

EUGENE WATER & ELECTRIC BOARD  
WORK SESSION  
EWEB BOARD ROOM  
MAY 6, 2008  
5:30 p.m.

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

Others present: Randy Berggren, Jim Wiley, Dick Helgeson, Cathy Bloom, Lance Robertson, Debra Smith, Patti Boyle, Bill Welch, Jeannine Parisi, Sheila Crawford, Ken Beeson, Susan Eicher, Mark Freeman, and Krista Hince of the EWEB staff; Eric Gunderson, PIVOT Architecture; Ruth Atcherson, City of Eugene minutes recorder.

President Simpson convened the work session of the Eugene Water & Electric Board (EWEB).

**FIRST QUARTER 2008 GENERAL MANAGER'S GOALS**

General Manager Randy Berggren highlighted the memorandum entitled *2008 GM Goals* dated *April 28, 2008*.

President Simpson asked if the University of Oregon's discussion of rebuilding their steam plant included a need for another substation, per Goal 4, which directed the General Manager to develop a long-range plan for the steam utility. Mr. Berggren affirmed that it would include a substation. He related that staff had been surprised to learn of the University's plans. He explained that the University was at nine megawatts (MW) of load at present and was considering doubling or tripling this. He said one option would be to install a substation near the University's plant; EWEB would own it but the University would pay for it.

Vice President Farmer asked what purpose having cogeneration for the steam utility would serve. Mr. Berggren replied that the University would create steam using natural gas and that steam would be used in part to drive the utility's load.

Commissioner Brown related that there was a concern on the part of the downtown property owners that they could potentially lose their voice regarding rates and services if the University took over provision of the steam. He said at present those people felt they had representation on the utility board. Mr. Berggren agreed that this was an issue to bear in mind during these negotiations. He underscored that EWEB would have to have a contract with terms it could agree to.

Commissioner Menegat expressed concern that the city's lack of progress on the Citizen Advisory Team (CAT) for the riverfront master planning process, per Goal 2, would impact the process. He felt the utility needed to move forward on the master planning and if they had to make decisions with only five members, this would constitute a board until the city brought other people on.

Mr. Berggren preferred to have a full standing advisory committee at this point. He had not anticipated a delay, noting that the goal was given to the city so that it could be a partner in this process.

Commissioner Brown asked if the delay had occurred before or after the EWEB Board had cancelled its joint meeting. Mr. Berggren replied that it was after.

Commissioner Brown felt it would be wise to convey a sense of urgency to the council and to indicate to the council that if the partial CAT needed to move forward then “so be it.”

Vice President Farmer concurred. He averred that the Board had operated in good faith, had scheduled extra meetings, and had spent part of a planning session on this. He underscored that EWEB did not need the city to undertake the master planning process.

President Simpson said he had sent a letter to the council offering to help them with their process, if need be. He suggested that the Board wait until the council held its next meeting, at which they had expressed the intent to proceed.

Vice President Farmer observed that three commissioners were in support of taking a more assertive stance. He wanted a message sent that the Board expected them to live up to the agreement. He said President Simpson’s letter was well written but he wanted a stronger message.

Mr. Berggren suggested that he follow up with the City Manager and discuss this.

Commissioner Brown recommended keeping a paper trail regarding EWEB’s sense of urgency. He wanted to start the Request for Qualifications (RFQ) process to hire a consultant as it was somewhat critical to EWEB that the process move forward in relation to the bonds and the Roosevelt project.

Vice President Farmer stated that one of his top priorities was to move the bar on water on a regional basis. He wanted to accomplish something on that issue. He expressed concern that section (d) under Goal 1, which sought to recommend development strategies and next steps for concepts of regionalization by October 1, 2008, would “slide like it slid” in the previous year.

Vice President Farmer was also worried about “hanging our hat” too much on the University in regard to the steam utility. He did not want to be caught short.

Vice President Farmer asked what the deadline was that EWEB absolutely had to meet for the Carmen Smith license. Mr. Berggren responded that EWEB staff did not anticipate asking for another extension.

## **FIRST QUARTER 2008 FINANCIAL RESULTS**

Senior Accountant Susan Eicher reported that since the end of 2007 all reserve funds were up by almost \$14 million. She said both the power reserve and the pension reserve were up, adding that a substantial amount had been transferred out of the pension reserve fund into the trust. She related

that the net operating revenue compared less favorably with the previous year at this time because purchased power costs were up and accounting changes had been made so that the Unfunded Actuarial Liability (UAL) for the Public Employees Retirement System (PERS) and the Other Post-Employment Benefits (OPEB) costs were recognized based on the people who were still working.

Ms. Eicher stated that the sales trends were up, especially in retail, compared to the previous year due to the cold weather. She reported a positive variance of \$21.2 million in the budget and projected that EWEB would be able to put \$42.6 million into the power reserve at the end of the year.

Regarding the capital budget, Ms. Eicher stated that the utility was at 14 percent and anticipated being at budget by the end of the year. She said the non-power operating budget was below where it was expected to be; it was budgeted at 25 percent and was actually at 21.3 percent. She noted that there was a budget amendment in April that had recognized increases in costs of materials.

Ms. Eicher reported that the working cash for the water utility was down from the previous year. She attributed this to slightly lower pumping volumes. She said the capital reserve was at \$3.1 million and the operating reserve was at \$625,000, including a transfer of excess working cash. She noted that the net operating loss was somewhat lower than the previous year, having realized a positive impact through the rate increase. She stated that the capital budget for the water utility also was projected to be at budget at the year's end, as was the operating budget.

Ms. Eicher listed some of the upcoming financial issues, such as the increase in fuel costs for the fleet. She said staff was monitoring cost trends.

In response to a question from Vice President Farmer, Ms. Eicher affirmed that the trend was that there would not be a lot of water use in the first quarter.

Vice President Farmer asked Ms. Eicher to speak to the retail load forecasts that had been downgraded in expectation that an economic downturn would affect consumption. Ms. Eicher clarified that the forecast had not come to be true thus far as the cold weather had caused EWEB to have positive variances month by month. She said it was predicted that this would trail off. Vice President Farmer remarked that this seemed to be a big assumption.

Vice President Farmer noted that the budget anticipated a Bonneville Power Administration (BPA) and a retail rate increase that were not likely to occur. He understood how this would reduce revenue, if there was not a rate increase, but he said if EWEB was not paying a rate increase to the BPA then the bottom line would not change for EWEB. Ms. Eicher affirmed this.

Commissioner Brown asked how much of the increased consumption could be attributed to the weather and how much could be attributed to increased demand. Mr. Berggren responded that he would ask a rate analyst to provide a more detailed picture. Ms. Eicher noted that EWEB had not seen a lot of new customers and there had been some cuts made by industrial customers.

In response to a question from Vice President Farmer, Ms. Eicher explained that there were often really big spreads between the budgeted amounts and actual amounts over the course of the year. Vice President Farmer noted that a typographical error appeared on page 2 in the first bullet point and should read that the operating expenses were expected to end the year \$54.3 million over budget and not under budget, as it originally read.

President Simpson adjourned the meeting at 6:15 p.m.

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Assistant Secretary

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President