

EUGENE WATER & ELECTRIC BOARD
REGULAR BOARD MEETING
EWEB BOARD ROOM
FEBRUARY 19, 2008
7:30 P.M.

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

Others present: Jim Wiley, Jim Origliosso, Dick Helgeson, Lance Robertson, Cathy Bloom, Debra Smith, Dick Varner, John Yanov, Marty Douglass, Mark Oberle, Terry Bequette, and Krista Hince of the EWEB staff; Emily Jerome, Eugene City Attorney; Ruth Atcherson, City of Eugene minutes recorder.

President Simpson convened the Regular Meeting of the Eugene Water & Electric Board (EWEB) at 6:55 p.m.

AGENDA CHECK

President Simpson stated his intention to move the Public Input agenda item after Agenda Item 7 (Board Agendas) given that the Regular Board Meeting had convened 35 minutes early. The Board was amenable to the change.

APPROVAL OF CONSENT CALENDAR

Minutes

- 1a. December 18, 2007, Work Session
- b. December 18, 2007, Regular Board Meeting

Business Service Agreements

2. C&S Fire Safe Services – Annual and On-Call Maintenance of Portable Fire Extinguishers – Facilities – Corporate Services.
3. **HD Fowler Company** – Brass Service Fittings – Water & Steam Divisions.
4. **High Line Corporation** – Human Resource Information System Project Implementation Planning Session – Human Resources – Employee, Customer & Community Services Division.
5. **Kayla Sharbaugh** – Maintain CIS System – Production and Testing Support Services – Information Services – Corporate Services.
6. **Kearns & West, Inc.** – Carmen-Smith Relicensing Settlement Negotiations Facilitation Services – Electric Division.
7. **Milliman, Inc.** – General Compensation Services – Human Resources – Employee, Customer & Community Services Division.
8. **Pacific Northwest Generating Cooperative (PNGC)** – Administration of the BPA Slice Agreement – Power Resource Division.
9. **Unique Business System** – Work Scheduling Software – Electric Division.

Resolution

10. **Resolution No. 0806** – Authorizing the Sale of Renewable Energy Credits (RECs) to the Bonneville Environmental Foundation.

Commissioner Brown pulled Items 4 (High Line Corporation) and 6 (Kearns and West, Inc.)

Commissioner Brown, seconded by Commissioner Menegat, moved to approve the Consent Calendar with the exception of Items 4 and 6. The motion passed unanimously, 4:0.

ITEMS REMOVED FROM THE CONSENT CALENDAR

Commissioner Brown asked for an explanation of Item 4 (High Line Corporation). Employee, Customer & Community Services Division Director Debra Smith explained that the contract was for a \$26,000 expenditure for a five-day session having to do with a software product. She said the company helped EWEB do the project planning, the project scoping, and the final negotiation on the contract. She further clarified that EWEB was seeking to “do a fast start” on a project that would require fewer staff resources and would rely more heavily on the vendor.

Commissioner Brown asked how many people were involved in this. Information Services Manager Terry Bequette thought there would be three people.

Commissioner Brown observed that, per Item 6 (Kearns & West, Inc.), EWEB was providing meeting facilitators to those people opposed to the Carmen-Smith project. He asked if this move was in order to make sure the project stayed on time. Electric Division Director Jim Wiley affirmed that Commissioner Brown’s assumption was true.

Commissioner Brown noted that the last contract was for \$350,000 and the new contract was for \$250,000 until July. Mr. Wiley responded that it was hoped this portion of the process would be completed by the end of May. In response to a follow-up question from Commissioner Brown, Mr. Wiley confirmed that the cost was approximately \$50,000 per month.

Commissioner Menegat, seconded by Commissioner Brown, moved to approve Item 4, a contract with High Line Corporation. The motion passed unanimously, 4:0.

Commissioner Menegat, seconded by Commissioner Brown, moved to approve Item 6, a contract with Kearns & West, Incorporated. The motion passed unanimously, 4:0.

ITEMS FROM BOARD MEMBERS

Commissioner Brown reported that three people upset about having to mail bills to Vancouver, Washington had contacted him. He asked staff for a “ten word” answer because he was not entirely clear on why the bills were sent there.

Commissioner Brown said EWEB was losing money weekly at the Walterville diversion because salmon stacked up there. He explained that EWEB shut it down on Tuesday to take the fish out and then ramped it back up on Wednesday or Thursday. He had heard from the Oregon Department of Fish and Wildlife (ODFW) of another process that employed electric probes in the water in order to divert fish into another river in order to separate the native and the hatchery fish. He suggested that EWEB explore this option with Mr. Ziller of the local ODFW.

