

EUGENE WATER & ELECTRIC BOARD
REGULAR BOARD MEETING
EWEB BOARD ROOM
AUGUST 5, 2008
7:30 P.M.

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

Others Present: Randy Berggren, Dick Helgeson, Sheila Crawford, Tom Buckhouse, Terry Bequette, Mike Freeman, Patti Boyle, Debra Smith, Mike Logan, Cathy Bloom, Marty Douglass, Susan Eicher, Jim Wiley, and Krista Hince of the EWEB staff; 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 7:48 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

1. Minutes

- a. July 15, 2008, Special Board Meeting
- b. February 19, 2008, Regular Board Meeting
- c. April 15, 2008, Work Session
- d. April 15, 2008, Special Board Meeting
- e. June 3, 2008, Special Board Meeting
- f. June 3, 2008, Work Session
- g. June 3, 2008, Regular Board Meeting

Contracts

2. Eugene Water & Electric Board – Public Agency Network – Electric Division - \$148,948
3. FEI Testing & Inspection, Inc. – Special Inspection Services for Hayden Bridge Plant Expansion – Water Division - \$40,000
4. Sanipac – Garbage Disposal Service – Facilities Services – Corporate Services Division - \$100,000
5. Stockdale Steel – Smith Creek Diversion Dam Improvements – Electric Division - \$123,053
6. Triad Mechanical, Inc. – Hayden Bridge Water Pump Improvements – Water Division - \$137,157

Resolution

7. Resolution No. 0825 – BPA Good Faith Estimate for Post-2011 Slice Purchase.

Commissioner Cassidy pulled Item 4 (Sanipac).

President Simpson pulled Item 7 (Resolution No. 0825).

Vice President Farmer pulled Item 2 (EWEB's Public Agency Network).

Commissioner Menegat, seconded by Commissioner Cassidy, moved to approve the Consent Calendar with the exception of Items 2, 4, and 6. The motion passed unanimously, 5:0.

ITEMS REMOVED FROM THE CONSENT CALENDAR

Vice President Farmer asked for more information regarding the second item, which was a contract listed as being with EWEB. Electric Division Director Jim Wiley explained that the item was the Public Agency Network budget and EWEB served as the executive authority. He said its members' pooled funds. General Manager Randy Berggren further clarified that the network was a consortium of public agencies that shared the fiber network facilities. He underscored that it was a shared cost relationship with EWEB serving as executor.

Vice President Farmer, seconded by Commissioner Menegat, moved to approve Consent Calendar Item 2, having to do with expenditures made by the Public Agency Network. The motion passed unanimously, 5:0.

Commissioner Cassidy asked for more information regarding Item 4, a contract with Sanipac for garbage services. Assistant Treasurer Cathy Bloom explained that the City of Eugene set the rates for garbage services and because of this there was an Oregon public contracting law for these types of contracts, called price regulated goods and services, which allowed a public entity such as EWEB to enter into such contracts without a public bidding process. She stated that EWEB was already getting the lowest cost rate, with no cost for recyclables, and there would be no cost benefit to putting the contract out for bid.

Commissioner Cassidy asked if the implication was that no competitive company would do the recycling. Ms. Bloom reiterated that the contract was at the lowest possible cost and the recycling was being done for free. She further explained that EWEB had a five-year contract that was renewable annually so that if EWEB became unhappy with the service in any way it could be terminated at that point.

Vice President Farmer asked what would happen if there was a challenge and there were two new providers. Mr. Berggren responded that EWEB was not legally obligated to make a choice, but if a commissioner had a political preference this could be expressed.

In response to a follow-up question from Vice President Farmer, Mr. Berggren clarified that the city set a maximum and a minimum rate and the company EWEB currently contracted with charged the minimum rate. He noted that the other companies could charge as much as ten percent more.

Commissioner Brown asked if the operations facility would have a separate contract for garbage removal. Ms. Bloom responded that the assumption was that the rates would be the same. Mr. Berggren added that he thought the cost would be per unit.

President Simpson, seconded by Commissioner Cassidy, moved to approve Consent Calendar Item 4, a contract with Sanipac. The motion passed unanimously, 5:0.

President Simpson stated that he had pulled Resolution No. 0825 in order to elevate it to a more respected position than a Consent Calendar item.

Commissioner Menegat, seconded by President Simpson, moved to approve Resolution No. 0825, a Bonneville Power Administration good faith estimate for a post-2011 purchase of the Slice product. The motion passed unanimously, 5:0.

ITEMS FROM BOARD MEMBERS

Commissioner Brown reiterated his concern about the 500-gallon diesel tank that was located in close proximity to Clear Lake on an impervious surface and indicated his intent to make a motion to take immediate actions in that regard.

Commissioner Brown, seconded by Vice President Farmer, moved to direct the General Manager to immediately begin determining the level of risks and the costs of mitigating the risks, as they exist relative to the presence of the fuel tank at the Clear Lake Resort at the headwaters of the McKenzie River.

Mr. Berggren complimented the motion. He was prepared to bring back an evaluation of the risk and options with related costs to mitigate so that the Board could make the ultimate determination on the appropriateness of proceeding and to what degree.

