

EUGENE WATER & ELECTRIC BOARD  
REGULAR BOARD MEETING  
EWEB BOARD ROOM  
JANUARY 15, 2008  
7 P.M.

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

Others present: Randy Berggren, Tom Buckhouse, Jim Wiley, Debra Smith, Jim Origliosso, Dick Helgeson, Lance Robertson, Cathy Bloom, Mel Damewood, Wally McCullough, Charles Dalton, Dave Anderson, Jason Heuser, Dick Varner, Dick Helgeson, Patty Boyle, and Krista Hince of the EWEB staff; Ruth Atcherson, City of Eugene minutes recorder; and members of the public.

President Simpson convened the Regular Meeting of the Eugene Water & Electric Board (EWEB).

#### **AGENDA CHECK**

There were no changes to the agenda.

#### **PUBLIC INPUT**

**Rick Grosscup**, Eugene resident, thanked the Commissioners for their service to EWEB and to the city. He stated that he served on the Friendly Area Neighborhood Association (FAN) executive committee and as the co-chair of the FAN committee to work with EWEB on the College Hill Reservoir issues. He thanked President Simpson and Commissioner Brown for attending the executive meeting of the FAN the previous month at which a presentation had been made regarding the reservoir by Jay Bozievich and Tom Buckhouse. He complimented all concerned for an excellent exchange that he felt would enhance the relationship between the neighborhood and EWEB. He felt that though EWEB's ability to deliver water and electricity was "excellent" it was important to building public confidence to have a "friendly face" to put with it. He congratulated the Board on its move toward forming a citizens advisory committee. He believed that public input was critical to the public processes.

#### **APPROVAL OF CONSENT CALENDAR**

##### **Minutes**

1. November 20, 2007, Work Session

##### **Business Service Agreements**

2. Hanco International – Personal Protective Equipment Tester – Electric Division - \$108,325
3. Lane Council of Governments (LCOG) – 2008 Water Quality Monitoring Technical Assistance Activities – Environmental Management – Employee, Customer & Community Services Division - \$99,000

4. Lane County Human Services Commission – Low-Income Energy Assistance Programs – Employee, Customer & Community Services Division - \$900,000
5. OBEC Consulting Engineers – Leaburg Boat Landing – Electric Division - \$24,000
6. Second Growth Inc. – Quail Run Site Restoration Project – Environmental Management – Employee, Customer, & Community Services Division - \$72,280

**Resolutions**

7. Resolution No. 0802 – 2008 Legislative Session
8. Resolution No. 0803 – Board Appointments, Board Committees, Advisory Committees and Outside Liaisons

President Simpson acknowledged minute's corrections submitted by Roosevelt Project Manager Ken Beeson.

Commissioner Lanning, seconded by Commissioner Menegat, moved to approve the Consent Calendar, as amended.

Commissioner Brown pulled Item 6, a contract with Second Growth Inc.

Commissioner Lanning revised his motion to reflect this, with the consent of the second. The motion passed unanimously, 5:0.

**ITEMS REMOVED FROM THE CONSENT CALENDAR**

Commissioner Brown asked for an explanation as to why the contract referred to in Item 6, a contract to replace vegetation on a property that was one-third of an acre, was for \$72,000.

Ms. Smith stated that this contract fell under the rate requirements of the Bureau of Labor and Industry (BOLI). She delineated the cost breakdown, as follows: \$17,600 for site preparation, \$23,000 for the plantings, and an additional \$31,700 was for maintenance over the following four-year period. She noted that this was a Goal 5 resource area from which EWEB had removed 30 trees and, as such, EWEB was required by law to replace them.

Commissioner Brown asked how many of the contracts fell under the BOLI rate. He registered his suspicion that workers did not receive the \$44 per hour rate the contract indicated. He noted the going rate in the area was \$12 to \$14 per hour.

Treasurer Jim Origliosso related that each year EWEB was required to put together a list of all of its public works contracts that was then submitted to BOLI. He understood the contract indicating payment of prevailing wages that was being considered was required by BOLI, but said he would confirm this.

Employee, Customer and Community Services Director Debra Smith stated that EWEB did other work with this vendor and there were pieces of work that were subject to the prevailing wage rules and other pieces that were not.

In response to a question from Commissioner Brown, Mr. Origliosso said it was not incumbent upon EWEB to ensure the workers received the prevailing wage EWEB was required to pay.

General Manager Randy Berggren offered to ask Purchasing/Risk Manager Ed Case to come in and speak about the prevailing wage and EWEB contracts.

Commissioner Brown disapproved greatly of giving a wage of \$44 per hour contractually without some assurance that the workers would actually receive that wage.

