

EUGENE WATER & ELECTRIC BOARD
REGULAR BOARD MEETING
EWEB BOARD ROOM
FEBRUARY 5, 2008
7:30 P.M.

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

Others present: Randy Berggren, Tom Buckhouse, Jim Wiley, Jim Origliosso, Dick Helgeson, Lance Robertson, Mike Logan, Mark Freeman, Mel Damewood, Mat Northway, Ken Beeson, Cathy Bloom, Sheila Crawford, Tom Williams, and Krista Hince of the EWEB staff; Harriet Cherry, Eric Gunderson, Pivot Architects; Jeannine Parisi City of Eugene Planning 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

There were no members of the public who wished to speak at this time.

APPROVAL OF CONSENT CALENDAR

Minutes

1. a. November 19, 2007, Budget Planning Session
- b. December 4, 2007, Work Session
- c. December 4, 2007, Regular Board Meeting

Business Service Agreements

1. Advance Security, Inc. – Security Services – Facilities Services – Corporate Services – 49,800
2. Kestrel Engineering – WECC Generator Testing – Electric Division - \$108,200
3. Kim deRubertis – Carmen Smith 2008 FERC Part 12D Safety Inspection – Electric Division - \$29,380
4. Landslide Technology – Inclinator Readings – Leaburg Power Canal Landslide and Embankment Sections – Electric Division – 107,700
5. SelecTemp – Temporary Services in Generation Engineering – Electric Division – 13,000
6. Westates Flagman, Inc. – Traffic Control and Flagging Services – Electric Division - \$900,000
7. Westates Flagman, Inc. – Traffic Control and Flagging Services – Water & Steam Divisions – \$450,000
8. West Yost & Associates – Laurel Hill 850' Reservoir Design & Construction Oversight – Water Engineering -- Water Division - \$57,697

Vice President Farmer, seconded by Commissioner Menegat moved to approve the Consent Calendar.

Commissioner Brown pulled Items 7 and 8 (Westates Flagman, and West Yost & Associates)..

Vice President Farmer, seconded by Commissioner Menegat, revised his motion to reflect the removed items and the motion passed unanimously, 4:0.

ITEMS REMOVED FROM THE CONSENT CALENDAR

Commissioner Brown asked what justified the difference in hourly rates. General Manager Randy Berggren replied that the two contracts were separated because the Bureau of Labor and Industry (BOLI) governed one and the other was not. Electric Division Director Jim Wiley said they did not know what each individual rate was for the contracts.

Commissioner Brown called out the “huge disparity” in the hourly rate.

Treasurer Jim Origliosso recalled that flagging under the BOLI rate was \$38 an hour and the non-BOLI rate was \$25. He said he would look into it and confirm those numbers.

Vice President Farmer, seconded by Commissioner Brown, moved to approve Items 7 and 8, both contracts with Westates Flagman, Incorporated. The motion passed unanimously, 4:0.

ITEMS FROM BOARD MEMBERS

Commissioner Brown thanked staff for giving the Board the heads up on the proposal made by a California company to place five to nine hydroelectric projects on the McKenzie River. He hoped EWEB’s staff would keep their eye on this. General Manager Randy Berggren agreed that this was a priority, particularly in relation to water quality.

Commissioner Brown related that a dumptruck load of debris had been left across the McKenzie River from the Hayden Bridge water intake. He hoped EWEB could take more ownership of the river, if not by cleaning up this type of mess then by notifying the appropriate people to do so.

Mr. Berggren remarked that this would be a good discussion to be held at the Board level. He said the Board should consider what the general good practice should be for caretaking of the river.

The Board indicated agreement to place this discussion into the queue.

President Simpson indicated his interest in attending the American Public Power Association (APPA) conference in New Orleans.

President Simpson noted that he intended to continue to serve on the McKenzie Watershed Council (MWC) Executive Board, though Commissioner Brown was the primary representative of EWEB on the MWC.

President Simpson related that he continued to receive good reports on electrical restoration work in storm conditions. He also pointed out that a letter to the editor of the *Register Guard* had commended a water technician who made a house call on the weekend.

CORRESPONDENCE

Mr. Berggren reported the following item of correspondence:

- Board packets included the quarterly litigation update.
- A memorandum dated January 29 from Key Account Manager Tom Williams and Energy Management Services Manager Mat Northway regarding the status of renewable acquisitions and highlighting the transition from wind power to green power since the decision to switch had been made one year earlier was provided to the Board – currently 1700 customers remain wind power customers and 1100 have become green power customers. Staff planned to complete the transfer to the green power program and letters would be sent to the affected customers explaining the change and that it would not change their rates.
- Mr. Williams and External Communications Coordinator John Mitchell had sent the Board a memorandum discussing EWEB's work in preparation for the Olympic Trials.

President Simpson remarked that the media would be in Eugene and it would be important to ensure that the plaza area was "spit shined."

