

EUGENE WATER & ELECTRIC BOARD
REGULAR BOARD MEETING
EWEB BOARD ROOM
JUNE 3, 2008
6:40 P.M.

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

Others Present: Jim Wiley, Debra Smith, Mark Freeman, Sheila Crawford, Dick Helgeson, Tom Buckhouse, Jeanine Parisi, Marc Anderson, Kevin Biersdorff, Terry Bequette, Jim Origliosso, Mark Oberle, Marty Douglass, Cathy Bloom, Karl Morganstern and Krista Hince of the EWEB staff; JoAnn Ernst, Rich Cunningham, Fred Willer, OBEC Consulting Engineers; Tom Lanfear, Lanfear Consulting; Wade Hicks, City of Eugene minutes recorder; and members of the public.

President Simpson convened the Regular Meeting of the Eugene Water & Electric Board (EWEB) at 7:05 p.m.

AGENDA CHECK

There were no changes to the agenda.

PUBLIC INPUT

Steve Schafer, said that he was involved in the Goodpasture Boat Landing process since 1999 and was glad it was finally moving forward. He said EWEB should definitely be concerned with people using the site inappropriately, but that even people who were not boat owners should be welcome to use the facility in an appropriate and law-abiding manner. He favored a natural buffer on the west line of the property as opposed to a fencing structure.

Gary Hatfield, adjacent property owner to the Goodpasture site, said he was in favor of the boat landing project moving forward, but was disappointed in comments made by the Commissioners. He was concerned about the potential of vandalism and theft to his property. He believed that a fence structure all the way down to the river was absolutely mandatory and was adamant that he would not back down on its being constructed as part of the project. He said that, in addition to the difficulties EWEB might encounter in obtaining special use permits, that the neighborhood had the resources to delay the project as well. He said that he appreciated Commissioner Brown's efforts to work with the community in the planning of the project. He said that he was in favor of a gate being constructed as well as having a seasonal caretaker to oversee the property as part of the project

Bob Grafton, 9140 Lake Shore Drive, Vida; welcomed Commissioner Cassidy to the Board, and said that the boat landing issue had been ongoing since 1999 and was a very contentious issue within the community. He felt that EWEB employee Marc Anderson's preliminary design for the project was a good one and it was still a good idea, but he was worried the site, as planned, would be

highly conducive to inappropriate use. He averred that EWEB could not provide adequate security for the boat landing without some sort of a gate. He also favored sharing a host or similar caretaker to oversee the boat landing to ensure that it would be used properly.

Ken Helfrich agreed that there was potential for inappropriate use of the boat landing. He felt that a wood fence along the property line between the boat landing and Mr. Hatfield's property was appropriate. He had reservations about having both a gate and a caretaker at the site, particularly when it was currently unknown at this point just how frequently the boat landing would be used.

President Simpson opened the meeting for Commissioners to respond to public comments.

Commissioner Brown thanked the public for their input, and wished to assure the public that EWEB was going to be a good neighbor with respect to the Goodpasture Boat Landing project.

Vice President Farmer thanked the public for their input. He said it was unfortunate that Lane County had not done its job, which resulted in EWEB having to undertake the project to begin with in order to relicense the EWEB dams.

President Simpson thanked the public for their input. He stated that EWEB had an environmental, social and economic ethic that he wished to maintain at the highest possible level. He said EWEB strived at all times to be good neighbors and that this was the type of leadership that he was in favor of for EWEB as they reflected his own personal values. He noted that the public comments had in fact changed his opinion on the use of a gate at the boat landing site, and he now was more in favor of such a gate being constructed.

Commissioner Cassidy said that he heard no comments from any of the public speakers regarding the value of a caretaker and would be interested in knowing their security concerns regarding the use of a caretaker.

President Simpson closed the public input portion of the proceedings.

