

EUGENE WATER & ELECTRIC BOARD
REGULAR BOARD MEETING
EWEB BOARD ROOM
MAY 6, 2008
6:30 P.M.

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

Others present: Randy Berggren, Jim Wiley, Lance Robertson, Debra Smith, Cathy Bloom, Patti Boyle, Sheila Crawford, Dick Helgeson, Bill Welch, Jeannine Parisi, Brad Taylor, Ken Beeson, Mel Damewood, Mark Freeman, Dick Varner, and Krista Hince of the EWEB staff; Eric Gunderson, Harriett Cherry, PIVOT Architecture; Matt Pearson, Lease Crutcher Lewis; 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) at 6:20 p.m.

AGENDA CHECK

There were no changes to the agenda.

PUBLIC INPUT

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

APPROVAL OF CONSENT CALENDAR

Minutes

- 1a. November 20, 2007, Regular Board Meeting
- 1b. February 5, 2008, Work Session
- 1c. February 5, 2008, Executive Session
- 1d. January 15, 2008, Executive Session (two separate sessions)

Contracts

2. Ken Morgan Consulting – Consulting Services for Transformer Design Review and Factory Testing – Electric Division - \$17,600
3. Reliant Behavioral Health – Employee Assistance Program – Human Resources – Employee, Customer & Community Services Division – \$91,800
4. Ryan Thomas Construction – Leaburg Visitor’s Shelter at Lloyd Knox Water Board Park – Electric Division - \$234,427.25
5. Stantee Consulting, Inc. – Substation Electrical Design Work – Electric Division - \$145,000

Vice President Farmer, seconded by Commissioner Menegat, moved to approve the Consent Calendar. The motion passed unanimously, 4:0.

ITEMS REMOVED FROM THE CONSENT CALENDAR

There were no items removed from the Consent Calendar.

ITEMS FROM BOARD MEMBERS

Commissioner Menegat reported that he had attended the Lane Council of Governments (LCOG) meeting of April 24. He said County Commissioner Faye Stewart had provided a presentation on the budget, which was facing large cuts, as federal Save Our Rural Schools Act funds were not being renewed. He noted that a presentation had also been made as part of a grass roots movement to reduce benzene in the environment. He related that the movement was pushing to discourage people from sitting at an idle and from topping off the gas tank when getting it filled. He stated that Commissioner Stewart and his family had made a video supporting that program.

Commissioner Brown recommended that the Board actually visit the river during the period of time that flows were low in order to see first hand what 1,000 cubic feet per second (CFS) looked like.

Commissioner Brown related that he had seen a special on Oregon Public Broadcasting (OPB) on the infestation of zebra and quagga mussels that was coming into the water system from Lake Mead and Lake Powell. He stressed that these mussels tended to take over entire watersheds and even water lines and could decimate whole ecosystems. He wondered if anyone in the water department had been alerted to this.

Continuing, Commissioner Brown hoped the Board would support an appeal to the Oregon Department of Transportation (ODOT) regarding the request to reduce the speed limit on Highway 126 east of Leaburg.

President Simpson indicated his support for submitting an appeal. Additionally, he reported that he had spent the previous day with staff in bond rating agency meetings. He also had flagged several Board Governance policies for updates.

CORRESPONDENCE

General Manager Randy Berggren reported the following items of correspondence:

- A Career Fair for high school students was scheduled to be held at the Hayden Bridge Filtration Plant on May 16.
- The Safety Break Celebration was scheduled for May 14 from 11:30 a.m. to 2 p.m., with “Best of the Best” awards to be passed out at noon. Those awards arose from employee nominations.
- The EWEB water booth will be included in the Olympic Trials Festival area.

- A copy of the letter written by President Simpson to Mayor Kitty Piercy regarding the Citizen Advisory Team (CAT) appointments was included in Board packets.
- A copy of a letter signed by the General Manager and sent to the Oregon Department of Fish & Wildlife (ODF&W) regarding the Carmen-Smith settlement negotiations to address instances in which the ODF&W had allegedly overstepped the bounds of its authority
- An update from Tom Williams, coordinator of the Olympic Trial events relative to EWEB, and Key Account Manager was included in Board packets.
- An update on the emerging project from the University of Oregon had been provided to the Board.
- Environmentalist Debbie Spresser provided a memorandum with background information on the former Eugene manufactured gas plant site investigation and cleanup.
- Planning Analyst Brenda Sirois included in Board packets a memorandum entitled ***EWEB's Road map for Compliance with Oregon's Renewable Portfolio Standard.***
- A backgrounder on generic costs and characteristics of renewable resources had been provided to the Board by Energy Resources Analyst Catherine Gray.