Commissioner Lanning related that Chemeketa Community College, the college at which he worked, would be forwarding a recommendation to its Board to go out for a bond in May. He wanted to keep his colleagues on the Board up to date on it, as it would affect his abilities to perform his duties on the Board.

CORRESPONDENCE

Electric Division Director Jim Wiley reported the following items of correspondence:

- Eugene City Council was scheduled to vote on the request for a Uniform Revenue Bond Act (URBA) bond on February 25.
- The special meeting on the boat landing was scheduled for February 25 at the same time as the council meeting.
- No information had been provided to the Board on the Principal Power application on the McKenzie River because it had been denied by the Federal Energy Regulation Commission (FERC).

BOARD AGENDAS

Mr. Wiley highlighted the *Eugene Water & Electric Board Agenda Report* dated *February 19, 2008*.

PUBLIC INPUT

Janet O'Bryant commented on the timing of the rate increase and the building move. She was concerned about how the increase would affect the people who reside in the Whiteaker neighborhood. She related that the area had a low socio-economic status and was home to senior citizens. She believed the Board needed to consider the scope of moving in the face of the current economy. She opposed the move.

Tom Snyder, 1143 Monroe Street, reiterated his support for converting the Steam Plant into a Live Steam Museum. He felt it would be an "anchor" for a plaza around the Steam Plant and could be a venue for daylighting the Millrace. He related that he had become enthused about a museum after participating in a workshop on the future of the riverfront. He underscored that he was addressing the older of the two facilities. He believed this would be an opportunity to share with people the history of steam power and of the industrial developments in Eugene. He did not want the

waterfront to become “too commercial.” He thought it would be helpful to put together a model of the property and put it in a storefront in the downtown so people could put in their suggestions as to what to do with it.

Bob Cassidy, 1401 East 27th Avenue, said he had attended the public hearing for the Roosevelt Boulevard project. He had observed that there were no plans for photo-voltaic (PV) panels for the project. He understood the reasoning behind the elimination of the green roof, but averred that solar collectors “make money.” He thought it seemed like an opportunity to do what the community was willing to do to move away from dependence on the Bonneville Power Administration (BPA) contract.

President Simpson called for comments from the Commissioners.

Commissioner Brown said he was familiar with the steam building. He agreed that it should be preserved but was concerned about the asbestos issues it presented.

Commissioner Brown clarified for Ms. O’Bryant that the administration building was remaining at its current site and that only the operations and maintenance buildings would be moved to the Roosevelt Boulevard site. He further explained that the Board had directed staff to cut \$20 million from the project budget, which had originally included PV panels. He stressed that the installation of PV panels was still subject to ongoing discussions.

President Simpson thanked the members of the public for their input. He reiterated that the headquarters buildings were going to remain at their current location. He considered them to be “gems of the city” and underscored that there were no plans to sell or raze them. He stated that the long-term vision of the new facility included space for the potential move of the administration buildings, but there were no immediate plans to do so. He stressed that the Board had worked hard to keep rates as low as possible and tried to maintain its rate position relative to other utilities in the region.

President Simpson explained that water rates were being increased because the water pipes that made up the infrastructure of the water system were designed for a lifetime of 80 to 100 years and were now coming due for replacement. He said over the next 50 years EWEB would have to replace its system and staff was in the process of identifying and prioritizing water main replacements. He emphasized that it would cost less to replace water mains than to address issues as they broke open and needed emergency repair.

President Simpson was enthusiastic about the possibility of a museum. He thought it would play well into the concept of an energy park, which he hoped would be included in the master planning process.

Continuing, President Simpson stated that he had asked staff to include retrofitting for PV panels in the design for the Roosevelt Boulevard project. He noted that there had been some

discussion of a private concern putting capital into it; EWEB would then purchase the power that was generated.

SPRING WATER RATE PROPOSAL

Treasurer Jim Origliosso introduced the item, indicating that it would preface the first public hearing opportunity on the 2008 water rate proposal. He said this was in the context of a multi-year attempt to bring the water utility to financial stability over the course of three years. He provided a power point presentation on the *2008 Water Rate Proposal*, hard copies of which were provided to all who were present. He began by reviewing the rate actions to date. He explained that the proposed increase was primarily to pay for capital projects, with the remainder to go into a reserve fund, and he attributed the differences in increases to the capital projects the different rate classes were in need of.