APPROVAL OF CONSENT CALENDAR

Minutes

1a. March 4, 2008 Regular Board Meeting

Contracts

2. Kelly Services – Water Management Services Summer Staff – Water & Steam Divisions - \$40,000
3. Portland Energy Conservation Inc. (PECI) – “Change a Light, Change the World” campaign – Energy Management Services – Power Resources Division - \$300,000
4. Price Consulting Services, LLC – GIS Program Consulting and Project Management – GeoGraphics, Corporate Services Division - \$130,000
5. Selectemp – Seasonal Facility Landscaping – Landscaping – Corporate Service Division - \$32,000

Resolution

6. Resolution No. 0826 – Northern Lights, Inc.
7. Resolution No. 0827 – Authorization for reimbursement for expenditures.
8. Resolution No. 0828 – Electric Utility Revenue Bonds

President Simpson noted that Item Nos. 7 and 8 were being pulled from the Consent Calendar based upon comments from EWEB legal counsel and would not be considered at this time..

Commissioner Menegat moved, with a second by Commissioner Brown, to approve the Consent Calendar with the exception of Items 7 and 8. The motion passed unanimously, 5:0.

ITEMS REMOVED FROM THE CONSENT CALENDAR

No items were pulled from the Consent Calendar by the Board.

ITEMS FROM BOARD MEMBERS

Vice President Farmer reported that he planned to attend the American Public Power Association (APPA) meeting June 19 through 24, 2008. He also noted he planned to attend the public briefing on EWEB's new operations center on June 10, 2008.

President Simpson and Commissioner Menegat indicated that they would also attend the public briefing on June 10.

Vice President Farmer requested that the Board have documentation prepared regarding EWEB's ability to donate the Goodpasture Boat Landing site, with no sense of urgency on its preparation. President Simpson concurred with Vice President Farmer's request.

Commissioner Brown said the list of approved providers of weatherization services in the EWEB service areas needed to be revised to include major weatherization service providers that had been excluded from previous iterations of that list.

Commissioner Brown asked for a status update on where the City of Eugene was on the appointment process for the Citizens Advisory Team for the Master Plan Site. Employee, Customer & Community Services Division Director Debra Smith reported that the City was on schedule for the appointments to happen by Wednesday, June 11.

Commissioner Brown reminded those present that EWEB would be having a presentation on new state-of-the-art drain water and septic system for Lane County on June 4.

President Simpson said that he had recently returned from the Northwest Energy Coalition (NWECC) conference in Helena, Montana. He related that many of the topics covered at the conference concerned energy efficiency and climate change. The message that he had taken away from the conference was that, while EWEB had a great deal of business that only affected EWEB directly, the utility was still a part of a larger regional cog which included Washington, Idaho, western Montana, and Oregon. He averred that, as one of the larger public municipal power providers in the Pacific Northwest, EWEB had a duty to maintain its leadership role in terms of conservation and renewable energy. He had been very pleased with the outcome of the conference and very happy to attend in lieu of Vice President Farmer.

President Simpson read a letter from BRING thanking EWEB for its generous grant awarded to assist BRING with its move and to help provide workshops designed to emphasize the use of green building materials.

President Simpson related that he had been notified by the General Manager that several items were accumulating for approval in July and had asked the Board to reverse its decision to cancel the July 1, 2008 EWEB Board meeting. He further asked that the August 19, 2008 meeting be reinstated.

Vice President Farmer said he had no general objections, but asked to know what specific items warranted the reinstatement of the meetings.

Commissioner Brown stated that he would prefer to have a smaller number of longer meetings rather than a larger number of shorter meetings.

President Simpson ascertained that there was not a strong consensus on the matter and then decided not to further pursue his recommendation.

President Simpson said he wanted EWEB to send a letter to Congress in support of the Lieberman-Warner Climate Security Act Senate Bill 2191. He explained that this Act embodied a comprehensive commitment to reduce greenhouse emissions. He related that the allowances contained in the bill for selling, exchanging, transferring, submitting, retiring and borrowing emissions allowances in the coming years would be of particular interest to EWEB. He said no immediate decision was necessary.

President Simpson wanted to place the Automated Metering Infrastructure (AMI) and Automated Meter Reading (AMR) business plans in the queue. He asked that the business plans be presented to the Board as early as possible to facilitate their early adoption. He felt that waiting until 2010 to address the AMI/AMR issues might be feasible, but his feeling was that there was a very immediate need to increase conservation measures for EWEB customers and that adoption of the AMI/AMR plans would be highly beneficial in that regard.