Mr. Berggren continued his report:

- Purchasing/Risk Manager Ed Case and Environmental Specialist Debbie Spresser had provided a memorandum to Commissioners regarding the BOLI rates at the Quail Run site.
- Board packets included copies of a letter from a customer complimenting the field people on the work they do.
- Board packets also included a letter of thanks from Food for Lane County for the donation of \$2,000 and the employee food drive.

BOARD AGENDAS

Mr. Berggren highlighted the *Eugene Water & Electric Board Agenda Report* dated *February 5, 2008*. He noted that an item would be added to discuss stewardship of the McKenzie River.

STATE OF THE UTILITY ADDRESS

President Simpson began his message with a short preamble: “It’s just that we have a lot of work do to again in 2008, and I want to make sure the community understands this ambitious agenda.”

“One hundred years ago this April, the citizens of Eugene decisively voted to create a publicly owned municipal utility. The vote passed 567 to 171, and set into motion the purchase of a poorly run, unsafe private water system, putting it into the hands of the people of Eugene to run in perpetuity.

“It was the first act of “public involvement” in what is now the Eugene Water & Electric Board. In the nearly 100 years since the first meeting of the Eugene Water Board in 1911, public involvement has been a value of the best-run municipal utility in the nation. Over the years, the public has weighed in and helped shape EWEB as we know it today. Of course, we have a board – elected by the citizens of Eugene – that makes all key policy and financial decisions. But EWEB customers also have played key roles in shaping the outcome of many specific projects and initiatives, some controversial; others not so contentious. EWEB’s robust and pioneering energy conservation program was born from the encouragement of our customers following the first energy crisis in the mid-1970s. Citizens also played key roles in the siting and construction of the Carmen-Smith Hydroelectric Project, in moving away from nuclear power, in our push into renewable energy resources, and in protecting and safeguarding our sole water source, the McKenzie River. We relied on the advice and consent of our customers in each of these major issues, projects and initiatives.

“This year again promises to be one in which engaging our citizen-owners and customers is critical. Several projects are under way, about to begin or nearing a key decision point. Tonight, for example, the Board will decide whether to approve the funding of the Roosevelt Operations Center, culminating a decade long process to find a new home for our electric and water operations, thereby making surplus riverfront property available to a higher and better use by the community. This process has involved numerous public meetings during which customers have had the opportunity to weigh in on the project. EWEB’s board and general manager have promised to make “public participation” a key initiative in 2008. Part of this is based on a need to increase citizen involvement and feedback in the decisions we make, to meet the changing expectations of the public. Part of this effort is the result of recognition by EWEB that we haven’t always met our customers’ expectations in this area. A third key driver, however, is that EWEB has a number of major initiatives that will require us to inform or seek the advice of our customers about decisions that will affect the utility for many years in the future.

“We are starting to create a Master Plan for the riverfront property that will be vacated once we build the new electric and water operations center in west Eugene. We are creating a nine-member Community Advisory Team, or “CAT,” which will spend the next year-and-a-half creating a vision for how this valuable piece of property will be utilized. It’s an exciting piece of work that will revitalize the central core of our city with a plan that creates a vibrant “riverplace” that the citizens of Eugene will enjoy for many decades in the future.

“We continue to collaborate with state and federal natural resource agencies, as well as key environmental groups, flyfishing clubs and others, to craft a workable, affordable and acceptable agreement on relicensing Eugene’s most valuable source of energy, the Carmen-Smith Hydroelectric Project. Our goal is to ensure that we protect the river, its fish and the other natural resources impacted by the project while retaining the project’s high value as a source of electricity.

“Although not a new issue, we must continue working closely with McKenzie River residents and river users to select a site for a new boat landing in the vicinity of Leaburg Lake. This year, we expect to start taking a serious look at the future of the steam plant, and will engage our steam customers and other stakeholders to discuss possible decommissioning and other alternatives.

“As we move closer to building the Roosevelt Operations Center about mid-year, we will engage the Bethel neighborhood on such issues as traffic impacts, wetlands preservation and restoration, and potential construction impacts.

“The Board adopted a climate change policy last September but will be revisiting the issue in the year to come, with the help and advice of interested citizens. We will be asking our customers and others to give us advice and feedback on the future of our energy conservation programs, as we examine how well our current programs match up with the available conservation “savings” still available to residential, commercial and industrial customers.

“It will be a busy year. Each of these projects and initiatives will occupy plenty of staff time, and almost all of them are unfolding in parallel. It’s an ambitious agenda, I know. But I am confident that our employees – the best and most professional employees of any utility in the nation – will get the job done, on time, and under budget in partnership with the citizens of this great Northwest city, Eugene, Oregon. Just as they always have for nearly one hundred years.”

President Simpson received a warm round of applause.

2008 GENERAL MANAGER’S GOALS

Mr. Berggren noted this was the third time the goals had been brought forward for consideration. He had incorporated Board recommendations to include goals that speak to future water rights. He had also added a post-first quarter piece of work regarding regionalization at the suggestion of Vice President Farmer.

Vice President Farmer, seconded by Commissioner Brown, moved to approve the 2008 General Manager’s Goals. The motion passed unanimously, 4:0.