President Simpson observed that the elevation charge was slated to increase and asked if that was intended to recoup the energy costs. Mr. Origliosso said he would find out for him.

Commissioner Brown had heard that Willamette Water Company would charge for fire hydrants and asked if EWEB charged for fire hydrants. Mr. Origliosso replied that this was an active issue between EWEB and the City, noting the conversation focused on the maintenance of the hydrants. Employee, Customer & Community Services Director Debra Smith added that she had sat in on a meeting with Water & Steam Division Director Tom Buckhouse and County Commissioner Faye Stewart at which this issue had been a topic for discussion. She confirmed that EWEB did not charge for the water, but this had to do with the service configuration. She explained that there was a charge for the one meter that went to the Willamette Water Company.

Mr. Origliosso said the second public hearing, to be followed with action, was scheduled for March 18.

Commissioner Lanning said it would be helpful to clarify the roots of the capital needs. He stated that one reason the rates were low was that EWEB had not invested in its infrastructure like it “should have.” He underscored that when people were not aware of this they were prone to feel the rate increase acutely as possibly unjustified. He wanted to emphasize that people did not want to have an unreliable water system that did not deliver quality water.

Mr. Origliosso concurred. He stated that the rate increase was based on a large recapitalization of the entire system. He explained that the system had begun to be built 100 years earlier, with much of it put in between 1912 and 1925. He said EWEB was seeing evidence in outages and water main breaks that the 100-year estimated lifespan of the infrastructure was “about right.” He had observed a dramatic increase in water main breaks in the past five years.

Mr. Wiley stressed that the main concern was reliability, but there were also concerns related to the water quality as leaks could compromise this.

Commissioner Brown added that the water system included approximately 600 miles of lines and to date EWEB had been replacing about one mile per year. He said as the city solved its problem with potholes it would be undertaking a lot of road resurfacing and reconstruction and it was important for EWEB to undertake its projects in tandem with the city when the road was already deconstructed.

Commissioner Menegat commented that the Board had visited this issue a number of times. He said the Board had tried to keep people aware of what EWEB was doing and why by providing notices in the paper regarding budget hearings and associated subject matter.

Commissioner Lanning remarked that in looking at the comparator utilities, it was apparent that Eugene had been able to keep its rates low because it had not invested in its system. He averred that it would not be prudent to wait until “300 miles” of water line was failing simultaneously.

SPRING ELECTRIC RATE PROPOSAL

Senior Rates/Financial Analyst John Yanov presented the *May 2008 Electric Rate Proposal*, with the aid of power point hard copies of which were provided to all who were present. He reiterated that rate changes were per direction of two Board policies: that changes in Bonneville Power Administration (BPA) power costs would be passed through to customers and that budgeted changes in maintenance and capital would be reflected in the rates. He said this was driving the recommendation to provide rate payers with a 1.8 percent decrease.

In response to a question from President Simpson, Mr. Yanov explained that the costs for conservation and the Contribution in Lieu of Tax (CILT) were reduced as well because those costs were built into the rate action.

Mr. Yanov noted that if everything went as planned EWEB could also receive its payment resulting from the recent legal decision in April. He said there was a good possibility that a suit would be filed against this in the 9th Circuit Court and this might or might not stop payments. Mr. Helgeson further clarified that the BPA was currently collecting more in its rates than it was paying out to the Investor-Owned Utilities (IOUs) on the residential exchange and they had undertaken a hearings process to resolve this that would conclude in October. He said simultaneous with that the BPA had proposed to provide an interim rebate of monies collected during this current

fiscal year.

Commissioner Brown observed that philosophically there was a policy of giving rebates but EWEB still had unfunded liabilities. He felt this was in essence delaying the liability to future generations. He asked if previous Boards had engaged in this discussion.

Commissioner Lanning said from a historical perspective when EWEB had been drawn into the energy crisis that had forced rates up by 30 or 40 percent the Board had talked about making it clear that energy rates were being driven from something outside of EWEB's control. He stressed that at the time the rate increases were "the biggest fire before us." He felt the Board should revisit this philosophical issue.

Commissioner Brown requested a Board discussion on this at its next planning session. He added that giving the money back might be politically correct but it might not be fiscally responsible to delay a debt that EWEB owed.

Mr. Yanov continued his presentation and discussed the *Proposed Rate Change Summary by Class*. He explained that the street lighting rate was being increased by 11.4 percent because the largest component of associated costs was not related to power.

In response to a question from President Simpson, Mr. Yanov clarified that EWEB charged a flat rate for private lighting, which could include lights over a parking lot or on someone's barn.