Ms. Smith commented that she was also excited about the AMI/AMR plans. She said that once initiated the project might be completed within three to five years. She noted that while her department did not customarily bring individual business plans such as the AMI/AMR projects

directly to the Board, that she would be happy to do so at a later time.

Commissioner Brown said he would want to get Mr. Berggren's input on the issue of AMI/AMR before he would give his full support in going forward with the project.

President Simpson explained that part of his reason for bringing the AMI/AMR project to the Board was to raise awareness that the system was timely and that it did not necessarily have to be accelerated in order to properly evaluate the economic trade-offs involved in implementing such a project.

Commissioner Menegat reminded President Simpson that a capital plan had already been approved regarding the AMI/AMR project. He saw no strong reason to deviate from that plan.

Mr. Wiley said the Executive Management Team (EMT) had already undertaken a rather lengthy process to arrive at a realistic estimate for the AMI/AMR project to be approved by the Board.

President Simpson said that he was satisfied with the comments on the issue and saw no further need for discussion regarding the AMI/AMR project.

Ms. Smith assured the Board that staff would provide background information for any future discussions regarding the AMI/AMR project.

President Simpson indicated that he would like to see a report on EWEB's low income services, including information on EWEB's current level of low income support, the historic funding levels and sources for low income services, and comparison figures from other utility providers for such services.

CORRESPONDENCE

Electric Division Director Jim Wiley reported that a number of correspondence items had already been addressed previously in the Regular Meeting and Work Session, particularly the meeting on June 10 regarding the Associated Roosevelt Services Center. He said the conservation report had been prepared and placed on the EWEB website, but its contents had not yet been forwarded to the Board. He also noted the transformers associated with the Willamette Substation had arrived from India.

BOARD AGENDAS

Mr. Wiley provided the *Board Agenda Report* dated *June 17*.

Ms. Smith noted that staff intended to pull the regional water supply issue from the upcoming agenda as all of the information regarding the issue had not been collected. She felt it was not a good use of the Board's time to discuss the issue at the June 17 meeting.

GOODPASTURE BOAT LANDING DESIGN/PERMITTING PROCESS

Mr. Wiley stated that staff was seeking approval of the elements of the boat landing design, as well as the permitting process necessary for implementation of the project.

President Simpson opened the meeting to comments from the Board.

Commissioner Brown said if the motion to approve the design and permitting process as was made by staff, he would offer an amendment to incorporate all changes requested by the public, or at the very least to support a design with the potential for future installation of all items requested by the public. He noted that these changes would include, but not be limited to a cedar fence as opposed to a concrete wall on the west line of the property, the installation of a fence on the highway side of a property, the installation of a motion activated lighting system and security cameras.

Vice President Farmer questioned the wisdom of designing for a gate without actually installing it. He added that he was against the use of a security camera at the Goodpasture site.

Commissioner Brown responded that security cameras were already in use at numerous EWEB facilities and he believed they allowed for greater safety. He urged the Board to be as reactive and proactive with regard to the public's concerns as possible.

President Simpson wanted to ensure that any lighting system to be used at the Goodpasture Boat Landing facility would have as little glare as possible and that EWEB should be fully prepared to remove or replace the lighting system in response to any public complaints.

Vice President Farmer agreed with President Simpson on this issue, but he believed that EWEB could not delegate its fiduciary responsibility in this regard. He said that any final decision regarding lighting should be solely in the purview of the EWEB Board.

In response to a question from Commissioner Cassidy, Mr. Lanfear clarified that the design of the boat landing, including all peripheral structures, would be submitted to the County for review, and the County would then notify EWEB of what permits would be required and what exact conditions would be set for each aspect of the submitted project.

Commissioner Brown, seconded by President Simpson, moved to consider the feasibility of accepting staff's proposal with the inclusion of a cedar fence, the option to install an automatic gate, the option to install a fence along the highway line, the option to install lighting on the restroom structure, and the option to install security cameras with a recording device. The motion passed unanimously, 5:0.

Commissioner Brown said that after \$270,000 in staff time and \$350,000 in engineering he was anxious to have the design and permitting process finally go forward. He felt that the Goodpasture Boat Landing process needed to be inherently adaptable and expandable, but moving forward as soon as possible would be a smarter business decision.