ROOSEVELT PROJECT FINANCING AUTHORIZATION

Roosevelt Project Manager Ken Beeson stated that he was asking for approval of a resolution to request the Eugene City Council to authorize EWEB to issue \$85.5 million in electric system revenue bonds that would allow EWEB to proceed with the design and construction of the Roosevelt Operations Center. He was also seeking Board authorization to continue with design development work on the project. He provided a power point presentation on the item, hard copies of which were provided to all who were present. He noted that this information would be sent to the City Council in advance of the work session scheduled for February 13.

Mr. Beeson believed that what they had put together at this point provided a balance between economy and function. He stated that the design work was approximately 30 percent complete, with a “substantial amount” of work remaining.

In response to a question from President Simpson, Mr. Beeson explained that ‘owner costs’ included equipment, furniture, utilities, permits, fees, and the costs for the architects and engineers. He said the cost estimate would be refined as the design work continued.

Assistant Treasurer Cathy Bloom reviewed the financing process. She noted that the actual bond approval would go on the council’s Consent Calendar on February 25. Regarding debt reserves, she explained that over the years industries had gotten away from utilizing debt service reserves and had purchased insurance instead. She related that the mortgage difficulties were sending some of the insurance companies into debt watch. She said this could impact EWEB’s debt issues as EWEB had insurance at about \$13.7 million to cover debt service. She stated that EWEB was working with the bond council, given that some of the insurance providers were about to be downgraded and that EWEB had policies that required any insurance agency the utility worked with to have a triple A rating. She said this meant EWEB might have to increase its reserves.

Vice President Farmer remarked that two of the insurance companies had defaulted already. He asked if it was still possible to purchase such insurance. Ms. Bloom affirmed that it was. She added that it was not possible to know what condition the insurance providers would be in by the time the debt service was issued.

In response to a follow-up question from Vice President Farmer, Ms. Bloom confirmed that there was interest but it eventually went back to the government.

President Simpson asked if the bonds would be put out for sale all at once or in increments. Ms. Bloom replied that EWEB would determine the economic viability of the insurance companies and if the utility could buy the insurance policy they would reduce the size of the bond. She projected that the bond for the first year would be for \$54 million and the remainder would be in the second year.

Ms. Bloom said she would return to seek approval for another relation related to refinancing and a water debt issue. She clarified, in response to a question from President Simpson, that the item would be placed on the Consent Calendar.

Mr. Beeson discussed the schedule. He said the first goal would be to get the area cleared and to get the rock in before the weather changed. He related that they had not heard objections from customers, though there was support for being economical and to have sustainability measures. He believed EWEB had a highly qualified design team and felt they were ready to build the facility and complete it. He recommended the Board approve Resolution No. 0805.

Commissioner Brown had thought the stormwater and sanitary systems on the site would be self-contained. Mr. Beeson responded that as they put the grading plans together the site would be able to handle a lot of stormwater, but in certain events it would not be able to handle all of it.

Commissioner Brown commented that \$170,000 for stormwater systems development charges (SDCs) was a lot. Mr. Beeson replied that the SDCs were based on the design to date.

Commissioner Brown noted the approximately \$16.5 million for variable project contingency and said he did not believe costs were escalating at the rate seen one year earlier. Mr. Beeson assured him that the design team was “watching that all of the time.” He said costs were estimated at this time to increase by two percent per quarter going forward to the mid-point of construction in 2009. He underscored that the design team was making every effort to ensure they were doing everything they could to be economical, but they also wanted to meet the functional requirements of the operating entities that were to be sited there.

Commissioner Brown related that he had attended the Energy Fair and had received criticism for removing the photovoltaic (PV) panels from the plan. President Simpson noted that he had requested that roofs for the structures were built so that PV panels could be added at a future point.

In response to a question from Vice President Farmer, Ms. Bloom stated that the annual percentage rate on bonds was currently circa five percent.

Vice President Farmer asked if staff was anticipating anything less than a unanimous vote by the council. Mr. Berggren responded that he had conferred with the City Manager and she indicated she could not give them any insight into what the result of the vote could be. Vice President Farmer said he hoped the Commissioners would lobby their councilors.

President Simpson asked how confident Mr. Beeson was that the project could be completed within the budget. Mr. Beeson replied that he had a great deal of confidence. He did not foresee having to return before the Board with budget amendments.

Commissioner Brown, seconded by Vice President Farmer, moved to approve Resolution No. 0805, a resolution requesting the City of Eugene to authorize the issuance and sale of electric utility system revenue bonds in the aggregate principal amount of not to exceed eighty-five million five hundred thousand dollars (\$85,500,000) for the purpose of financing improvements to the electric utility system and providing for related matters. The motion passed unanimously, 4:0.

Commissioner Menegat, seconded by Vice President Farmer, moved to authorize staff to proceed with project design and development of the Roosevelt Operations enterprise. The motion passed unanimously, 4:0.

ADJOURNMENT

President Simpson adjourned the Regular Board Meeting at 8:40 p.m.

Assistant Secretary

President