Vice President Farmer acknowledged that EWEB had basically clear cut the area in question and that it was not a very sizable area. He pointed out that the surrounding area for a long way was "all invasive vegetation" maintained by the city. He asked why EWEB was not just leaving the land alone, given that the invasive vegetation would try to overtake it. Ms. Smith responded that EWEB was obligated by Goal 5 to re-vegetate the property even though it would look very different from the surrounding area.

Commissioner Menegat, seconded by Commissioner Lanning, moved to approve Item 6 (Second Growth, Inc.) of the Consent Calendar.

In response to a question from Commissioner Lanning, Mr. Berggren clarified that EWEB did not interpret the contract to fall under the BOLI guidelines; BOLI had made this determination.

Mr. Berggren asked how time critical the contract was. Ms. Smith replied that it could be deferred in order to provide more information.

The motion failed, 3:2 and the item pulled until further notice; President Simpson and Commissioner Menegat voting in favor.

## **ITEMS FROM BOARD MEMBERS**

Commissioner Brown related that he had spoken to Drinking Water Source Protection Coordinator Karl Morgenstern regarding illegal camping by the intake for the Hayden Bridge water filtration plant. He reported that Mr. Morgenstern had assured him that it was now fenced. He had still been upset that after the Sheriff had initially confirmed that there were people camping there the five people, who had been littering into the river, had been allowed to remain there for two more days before being evicted. He was concerned because the people were polluting the area from which the community's drinking water was being drawn. He did not think they should have been allowed more time to camp there.

Vice President Farmer stated that he would be absent on February 19. He urged everyone to set a date for the special meeting on the boat landing soon.

Commissioner Lanning reported that the 2007 Lane Council of Governments (LCOG) Appreciation Dinner was being held on January 24 and anyone interested in going needed to indicate by January 17. He stated that elected officials and community members would be recognized for their service to the community.

Commissioner Lanning noted that the college he worked for in Salem had gone out in a pre-bond discussion with the local business community and it now appeared that the bond would go out in the May election. He explained that this would ramp up his commitment to his work. He indicated that he would meet with President Simpson and Mr. Berggren to discuss the time involved and what it would mean in regard to his commitment as a Commissioner.

President Simpson noted that Commissioner Brown was appointed as the liaison to the McKenzie Watershed Council but would have to miss several monthly meetings between January and July. He said he would substitute for Commissioner Brown for those meetings.

## **CORRESPONDENCE**

Mr. Berggren reported the following item of correspondence:

- Assistant Secretary Krista Hince was still working on the Board's planning session. She was looking at either April 7 or April 10 as the date. She will follow-up with Commissioners.
- The economic forecast for 2008 was coming up on January 30 at 5 p.m. Commissioner Brown and Vice President Farmer had indicated their desire to attend.
- January 25 EWEB would be hosting the Applied Sustainability for Business Conversation.
- January 31, as part of a "Focus the Nation" effort, University of Oregon President Dave Frohnmayer planned to host a series of discussions for City/public agencies. One was a series of presentations by individuals from the agencies about what was being done relative to the issues of climate change and sharing information. President Frohnmayer had also requested the Chief Executive Officers and a Board representative attend a private briefing about how the entities could cooperate and collaborate in trying to enhance efforts regarding climate change. President Simpson had indicated he would attend this with Mr. Berggren
- Roosevelt Project Manager Ken Beeson included an update on the Roosevelt Boulevard project in the Board packets. An update on those activities was planned for the Chamber of Commerce. President Simpson volunteered to participate along with Harriet Cherry from Pivot Architects.

- Compliance Manager Suzanne Pearce included information in Board packets regarding the Federal Energy Regulation Commission (FERC) deadlines related to the boat landing.
- Senior Water Mechanical Engineer Marc Anderson sent Commissioners a document containing the latest work done by the engineering firm, OBEC, on potential boat landing sites.

Commissioner Brown said that one thing the Board had not discussed was “popping” the road through to come out by the bridge if the Board did select the Water Board Park site. He felt the biggest hang-up there was the stacking and signaling on the bridge. Mr. Berggren responded that he was still pushing to get information regarding what the deadline meant.

Vice President Farmer suggested undertaking some contingency planning and perhaps seeking support from Congressman Peter DeFazio and Senator Ron Wyden.

## **BOARD AGENDAS**

Mr. Berggren highlighted the *Eugene Water & Electric Board Agenda Report* dated *January 15, 2008*.