Mr. Wiley asked for direction from the Board as to how they would like EWEB to proceed with the land use process.

President Simpson, seconded by Commissioner Brown, moved to direct the General Manager to proceed with the Land Use Compatibility Statement/Planning Director method with regard to the permit process for the Goodpasture Boat Landing. The motion passed unanimously, 5:0.

MCKENZIE RIVER ENVIRONMENTAL ETHIC

Ms. Smith provided the context for discussion regarding the McKenzie River Environmental Ethic issue. She noted that Environmental Manger Steven Newcomb and Drinking Water Source Protection Coordinator Karl Morganstern were present to support the discussion as well and would be available to answer questions if necessary. She read a section from the February 5, 2008 EWEB Board Meeting minutes relating to a dump truck load of debris that had been left across the McKenzie River from the Hayden Bridge water intake and which further noted the Board's desire to revisit the issue of caretaking and stewardship of the McKenzie river at subsequent Board meetings. She reminded the Board that the nature of the debris did not affect water quality at the site, but that the issue required careful attention nonetheless. She then turned the issue over to Commissioner Brown for further comment.

Commissioner Brown reiterated his position as a strong advocate for protection of drinking water sources. He noted two examples where EWEB's stewardship of its properties was deficient in that it was reactive rather than proactive: as an example, the Matthews house; which had been condemned by Lane County but allowed to deteriorate to such a degree that it threatened the quality of nearby water sources along the river until he had personally taken steps to have the house demolished; and also a sizeable illegal camp underneath the Hayden Bridge, which contributed to significant pollution of the river in the immediate area surrounding the bridge as well as downstream of it. He urged the Board to establish more proactive policies and programs that would prevent such hazards rather than to simply and often inefficiently respond to them as the need arose. He cited the Board's recent discovery during a recent McKenzie Watershed Council (MWC) meeting of a 500 gallon diesel tank in dangerous proximity to Clear Lake as another example of poor stewardship of local drinking water sources.

Vice President Farmer sought further clarification from Commissioner Brown as to whether he advocated establishment of policies with regard to the McKenzie River or abandonment of them. Commissioner Brown responded that he advocated both depending on the individual circumstances. He praised Mr. Morganstern's program of community education and suggested that his efforts be encouraged and expanded as much as possible, perhaps even by as much as five fold.

President Simpson asked Mr. Morganstern to speak to what it would look like if he were given five times the resources he currently employed. Mr. Morganstern responded that Mr. Simpson's question was a difficult one to answer, as the current source water protection budget was part of an established EWEB budget allocation. He noted that a five fold increase of his current \$400,000 budget would be well received and primarily devoted to increased manpower for source water protection projects.

Mr. Morganstern, prompted by Commissioner Brown, cited an example of citizens dumping cat litter directly into storm drains as one of the very occurrences that his department was ideally suited to prevent.

In response to a question from President Simpson, Mr. Wiley confirmed that any increase in Mr. Morganstern's budget would have to come out of the water utility.

Ms. Smith averred that to simply increase Mr. Morganstern's budget by a factor of five was not reasonable or an informed manner in which to build or expand a program such as the source water protection efforts. She said one of the primary reasons Mr. Morganstern's program had been so successful in the past was due to his ability to leverage a limited budget of \$400,000 to \$600,000 into something very productive and proactive.

Vice President Farmer said that he agreed with Ms. Smith's assessment. He observed that the Board did not blindly increase budgets for individual projects, but rather expected EWEB staff to return with specific and logical recommendations that would warrant any budgetary increases. He agreed that the issue of protecting drinking water sources was very important, but did not believe that EWEB alone could police every issue in this regard.

Commissioner Cassidy said he wished to reaffirm Commissioner Brown's concerns regarding water quality. He further noted that if anything went wrong with respect to its drinking water sources, EWEB would be blamed regardless of who was responsible.

Commissioner Menegat said his concern with respect to water quality related to EWEB's charter and what EWEB was actually empowered to do under that charter. He felt that if state and county government agencies were not empowered to address water quality issues, that would not automatically grant EWEB the authority or responsibility to do so.

