

EUGENE WATER & ELECTRIC BOARD
REGULAR BOARD MEETING
EWEB BOARD ROOM
APRIL 1, 2008
7 P.M.

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

Others present: Randy Berggren, Jim Wiley, Jim Origliosso, Lance Robertson, Cathy Bloom, Debra Smith, Mark Oberle, Terry Bequette, Dean Ahlsten, Mark Freeman, Patti Boyle, Marc Anderson, Tom Buckhouse, Mel Damewood, and Krista Hince of the EWEB staff; Ruth Atcherson, City of Eugene minutes recorder.

President Simpson convened the Regular Meeting of the Eugene Water & Electric Board (EWEB) at 6:12 p.m.

AGENDA CHECK

Vice President Farmer asked the Board to consider moving Item 8 so that it was subsequent to Items 9 and 10. He averred that it did not make sense to set the financial reserve targets before reviewing the Capital Improvement Plan (CIP) updates for the electric and water divisions. The Board concurred.

President Simpson deferred the Public Input segment of the meeting so that it would occur more closely to 7:30 p.m.

APPROVAL OF CONSENT CALENDAR

Minutes

1a. February 4, 2008, Regular Board Meeting

Business Service Agreements

- 2a. Performance Management Group – Work Management Process Evaluation, Electric Division.
- b. Umpqua Research Company – Water Quality Testing, Water Division.
- c. OBEC Consulting Engineers – On-Call Bridge Engineering Services, Electric Division.
- d. OBEC Consulting Engineers – Leaburg Boat Landing, Electric Division.
- e. Ventyx (Formerly Indus) – Advantage 4.0 Upgrade, Employee, Customer & Community Services Division.

Resolution

3. Resolution No. 0812 – Bank of America Signatory Cards
4. Resolution No. 0813 – U.S. Bank Signatory Cards
5. Resolution No. 0814 – Wells Fargo Signatory Cards
6. Resolution No. 0815 – Wire Transfers
7. Resolution No. 0816 – Local Government Invest Pool Signatory Cards

Vice President Farmer pulled Items 2(b), 3, 4, and 5.

Commissioner Brown pulled items 2(c) and 2(d), OBEC Consulting from the Consent Calendar.

Vice President Farmer, seconded by Commissioner Menegat, moved to approve the Consent Calendar with the exception of Items 2(b), 2(c) and 2(d) 3, 4, and 5. The motion passed unanimously, 3:0:1; Commissioner Brown abstaining.

ITEMS REMOVED FROM THE CONSENT CALENDAR

Commissioner Brown explained that he abstained from the OBEC Consulting consent calendar items as he had a potential conflict of interest with Consent Calendar items 2(c) and 2(d). He said he had a business relationship with OBEC Consulting Engineers.

Vice President Farmer expressed surprise, regarding Item 2(b), that EWEB did not have the capacity to measure its own water quality. Mr. Buckhouse responded that there were certain tests that EWEB was qualified to conduct and others that EWEB was not set up to do.

Vice President Farmer asked if testing was so prohibitively expensive that EWEB could not do it. Mr. Buckhouse replied that for the amount of times EWEB conducted such tests it was expensive.

In response to a question from Commission Brown, Mr. Buckhouse clarified that the water testing cost \$58,000 annually.

Commissioner Brown asked if there was a way for EWEB to purchase the needed equipment and then contract out to perform this testing. He pointed out that the report indicated that some tests had to be sent back in the previous year due to "significant errors of omissions." Mr. Buckhouse responded that EWEB had to send back some samples for testing because the company had either not followed the appropriate protocol or had inadvertently contaminated the water sample in some way. He said the tests were all done but had not been done in a timely fashion. He related that EWEB had no trouble with the other firm. He reiterated that EWEB did not have the space or equipment to do this testing at the Hayden Bridge Filtration Plant.

Vice President Farmer indicated that he had pulled Items 3, 4, and 5 because he needed to recuse himself from the vote based on a potential conflict of interest therefore, he declined to be a signatory on the bank cards.

Commissioner Menegat, seconded by President Simpson, moved to approve Consent Calendar Item 2(b), a contract with Umpqua Research Company for water testing, and Items 3, 4, and 5. The motion passed unanimously, 3:0:1; Commissioner Farmer abstaining.

Commissioner Farmer, seconded by Commissioner Brown, moved to approve Consent Calendar items 2(c) and (d). The motion passed unanimously, 3:0:1; Commissioner Brown abstaining.

ITEMS FROM BOARD MEMBERS

Commissioner Brown said it had been brought to his attention that EWEB had a standing policy of not retaining retired employees under a contract basis. He wanted the Board to revisit the policy. He averred that the retirees represented a valuable “knowledge pool” that EWEB should tap if they were needed.

President Simpson concurred.

Commissioner Brown wanted to underscore the importance of stewardship on the river. He said as the weather warmed up he would be on the river more often. He predicted that he would continue to see illegal camps and piles of garbage close to the filtration plant. While he knew it was not on EWEB land, it was important to take a leadership role in order to be a better steward of the river in that area.