### **Hayden Bridge Filter Plant Expansion**

Senior Water Engineer Wally McCullough provided a presentation on the *Hayden Bridge Filter Plant Expansion and Future Projects* with power points. He stated that the plant had been planned to expand in four phases over ten years, with the first expansion – the reservoir project and pump station – completed in 2003. He said the purpose of the current proposed expansion sought to increase the finished water capacity to slightly over 80 million gallons per day (MGD). He summarized the principal components:

- The new contact basin would increase raw water capacity to 108 MGD.
- Two additional gravity filters were needed to run 80 MGD.
- The additional capacity would meet the projected need out to 2050.

He showed the points at which the expansion would be constructed with the aid of aerial photos.

Mr. Berggren asked if there were any plans to utilize ultraviolet (UV) water disinfection. Mr. McCullough replied that it was not in the ten-year plan for the plant. He noted that while there were benefits to UV disinfection there was also a significant cost to implement the technology and the process would still require some use of chlorine.

Commissioner Lanning recalled the discussion the Board had on wave generation wherein it had been stated that such a discussion was not needed, as the wave generation technology was not imminent. He pointed out that wave technology was now being proposed as a feasible energy resource. He thought it would be prudent to discuss UV water disinfection at the board level whether it was feasible to institute at present or not.

Mr. McCullough offered to provide some supplemental information on it. He continued his presentation. He stated that a new backwash pump would be installed in the spring. After the expansion the plant would have two redundant pumps.

President Simpson asked if there was any energy saving potential related to demand management. Mr. McCullough replied that those elements had not been incorporated at this point.

In response to a question from Vice President Farmer, Mr. Damewood confirmed that the plant expansion project would be back before the Board in late March for approval.

Mr. McCullough stated that in the process of completing the list of projects staff had completed a "mini-master plan." He explained that staff had identified 67 projects that were needed for capacity issues, safety, reliability, and regulatory reasons.

President Simpson recalled that a new generator had been purchased several years earlier and asked what it was being used for. Mr. McCullough explained that it was to address capacity.

Commissioner Brown asked how much of the improvements could be funded out of Systems Development Charges (SDCs). Mr. McCullough replied that 70 percent of the funding would come from SDCs.

Commissioner Brown related that someone had called him asking if EWEB would be supplying water to the new hospital proposed for Junction City. Mr. McCullough responded that the water would be for the local community.

In regard to questions that Commissioner Brown had related to security, Mr. McCullough explained that security upgrades were included for the intake area and the plan included more security cameras.

Vice President Farmer asked what staff anticipated in terms of peak MGD demand over the course of the 10-year Capital Improvement Plan (CIP). Mr. Damewood said he would find out.

Vice President Farmer asked whether EWEB needed additional storage if it was meeting peak demand. Mr. Damewood replied that currently EWEB had adequate storage within the base-level system. He said with the addition of the Hayden Bridge clear well reservoir some of the smaller

reservoirs were being decommissioned for water quality purposes. He stated that EWEB had approximately 75 million gallons in bulk storage capacity at present and during the peak summer usage this represented 24 hours of service.

Vice President Farmer asked what staff would estimate the cost of building the system in the present. Mr. Damewood estimated that it would cost in the neighborhood of \$100 million.

President Simpson asked what the plans were for the space moving the chemicals out of the upper head house would create. Mr. McCullough responded that it would likely be used as a Supervisory Control and Data Acquisition (SCADA) facility.

President Simpson asked if the road would need to be improved. Mr. McCullough responded that the road did not represent a significant dollar amount. He said staff would determine whether it was needed after the bridge construction project was completed.

## **RESERVE TARGETS & POLICY**

Treasurer Jim Origliosso stated that he intended to provide the Board with a “check point” regarding reserve targets and levels and what was expected. He reported that the water utility had hit its sales target. He said the water utility had planned to increase reserves by \$900,000 but had actually increased it by \$500,000 because a payment had been made to the medical trust.

Mr. Origliosso remarked that a “lot of stuff” had happened in the electric utility. He related that the overall electric reserve target had been \$66.9 million and had come to realize that this target would be exceeded. He explained that one element of the current discussion was a proposal for how to redistribute the amount the target had been surpassed by, \$13 million. He delineated the proposal:

- \$10 million to be placed in the capital reserve;
- \$1 million to be placed in the non-power operating reserve for strategic staffing;
- Several other reserve funds were “topped off” to bring them to the respective targets;
- The new resource reserve was a rate funded amount with no specific target – no withdrawals had been made from this reserve to date and the proposal would include using part of the reserve to support the energy resource plan.
- Interest from the Carmen-Smith reserve fund is accumulating in that fund.

Mr. Origliosso said two significant transactions had occurred since December 31, 2007, which would have an impact on the final proposal scheduled for April. These included the \$1.9 million settlement to California, which was charged to the costs for 2007. He reiterated that EWEB intended to pursue an insurance settlement to cover the payment. He also noted that the exchange settlement from the Bonneville Power Administration (BPA) could potentially bring \$7.9 million to EWEB. He stated that currently staff was looking at a reserve target of \$75 million.