President Simpson (within the guidelines of EWEB's charter) supported the development and enhancement of source water protection efforts and policies but noted that there could be a point where EWEB could actually be doing too much, and that a point of diminishing returns with regard to these efforts was a distinct possibility. He asked the Board if there was a general consensus in this regard.

Vice President Farmer concurred with President Simpson's comments. He pointed out that EWEB had no authority to issue fines, citations, similar enforcement of policies with regard to water protection efforts.

Water & Steam Division Director Tom Buckhouse, addressing President Simpson's earlier question regarding a potential budget increase for source water protection, said any such increases on the water budget would necessitate rate increases. He cited, as an example, the figure that a budget increase of \$1.5 million would necessitate a 10% water rate increase across the Board.

Vice President Farmer observed that it would be necessary to identify specific action steps with regard to McKenzie River water protection policies in order to expand or develop current programs.

President Simpson wanted the record to reflect that the Bonneville Power Administration (BPA) had cut back funding to the MWC and, as a member of the Executive Board, he was involved in a struggle to get funds from the Oregon Watershed Enhancement Board (OWEB) at the state level that were necessary in order to maintain water protection and restoration efforts.

COMMERCIAL DEPOSIT POLICIES

President Simpson invited Customer Services Manager Mark Freeman and Employee, Customer and Community Services Division Director Debra Smith to speak regarding Commercial Deposit Policies for EWEB.

Ms. Smith reported that staff believed there had been an increase in the use of limited liability corporations (LLC) and this increase with respect to single asset real estate transactions presented emerging problems within EWEB's Commercial Deposit Account policies. She said her department was advocating a two-pronged approach to addressing these problems: 1) that EWEB find new, more streamlined ways to deal with commercial customers that would be more sensitive to their situations; and 2) that EWEB make changes to current policy itself that would be responsive to the growing needs of those customers.

Mr. Freeman explained one of the primary problems that were occurring was that when a business would form an LLC before requesting EWEB service; it raised numerous inherent credit problems with the implementation of services for an LLC with little or no credit history. He said allowing LLC's to employ some sort of personal guarantor might be able to address some of these issues.

In response to a question from President Simpson, Mr. Freeman confirmed that staff was suggesting that EWEB utilize highly trained account specialists that could address these commercial account issues.

Vice President Farmer spoke at length regarding the differences and similarities of regular corporations versus LLCs, and further noted that new corporations would encounter the same credit difficulties as a single asset LLC with regard to new commercial accounts with EWEB. He asked Mr. Freeman what criteria would be employed to determine whether a personal guarantor could qualify as such. Mr. Freeman replied that the Energy Management Services division of EWEB

currently employed a process for looking at large commercial loans. He surmised that his department might employ similar standards for evaluating the commercial credit histories of both newer corporations as well as LLCs. Vice President Farmer confirmed with Mr. Freeman that the Customer Services Division would be looking specifically at the personal guarantor's ability to make the monthly payments on behalf of a corporation or a LLC.

Commissioner Brown asked Mr. Freeman what specifically would happen if an EWEB commercial account customer did not pay their bill. He also wondered what would happen if a building owner contracted with EWEB for services, but the commercial tenant of that building, in this case Bank of America, would be responsible for monthly EWEB utility charges.

Vice President Farmer suggested that the Customer Services Division would probably want to look at the tax returns of any personal guarantor used by a corporation or LLC in determining the strength of that corporation's credit.

Mr. Freeman said a similar approach could be utilized with regard to commercial accounts as was used for personal guarantors being employed for residential customers.

Ms. Smith said the notion of using a personal guarantor with respect to commercial accounts was not a drop-dead deal breaker for her department it was still being investigated.

President Simpson asked what it would take to address the problem of general service customers being unhappy with EWEB's current General Service Deposit policy.

Commissioner Brown asked Mr. Freeman and Ms. Smith why their department would not reveal credit report results to parties requesting services. Mr. Freeman responded that it was against the policy of his department to reveal credit report results as those results were generated by third-party credit bureaus and not by EWEB customer service personnel.