Vice President Farmer related that he had toured the new Pearl Buck Center, noting that he had been involved in a capital campaign for it as it was underfunded. He called the project "incredibly worthwhile." He wanted to commend the EWEB employees who had chosen it for a volunteer project. He asked that his thanks and appreciation be conveyed to them. Mr. Berggren responded that the effort was part of a new employee organized volunteer program.

Employee, Customer & Community Services Division Director Debra Smith stated that it was called the Employee Volunteer Program and currently there were three work days scheduled for the Pearl Buck Center.

President Simpson noted that the McKenzie Watershed Council Alliance and Executive Board were looking for volunteer accountants. He related that he had asked the accounting staff of EWEB to spread the word.

BOARD AGENDAS

Mr. Berggren highlighted the ***Eugene Water & Electric Board Agenda Report*** dated *May 6, 2008*. He related that the Neighborhood Leaders Council (NLC) was scheduled to speak to the Board on May 20 but at this point had not met with EWEB staff.

Ms. Smith responded to a question from Commissioner Brown that she and Ms. Parisi had made outreach efforts to Carlos Ferrera and Bob Klein but had not heard from them. Ms. Parisi anticipated that staff would be able to meet with them prior to the meeting.

ROOSEVELT CONSTRUCTION CONTRACT

President Simpson noted that the challenge to the bond had not gone through; there were not enough signatures.

Roosevelt Project Manager Ken Beeson explained that staff was seeking Board authorization to amend the contract with Lease Crutcher Lewis, the construction manager/general contractor (CM/GC) EWEB had contracted with. He provided a power point presentation entitled ***Roosevelt Operations Center Construction Contract***, hard copies of which were provided to everyone present. He stated that EWEB was at the point at which it would be appropriate to begin construction. He underscored that the construction estimate of \$61,446,000 was consistent with the Board approved budget. He said he would bring other expenditures, such as the cost of paying into the Wetland Mitigation Bank, to the Board as they arose.

Vice President Farmer asked that Mr. Beeson bring forth any items that he was asking for approval of at the time and also a running total. Mr. Beeson agreed to do so.

Mr. Beeson said Bid Package A was scheduled to be ready for June 1 of this year and included site preparation and wetlands area preparation. He explained that Bid Package B would include the actual construction of the buildings and Bid Package C would include the furnishings, equipment, and mechanical and electrical elements.

Commissioner Brown asked if there was an incentive for Lease Crutcher Lewis to reduce costs and, if so, where it could be found. Mr. Beeson responded that the fee was based on the Guaranteed Maximum Price (GMP) and any changes or additions would increase the fee. He projected that there would be things that would come up that could add to the price. He said the fee would remain at the agreed upon level if the costs were reduced and he felt this was an incentive to find reductions.

Commissioner Brown asked who EWEB's advocate for saving money would be. Mr. Beeson replied that the owner, the architect, and the contractor were all looking for ways to build the building more efficiently. He said once the bids were in for all different parts of the project, there would not be an opportunity to make large cuts to it.

President Simpson did not see an incentive for the architect or the CM/GC to save money. Mr. Beeson said there would be language in the contract indicating that an incentive would be offered back to the CM/GC if money were saved.

Mr. Berggren added that it was important not to create a disincentive for value-engineering.

Mr. Beeson stressed that all of the processes that were in place and the agreements that were set up were set up so that EWEB could move into the building that was planned within the projected amount of time and within the budget that had been established.

Commissioner Menegat asked if the GMP would be set at a lower amount if a bid came in lower. Mr. Beeson affirmed that it would. He said they were also looking for ways to save money in advance of the bid packages.

In response to a question from Vice President Farmer, Mr. Beeson stated that if the bids came in higher they would look to the contingency fund and further value engineering to meet those expenses. He stressed that if the bids came in substantially higher than the estimates and the contingencies had been used he would have to come back before the Board to determine what actions to take. He said all that they were working with was the 30 percent design estimate.

Commissioner Brown recalled that the bids for the public library building had come in substantially higher than projected and it had stalled the project for a year. While he would not say this about the Roosevelt Boulevard project he did want to acknowledge that this risk existed. Mr. Beeson responded that this was why the budget included a substantial amount of contingency and why the escalation assumptions were monitored.

Commissioner Brown remarked that he was impressed with staff's work and with the way that they had "tolerated this level of scrutiny." He had confidence that what staff was doing would make everyone proud of the project.

Mr. Beeson agreed that there was a lot of confidence on the part of the people working on the facility that it could be built within the budget.

In response to a question from President Simpson, Mr. Beeson affirmed that if there was money left over, should Bid Package A come in less than projected, it would be placed into the contingency fund.