Commissioner Brown asked if a rate schedule was included on bills. Mr. Yanov replied that bills did indicate whether a business was a small, medium, or large general service.

Commissioner Lanning asked Mr. Yanov to state for the record how many BPA rate pass-throughs there had been that decreased rates. Mr. Yanov related that EWEB had passed through three decreases and one increase and that the result of the four rate actions had in effect been "a wash."

FIRST PUBLIC HEARING ON SPRING WATER & ELECTRIC RATES PROPOSALS

President Simpson opened the public hearing.

Janet O'Bryant said the rate increase would have an economic impact on low and middle income families. She averred that lowlanders were subsidizing people who build "big houses on hills." She noted that Colorado had a model in new building design wherein people including more efficiency and practicality in their building plans were charged less for permitting and fees. She wanted the City of Eugene and EWEB to promote that view. She suggested that people using less than 8,000 gallons of water should be given some relief and people who required "22,000 gallons of water pumped up a hill" should "pay and pay" for it. She added that the cost for the bond, at \$3.1 million per year, was a lot and she would prefer to spend money on infrastructure over spending it

on having “truck sheds” built on Roosevelt Boulevard.

Commissioner Lanning asked staff to address the issue of the cost of pumping water up hills. Mr. Yanov stated that it was addressed in the rate structure, with three different levels. He underscored that the higher one lived the more one paid for the service. He said the rates had been put into effect to create equalization for “flatlanders.”

President Simpson asked staff to provide documentation to Ms. O’Bryant and to let the Board know what she had been provided with.

Mr. Origliosso related that elevation charges were primarily due to the cost of electricity. He thought it would be possible to place an additional increment into the charges.

President Simpson closed the public hearing.

HEADQUARTER MASTER PLAN

Property Manager Mark Oberle noted that Nan Laurence, Planner for the Planning and Development Department of the City of Eugene, had called and was unable to attend the meeting. He said staff had taken the input provided by the Board on February 5 and revised the document. He indicated that staff was seeking Board action on the documents for the Community Advisory Team (CAT) and whether or not the Board wanted to interview the applicants that were finalists.

Mr. Wiley asked what the City’s plans were for its selections. Mr. Oberle replied that the city staff would review the same applicant pool and would submit four names to the council. He understood that those people would be placed on the Consent Calendar for approval.

Commissioner Brown felt it would be a mistake not to interview people. He said the applicants were being asked for a large time commitment and it would behoove the Board to ensure the team would represent a diverse community perspective and that it understood the full spectrum of the recommendation it would make to the Board.

Mr. Oberle expected a high volume of applicants and speculated that it would be challenging to interview them all. He asked if the Board was looking to staff to pare down the list and recommend a dozen. President Simpson wanted to review all of the applications but he also wanted staff to pare down the list. Mr. Oberle had envisioned a staff review of the applications so that staff could bring a list of those that rose to the top of the list, but he also thought the Board should look at all of the applications.

Mr. Oberle indicated he would begin to schedule time slots for applicant interviews.

Commissioner Menegat asked if the Board would have anything other than the application and the applicant before it at the time of the interview. Mr. Oberle replied that they had not asked for

background checks or references.

Commissioner Lanning expressed some discomfort at making a decision on the final process at the current meeting.

Commissioner Brown did not think a set number of people should be interviewed. He said if there were 20 people who merited an interview they should all be interviewed.

President Simpson recommended that Commissioners email ideas for interview questions to Mr. Oberle. Mr. Wiley added that all emails should be copied to Assistant Secretary Krista Hince.

Mr. Oberle noted that though EWEB had not done any advertising, people were already calling, emailing, and coming to the site to apply to serve on the CAT.

Commissioner Brown asked for direction regarding the practical issues of conflicts of interest and the potential need to be recused. He stressed that the process involved a land use decision and it was important to preclude the ability for anyone to say that any one of the Commissioners did anything wrong.

Mr. Wiley stated that EWEB was following the same process the City was engaged in.

Mr. Oberle stated that the applications and documents were ready to go and would be placed on the Web site with the Board's support.

President Simpson stated that he had sent a letter to all of the City Councilors advising them that he was available to give information on the Uniform Revenue Bond Act (URBA) process and that proceeds from the sale of the property would be used to buy down bonds committed to the Roosevelt Boulevard property.

ADJOURNMENT

President Simpson adjourned the Regular Board Meeting at 8:27 p.m.

Assistant Secretary

President