Vice President Farmer said the issue at hand was that of entities such as LLCs and newer corporations not having any significant credit histories at all.

Commissioner Cassidy said credit scores obtained by the Customer Services department had the potential to be inaccurate and recommended that Mr. Freeman and Ms. Smith's department to utilize someone who could make judgments and similarly interpret any potential credit inaccuracies.

President Simpson asked Mr. Freeman how the required deposits would be for businesses such as pizza restaurants and knitting shops, and how a reasonable deposit to require of such businesses would be arrived at. Mr. Freeman replied that if such businesses utilized the same or similar

buildings but with different utility requirements, his department would have to take a more detailed look at the nature and track record of each business in order to determine a reasonable required deposit.

Commissioner Brown averred that, with regard to any EWEB commercial billing policies, there ought to be some sort of office of common sense utilized by his department in order to address current complaints and prevent future ones. He added that he appreciated Mr. Freeman's efforts thus far.

Vice President Farmer said his own investigation into the nature of the commercial deposit customer service complaints revealed that they were centered on those customers getting riled up in their dealings with staff, and not reaching the level of a person empowered to render a good faith, common sense judgment on the matter. He was concerned that EWEB clerks either did not procedurally advance customer complaints to the next highest level of customer service or were not aware that they were even empowered to do so. He thought that this was not a good transitional process. Mr. Freeman responded that this was precisely why it might be necessary to utilize more highly trained account specialists for commercial deposits.

Ms. Smith wanted to make sure that Commissioner Cassidy and the Board were aware of the building appeals process that her department employed with regard to commercial deposits. She said that her department currently employed 23 customer service representatives, with two lead persons and three direct supervisors empowered to provide more detailed customer service. She explained that while all of their employees are trained to be customer service advocates, they were often not empowered to do anything more than to turn off service for EWEB customers, and were therefore not specifically trained or empowered to deal with more complex complaints regarding commercial deposits. She underscored that while her department was constantly trying to balance the Board's desire and her own to want to make subjective decisions with regard to individual complaints, it was their job as a public utility to be as consistent as possible in applying EWEB's commercial deposit policies. She felt that EWEB needed to find a better way to communicate these policies since customers do not have the option of going elsewhere.

Vice President Farmer asked if two of the 23 customer services representatives could be used solely to address complaints regarding commercial accounts. Mr. Freeman responded that such a dedicated split would not currently be possible given the nature of the phone system used by the Customer Services Division. He said that such a division may be feasible in the future.

President Simpson thanked Mr. Freeman and Ms. Smith for their input.

President Simpson declared that, as the meeting had run much longer than anticipated, no further discussion would be necessary from the Special Session, the Work Session or the Regular Session of the Board meeting. He reminded the Board and staff that a no-acronym policy, modeled after the Northwest Power and Conservation Council, would soon be instated and applied to future Board meetings. He observed, based on what he had been hearing throughout the proceedings, that the issue of energy conservation and efficiency was taking a far more important place in the regional

landscape than the development of renewable resources. He was anxious to get the Integrated Electric Resource Plan (IERP) back on track he felt a sense of urgency to revisit that project. He said he would be interested in seeing a report on EWEB's total carbon footprint and would like to discuss the issue of potentially offsetting it at a future Board meeting.

President Simpson also reminded staff that Oregon State University was installing a very large photo-voltaic project that was being completed with private funding. He wanted General Manager Randy Berggren to look into how that was accomplished, perhaps with the focus of undertaking a similar project with regard to the Roosevelt facility.

President Simpson indicated he would be attending the American Public Power Association meeting with Commissioner Brown and Vice President Farmer. He also noted that he would be holding a new Commissioner orientation for Commissioner Cassidy on July 7, 2008.

Vice President Farmer asked if anything further had progressed regarding the issue of streamside vegetation outside the EWEB building. President Simpson said staff had responded and that the issue was being addressed. Ms. Smith added that, in addition to the regular landscape maintenance contracted for by EWEB, a group of employees intended to volunteer to conduct basic landscape maintenance on surrounding EWEB structures before the upcoming Olympic trials.

ADJOURN

President Simpson adjourned the Regular Board Meeting at 9:20 p.m.

Assistant Secretary

President