEDICAL BENEFIT TRUST PLAN

Mr. Origliosso acknowledged that it was late in the year to bring a budget amendment. He explained that it was due more to a change in accounting. He said what was triggering the amendment was a payment into the medical benefits trust of approximately \$8 million. He stated that staff was seeking approval to do so.

In response to a question from Commissioner Farmer, Mr. Origliosso explained that EWEB was trying to normalize the pension and benefit costs. He said EWEB was trying to get all pension and benefits cost lined up with the current year it fell in.

Vice President Simpson, seconded by Commissioner Brown, moved to approve Budget

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Amendment No. 6, a housekeeping amendment for the purpose of transferring funds from the Post-Retirement Medical Reserve fund to the Trust and approve additional cash transfers from the Water Utility to the Trust, and to approve Resolution No. 0729, a resolution approving and ratifying actions taken for the establishment of the Eugene Water & Electric Board Retirement Benefit Trust and authorizing an initial payment to the trust not to exceed \$8,304,000 pursuant to the planned benefit services agreement between EWEB and the trust. The motion passed unanimously, 5:0.

ADJOURNMENT

President Menegat adjourned the Regular Board Meeting at 8:20 p.m.

Assistant Secretary

President