President Simpson asked where the check points would be for adjustments to the GMP. Mr. Beeson replied that the GMP would be set on each bid package and a contract amendment would be brought before the Board. Mr. Berggren said the GMP could increase if the scope changed.

Mr. Beeson said with the Board's authorization staff would like to proceed with construction of the project and, as long as the construction remained within the scope of the project, he would foresee returning to the Board with project update reports.

Regarding permits, Mr. Beeson reported that the Army Corps of Engineers (ACOE) was prepared to issue its permit and related to this was a permit from the Department of Environmental Quality (DEQ), a 401 certification permit that would go to the ACOE and would impose conditions on the Corps' permit. He said the last permit would be from the Department of State Lands (DSL), which would require the Instrument of Protection and would require EWEB to pay into the Mitigation Bank. He expected the permits to be completed by June.

Vice President Farmer asked if there was any possibility EWEB would face an appeal.

Mr. Beeson responded that the state and federal governments had gone through all of their public processes when EWEB had submitted its original design and received its original permit. He noted that no comments were submitted at that time. He felt the current permits were a matter of the DEQ forwarding the conditions to the ACOE. He said the ACOE was under no mandates to issue the permit by a date certain, but the letter of intent EWEB had received from the Corps was promising.

Regarding public communication, Mr. Beeson stated that there would be another public meeting in the neighborhood area in June. He recalled that staff had held a meeting in the area a year earlier as well. He said he would make the Board aware of the meeting when it was planned.

Vice President Farmer observed that EWEB had spent \$3 million between 2005 and 2007 that was not included in the costs. Mr. Beeson noted that all of the costs associated with the Roosevelt project and the master planning work that also included costs going forward had been in a spreadsheet provided to the Board in February. He stated that those costs amounted to approximately \$90 million.

In response to a follow-up question from Vice President Farmer, Mr. Beeson responded that it was his belief that costs that arose from a “cash crunch” could be picked up from the bond proceeds.

Vice President Farmer encouraged staff to consider purchasing furniture and equipment with excess funding from a potential positive variance. He commented that it did not make sense to “bond” a chair for 30 years.

Commissioner Brown remarked that there existed the possibility that the majority of the Board could turn over with the coming primary election. He stressed the importance of educating incoming Commissioners on the importance of staying the course on this project.

President Simpson asked if the CM/CG would be constrained to the same bidding methodology as EWEB. Mr. Beeson confirmed that it would.

Commissioner Menegat, seconded by Vice President Farmer, moved to authorize the General Manager to execute an amendment to the Eugene Water & Electric Board Contract #035-2006 with Lease Crutcher Lewis LLC with a not to exceed amount of \$61,446,000. The motion passed unanimously, 4:0.

ROOSEVELT DESIGN AGREEMENT AMENDMENT

Mr. Beeson provided a power point presentation entitled *Roosevelt Operations Center Design Agreement*, copies of which were provided to all who were present. He said this was to request Board authorization for additional funding to allow for the completion of design development, construction documents, and contract administration associated with the Roosevelt project.

President Simpson asked if EWEB would still need a connection to the sewer system. Mr. Beeson replied that there was still a question regarding this. He said making the sewer connection would involve substantial expense and the site would be a good one for an onsite facility. He noted that it would be a break even proposition.

Commissioner Brown asked if EWEB would make the connection anyway in case of system failure. Mr. Beeson offered to provide a backgrounder memorandum to the Board with the details to be considered.

Commissioner Brown noted, in reviewing the list of subcontractors, that he had done business with a lot of them. He asked if there would be a conflict of interest if he approved of the contract. Mr. Berggren advised him to declare a potential conflict of interest but it did not appear to him that Commissioner Brown had a fiduciary interest in any of the companies.

Mr. Beeson stated that the requested authorization was for \$4.2 million.

Commissioner Menegat, seconded by Vice President Farmer, moved to approve the increase to the Eugene Water & Electric Board Contract #048-2004 with PIVOT Architecture for design services required for development of the Roosevelt Building Project by \$4,244,035.

Commissioner Brown declared a potential conflict of interest. He reiterated that he had conducted business with several of the subcontractors in the contract in the past but he did not perceive that he would financially benefit as a result of the vote.

The motion passed unanimously, 4:0.