Commissioner Brown asked for further discussion on the credit requirements. Mr. Berggren stated that he would bring back more information for the Board to consider and discuss.

Vice President Farmer said he was willing to discuss the policy regarding retirees but he wanted to caution the Board to be careful of moving into operational issues. He averred that the Board set policy and generally left the operations up to the General Manager.

Commissioner Brown understood that the prohibition had been a directive from a prior Board. Mr. Berggren affirmed that there was a strong sense on the part of staff from directions given by a prior Board that staff should try not to hire retirees. He said it was not a formal policy. He wanted to bring that issue back as part of the strategic staffing discussion as it would be one of several important tools to maintain access to a skilled worker base.

Vice President Farmer confirmed that it had never reached the level of policy.

PUBLIC INPUT

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

CORRESPONDENCE

General Manager Randy Berggren stated that staff was in the process of putting together a letter from EWEB as well as one from the congressional delegation staff in support of one conditional 90-day extension from the Federal Energy Regulation Commission (FERC) to allow

more time for the Carmen Smith settlement discussions. He explained that after reaching basic settlement on all of the primary issues of negotiation EWEB was now in the process of documenting those settlements in detail. He said if they did not get the extension staff did not believe they would be able to get all of the details sufficiently documented for risk mitigation. He noted that the United States Forest Service also intended to submit a letter of support. He stated that he would provide copies of the correspondence to the Board.

Mr. Berggren reported the following items of correspondence:

- Mr. Anderson provided an update on the Leaburg boat landing project for the Board.
- The Chair of the Eugene Sustainability Commission, Will Shaver, had submitted a letter to the Board that sought to encourage EWEB to include photovoltaic (PV) panels in its Roosevelt Boulevard building project.

BOARD AGENDAS

Mr. Berggren highlighted the *Eugene Water & Electric Board Agenda Report* dated April 1, 2008.

Vice President Farmer observed that the Citizen Advisory Team interviews were scheduled for April 7. He asked if the process would be clearly set out. Property Manager Mark Oberle responded that Commissioners had picked five candidates each. He said there would not be a need to rank them.

Vice President Farmer thought this could potentially mean interviewing 20 people. Mr. Oberle replied that he thought some Commissioners' choices would overlap.

Vice President Farmer pointed out that there had been one late application. It was his feeling that the deadline should have been met. President Simpson agreed that the late application should not be considered.

Vice President Farmer asked if there would be a joint meeting with the Eugene City Council. Mr. Berggren indicated he would follow-up on that for the Board. He was not certain at this point.

ELECTRIC CAPITAL IMPROVEMENT PLAN UPDATE

Systems Engineering and Substation Reliability Manager Dean Ahlsten provided a brief overview of the revised CIP and two related budget amendments. He outlined the positive variance in the capital reserve fund, which amounted to almost \$4 million. He explained that the first budget amendment was for eight electric capital projects and the second budget amendment was more of an omnibus amendment, with a combination of adds and decreases. He stated that staff was requesting Board approval of the changes in the CIP and the two budget amendments.

Vice President Farmer asked what would happen to money allocated to a project if the project

was ultimately deferred or eliminated from the list. He wondered if the money would be carried over or if it would be applied to another project. Mr. Ahlsten replied that the money could be applied in either way or both.

Vice President Farmer observed that the Energy Trading & Risk Management (ETRM) upgrade was “110 percent” off target. Mr. Origliosso responded that it was a technology project. He explained that staff had not really known what the project would cost when embarking on it. He said sometimes some work had to be done on a project to fully understand how comprehensive it might be. He related that in this case they had become aware of how much the project would cost over time. Mr. Berggren noted that the ETRM had been part of the controls that the audit results had recommended. He said those controls added complexity and the ETRM was a sophisticated tagging and monitoring system. He was still not sure the full requirements of the ETRM system were understood.

Mr. Origliosso related that staff was running into a similar situation with a different project having to do with information systems.

Commissioner Menegat noted that Resolution No. 0819 appeared to be authorizing bonds. Mr. Origliosso replied that the motion would approve the budget. Assistant Secretary Krista Hince clarified that the resolutions should be considered separately.

Commissioner Menegat, seconded by Vice President Farmer, moved to approve Electric Budget Amendment Nos. 1 and 2 and the Capital Improvement Plan as amended. The motion passed unanimously, 4:0.

Commissioner Brown, seconded by Commissioner Menegat, moved to approve Resolution No. 0819, a resolution requesting the City of Eugene to authorize the issuance and sale of electric utility system revenue refunding bonds in the aggregate principal amount of not to exceed \$46,000,000 for the purpose of refinancing improvements to the electric utility system and providing for related matters. The motion passed unanimously, 4:0.

Commissioner Brown, seconded by Commissioner Menegat, moved to approve Resolution No. 0820, a resolution requesting the City of Eugene to authorize the issuance and sale of water utility system revenue bonds in the aggregate principal amount of not to exceed \$15,595,000 for the purpose of financing certain capital improvements to the water utility system and providing for certain details and related matters. The motion passed unanimously, 4:0.