Vice President Farmer said in looking at the power operating reserve for 2008 he noticed a difference of \$9 million. Mr. Origliosso responded that this was a budgeted surplus. Vice President Farmer ascertained from staff that if EWEB experienced a “great hydro year” that amount would be higher. Mr. Origliosso stated that in this case EWEB could make a payment to the Other Post-Employment Benefits (OPEB) or to the Public Employees Retirement System (PERS) trust after the reserve fund targets were met.

Commissioner Menegat confirmed with staff that the Carmen-Smith reserve was basically an equity reserve. He asked if they would need to cover the outage during construction from the power operating reserve. Mr. Berggren affirmed that it would.

President Simpson shared his preference for establishing a reserve to serve that purpose.

Vice President Farmer averred that mathematically EWEB would be better off funding the outage by placing the money into an investment, such as the trust, that earned interest. Ms. Bloom responded that accounting standards required the Unfunded Actuarial Liability (UAL) for retirement benefits to be booked.

Commissioner Lanning indicated his support for this work and the criteria for paying down EWEB’s liabilities that staff had suggested to the Board. He remarked that EWEB was looking at a good snow pack thus far in the year.

Commissioner Menegat observed that the Board had a policy to pass through BPA rate actions. He was looking forward to the discussion, given that one possibility for the exchange settlement was that it could go back to the ratepayers.

President Simpson reiterated his suggestion to create a reserve to address the shortfall brought about by the Carmen-Smith downtime.

## **RESIDENTIAL EXCHANGE INTERIM AGREEMENT**

Power Resources Division Director Dick Helgeson reported that the BPA had offered a settlement for an interim payment in the amount of \$5 to \$7 million. He stated that time would be queued up for the Board to address it once the offer was formalized. He reviewed the current court case that had caused the BPA to suspend its payments to Investor Owned Utilities (IOUs) and the legal results. He related that the payment to EWEB was anticipated to be \$7.9 million, but would be subject to terms such as the true-up at the end of the process. He explained that when the amounts were finally settled relative to the obligations “either way” then it would be trued up. He added that concern regarding the risk of having to pay this money back at the end of the process was low. He said EWEB retained its right to challenge what would ultimately come out of the BPA process, but EWEB would have to forfeit its right to challenge interim agreements. He noted that the action item had been delayed because a comment period had been added.

Mr. Helgeson stated that unless there was a need to return before the Board staff planned to include the final settlement on the Consent Calendar for Board approval. He conveyed staff's recommendation to take the BPA's offer. He said legal counsel would review the legal provisions to ensure the scope of the agreement was acceptable. He noted that approximately one third of the utilities were not taking the offer for their own reasons and approximately two thirds intended to accept the offer. Of the latter, approximately half intended to place money in the reserves.

Vice President Farmer noted that a couple of utilities had filed a suit asking that Steve Wright be removed from the process because of bias. Mr. Helgeson responded that it was a "testy case." He believed that these allegations regarding Mr. Wright's ability to be impartial were subterfuge. He related that there were people who believed that until the process was completed no money should be given to the IOUs and some who believed that the benefit level moving forward should be in the neighborhood of \$50 million and not \$300 million.

Fiscal Services Supervisor Patty Boyle stated staff's intention to bring the 2008 rate case before the Board with the settlement reflected as a reduction in the rate requirement spread over the next year as the Cost of Service Analysis (COSA) would allow. She noted that Hynix had not participated in the purchase of this specific power and because of this would not have a claim on the refund; Weyerhaeuser and the University of Oregon would see it as a one-time benefit. She related that at present EWEB had anticipated a rate increase of approximately one and a half percent increase but this would in all likelihood be offset by the BPA settlement. She reiterated the importance of running this through a COSA prior to suggesting exactly how the settlement would change the rates. She added that rates in 2009 would be affected by a number of things and would likely increase.

Vice President Farmer observed that a one-time refund could be applied to the budget and potentially keeps rates even.

Mr. Helgeson thought there would likely be a rate action to increase the delivery charge to meet EWEB's rising expenses but there would be a corollary reduction in the energy charge. He said this would be discussed in depth as part of the budget planning work for next year.

Commissioner Lanning commented that it would be helpful in the COSA process to track the information that was released to the press by the BPA given that a notice that EWEB was receiving a large settlement in the face of a potential rate increase could be a "political nightmare."

Mr. Helgeson ascertained that the Commissioners were agreeable to taking action on this item in a Consent Calendar.

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**ADJOURNMENT**

President Simpson adjourned the Regular Board Meeting at 9:35 p.m.

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Assistant Secretary

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President