CUSTOMER SERVICE POLICIES – WATER POLICIES AND THE UPDATE OF THE EXISTING CUSTOMER GENERATION POLICY (E- VI)

Energy Management Services Engineering Manager Bill Welch clarified that this was an update to an electrical policy and not a stand alone policy. He said they had been operating under an existing policy since approximately 2000. He provided an overview of the *Customer Generation Policy Update* with power points, hard copies of which were provided to all who were present. He

stated that the policy had served well until 2004, when a couple of generation projects had come up. He explained that there had not been a policy to govern them, but EWEB had developed good contracts with them. Nonetheless they fell outside of the policy and warranted an update. He noted that the generation rate had no size cap. He hypothesized that an entity could arrive and decide to set up a 2 kW facility and require EWEB to buy the power at market rate. He also pointed out that customer generation hooked up with the EWEB system and would create some safety issues and issues around power reliability and quality. He related that staff had also wanted to tie the policy into other policies such as the Integrated Energy Resource Portfolio (IERP).

Mr. Welch reviewed the four customer generation rates proposed:

- To increase the upper limit of renewable net metering, which was in the existing policy, from 25 kW to 100 kW;
- For renewable generation project greater than 100 kW, generation contracts would be set up to pay for them based on medium market forecasts and any renewable benefits that could be derived from that generation;
- The existing solar electric rate would be broken into two tiers because if a number of very large systems came in it would use up the Bonneville Power Administration (BPA) renewable rate credit quickly – staff had based the tiers on what a 300 kW system would generate in a month's time and had based that seasonally;
- Non-renewable net metering.

Vice President Farmer asked if EWEB was concerned whether there was one big system or 20 small systems in the third scenario. Mr. Welch replied that only the 20 people with the small systems would care that they did not receive the credit.

Vice President Farmer said if EWEB was interested in getting a volume of energy it would, in theory, not be concerned with who made money from it. Mr. Welch responded that this was both a way to ensure that the rates were not moving money from one set of customers to another. He explained that the proposal would be that the larger generator would only be paid the 12 cent rate to 300 kW and that this generator would not receive the credit at all. He further clarified that this was an effort to manage the amount of money EWEB paid out. He had set the 300 kW limit based on the average roof sized of EWEB customers.

Power Resources Division Director Dick Helgeson commented that it was not EWEB's intent to acquire a specific number of megawatt hours (mWh); rather EWEB was trying to accommodate customers' interest in installing these systems.

Vice President Farmer asked why EWEB would not set a cumulative limit that did not allow the market to go above what the BPA would subsidize. Mr. Helgeson ascertained that Vice President Farmer was suggesting a first-come-first-serve approach. He said EWEB had the ability to reevaluate the rate each year; this was just an attempt to insure that the BPA credit could be spread to the customers.

In response to a question from Mr. Berggren, Mr. Helgeson stated that the BPA credit was an annualized view that EWEB applied for each year and was able to get a portion of each year subject to the availability from the BPA.

Vice President Farmer said it seemed like social engineering to him. Mr. Welch assured him that anyone could participate. He noted that EWEB was still the only utility in Oregon that offered the credit.

Vice President Farmer asked how the large scale facilities volume compared to the cogeneration plant. Mr. Welch responded that cogen plants were typically much larger and the contracts with them would be negotiated one on one.

President Simpson asked if EWEB ever bought power for 12 cents per kW. Mr. Varner replied that this happened occasionally.

In response to a follow-up question from President Simpson, Mr. Welch explained that the renewable rate credit did net against the 12 cents per kWh and was a built up rate. He elaborated, adding that it assumed that it would start at the ten year levelized medium market forecast, which was approximately \$72 per mWh, and then they would look at the market for renewable energy credits and gained approximately \$20. He said this amounted to 9.2 cents per kWh, with part of it coming from the BPA piece. He stressed that this was local generation with no distribution and transmission losses and this provided a credit. He underscored that all of the benefits for the generation would be given to the customer for that generation but no more than that.

Commissioner Brown asked if the policy allowed for people to get pre-approved before they did the process. Mr. Welch responded that staff preferred this, noting that a customer would have to gain approval prior to interconnecting to the system.

President Simpson asked Water Resources & Systems Planner Brad Taylor to speak to the water portion of the resolution before the Board.

Mr. Taylor explained that the changes to the water utility had to do with the definitions in the policy. He said those changes were aimed at supporting a distinction in the customer service policy between existing retail water sales and some of the contractual obligations to the Springfield Utility Board (SUB), Santa Clara Water District, and River Road Water District, and a couple of others.

Mr. Taylor stated that there were also changes made relative to Senate Bill 417, which had

changed the rules about the authorities for the extension of water services. He said it had previously been the charge of the Boundary Commission.

Mr. Berggren noted that this was a risk mitigation change to the water policy that sought to eliminate ambiguity in the language that would confuse wholesale with retail sales.

Vice President Farmer, seconded by Commissioner Brown, moved to approve Resolution No. 0823, a resolution regarding customer service policies. The motion passed unanimously, 4:0.

ADJOURNMENT

President Simpson adjourned the Regular Board Meeting at 7:56 p.m.

Assistant Secretary

President