WATER CAPITAL IMPROVEMENT PLAN UPDATE

Water Engineering Manager Mel Damewood presented the *2008 Water Capital Improvement Plan Update and Budget Amendments* with the aid of power points, hard copies of which were provided to all who were present.

President Simpson asked why additional funds were needed for the Laurel Hill Reservoir. Mr. Damewood replied that the initial estimates of the costs were made prior to the submission of bids and the amendment sought to adjust the cost. President Simpson noted that he had been made aware of a bad concrete pour at the reservoir and asked if this had been covered by the contractor. Mr. Damewood affirmed that it had.

In response to a follow-up question from President Simpson, Mr. Damewood explained that the trees had not yet been installed.

Commissioner Brown, seconded by Commissioner Menegat, moved to approve Water Budget Amendment Nos. 3 and 4 and the revised Capital Improvement Plan. The motion passed unanimously, 4:0.

FINANCIAL RESERVE TARGETS AND STATUS – RESOLUTION NO. 0817

Assistant Treasurer Cathy Bloom reviewed the proposed transfers in reserve accounts that sought to achieve the targets that the Board had agreed to.

Vice President Farmer observed that the water funds were seasonally impacted. He thought the current working cash would be low. Ms. Bloom responded that the budget was based on the operating results at the end of the year.

Vice President Farmer ascertained from Ms. Bloom that the working cash was a target number that was thought to be adequate enough to cover the operations.

Vice President Farmer asked if there were any items in the electric or water budgets that were anticipated but not approved at this point. Ms. Bloom responded that at this time it was known that there were some positive variances for the power reserve and that interest earnings were lower. She said the power budget and balances looked good but this was all that she was aware of at this point.

Commissioner Brown, seconded by Commissioner Menegat, moved to approve Resolution No. 0817, a resolution authorizing reserve transfers. The motion passed unanimously, 4:0.

SETTLEMENT ON MGP SITE – RESOLUTION NO. 0818

Treasurer Jim Origliosso explained that this resolution would direct EWEB staff to proceed with the settlement on the Manufactured Gas Plant (MGP) site, per the discussion that had occurred during the Board's Executive Session.

Vice President Farmer, seconded by Commissioner Brown, moved to approve Resolution No. 0818, a resolution directing EWEB staff to proceed with the settlement on the Manufactured Gas Plant site. The motion passed unanimously, 4:0.

GOODPASTURE BOAT LANDING SITE PURCHASE

Property Manager Mark Oberle commented that he had a difficult time asking that the Board move forward with the real estate transaction as presented. He said it was not a simple transaction and he had to ask for approval of it though it was over-priced.

Vice President Farmer stated that there were a number of issues involved in the potential site, including potential zoning changes and a potential special use permit. He asked whether either of those actions would have a positive or negative impact on the value of the land. Mr. Oberle responded that it appeared that EWEB would pursue a special use permit as opposed to a zoning change, which would not affect the value.

Commissioner Brown opined that EWEB was making a business decision that involved real estate. He said it was a way to solve a problem and serve the community. He averred that if it was just a real estate deal he would say no to it. He wanted to make sure EWEB did not preclude the opportunity to recover some of the costs by placing a home on the property. Mr. Oberle affirmed that at this point the land was zoned to allow one home to be built on it.

Commissioner Menegat commented that he found himself in a difficult position. He had previously voted against the Goodpasture site on the basis that he felt that it did not serve the community that the Federal Energy Regulation Commission (FERC) mandated it should serve. He thought the Goodpasture site served a community that should be served by state parks or an entity other than EWEB. He noted that he had voted to approve the Consent Calendar, which contained two contractual items with OBEC Consulting Engineers related to site development at the proposed Goodpasture site. He remarked that he would more strongly believe that the site had unique qualities if he was supportive of moving forward on the proposal to purchase it. He indicated he would oppose the purchase because he felt it was appropriate to do so. He said if the majority of the Board supported its purchase he would move toward seeking the best result they could get for their constituents.

Vice President Farmer supported purchasing the site. He believed that the property owner knew they had EWEB "over the barrel." He said the Board had a higher calling that they needed to move forward with. He added that from his perspective EWEB should not have to build a boat

landing at all, given that the utility had not raised Leaburg Lake to the degree that had initially been predicted. He noted that this was “neither here nor there” at this point.

President Simpson echoed his colleagues’ comments. He agreed that the asking price was high, but did not feel it was immensely higher than the original price. He believed the Goodpasture site would address the needs of the people who used the river and indicated his support for its purchase.

Vice President Farmer, seconded by Commissioner Brown, moved to direct staff to proceed with the purchase of the Goodpasture property for \$529,900. The motion passed, 3:1; Commissioner Menegat voting in opposition.

ADJOURNMENT

President Simpson adjourned the Regular Board Meeting at 8:19 p.m.

Assistant Secretary

President