In response to question from President Simpson, Mr. Berggren averred that it would not cost much money to gather this information.

Vice President Farmer asked whose jurisdiction the fuel tank fell under. Mr. Berggren was not certain of the answer.

Commissioner Brown related that EWEB's Lobbyist Jason Heuser had taken members of Senator Wyden's and Representative DeFazio's staff to look at it. He also noted that he had been up to that location on the previous day with a State Senator, along with the Forest Service. He surmised

that the Forest Service would undertake a lengthy process on relocating the tank and he felt cynical about allowing what he considered to be a high level risk to continue to be in such close proximity of the water resource. He said hundreds of gallons of diesel fuel could be let into Clear Lake and the McKenzie River and moving the tank 100 yards away and off the asphalt could mitigate the situation. He averred that if EWEB knew this problem existed and could address it immediately it was incumbent upon EWEB to do so. He stressed that 500 gallons of diesel fuel would go through and affect all of the water resources along the McKenzie and they would never be able to get all of the fuel out of there.

Mr. Berggren asked why Commissioner Brown thought the Forest Service would take a long time. Commissioner Brown responded that this was Mr. Heuser's assessment; the Forest Service would first conduct an environmental assessment of moving the tank. He added that moving the tank up closer to the highway would also reduce the risk of an accident with the tanker truck that filled it causing a spill.

The motion passed unanimously, 5:0.

President Simpson related that he had gone down the river with Commissioner Brown on August 3. He had seen the "trash and junk" near the intake for the filtration plant. He was inclined to agree that everywhere in the vicinity of the water filtration plant was EWEB's neighborhood and EWEB had the responsibility to keep it cleaned up, if not all by itself at least with the other agencies that had jurisdiction in the area.

CORRESPONDENCE

Mr. Berggren reported the following items of correspondence:

- A letter indicating support for Senate Bill 3186, which was related to the funding capability for the Low Income Energy Assistance Program (LIEAP) had been sent to Senator Ron Wyden, signed by President Simpson.
- The same letter had been sent to Senator Gordon Smith.
- The second quarter litigation report had been provided to the Board.
- Strategic Planning & Governance Coordinator Sheila Crawford included an update on conservation performance and background information relative to conservation activities and performance in Board packets.
- The EWEB water booth would be at the Lane County Fair in the next week and commissioners were welcome to sit in the booth and meet people.

BOARD AGENDAS

Mr. Berggren highlighted the *Eugene Water & Electric Board Agenda Report* dated August 5, 2008. He reiterated that there would not be a second meeting in August.

In response to a question from Mr. Berggren, Commissioner Brown indicated he would be agreeable to letting the river trip down the McKenzie River go, though he felt it was critical for commissioners to see for themselves what the river looked like at 1,000 cubic feet per second (CFS). He did not think it was fair to the system that commissioners had not seen the impacts for themselves. He added that he was pleased by the work done regarding the wildlife issue at Walterville. He thought EWEB now recognized that it was not working and fish were getting trapped. He acknowledged that EWEB was spending money to remedy the problem.

Mr. Berggren indicated that they would have a board level policy discussion on the Hunsaker property in October.

President Simpson asked if the Board would hold an upriver meeting soon. Mr. Berggren agreed that they should look at the schedule and determine when they could meet there.

Vice President Farmer requested a brief discussion on the software issue that the Information Technology Division had been working through at a future meeting. Mr. Berggren said he would schedule one.

SECOND QUARTER 2008 BUDGET AND FINANCIAL PERFORMANCE

Financial Analyst Susan Eicher reported that EWEB was still doing “quite well” in its second quarter. She stated that reserves continued to grow, with working cash at \$28 million which was up \$11 million from the previous quarter. She said the total of the reserves was now \$96.9 million, also up \$11 million. She related that the distribution of the money between the reserves had changed somewhat due to some transfers they had made. She listed the reserve fund totals:

- Power reserve: \$22 million;
- Pension and medical reserve: \$3.5 million;
- Capital improvement reserve: \$17 million;
- Operating reserve: \$2.9 million;
- Carmen-Smith reserve was reduced by a small amount as some of the interest revenue had been accessed;
- Resource reserve: \$2.9 million – this would change in the next quarter due to some transfers that would be utilized to finance, in part, the Harvest Wind project;

She stated that net operating revenue was \$2.9 million, which though less than it was at the same point in the previous year had held steadily since the previous quarter and the utility was not losing ground. She said sales overall were up 4.4 percent compared to the second quarter of the

previous year. She attributed this to the cold winter and cool spring the area had experienced. She pointed out that the increases had leveled out to what they were generally projected to be in May and June, when the weather became more normal.

Ms. Eicher stated that net revenue was \$27.5 million, which was a decrease of \$3 million from the previous June. This was attributable to the change in how EWEB was accounting for the Public Employees Retirement System (PERS) and the Other Post-Employment Benefits (OPEB), formerly distributed through capital work and through much of the jobs in the Operations & Management. She said the remainder was due to some decreases in interest revenue and increases in purchase power. She clarified, at the request of Vice President Farmer that it was no longer being allocated by the job.

Ms. Eicher reported that in looking at the budget comparison, there was a positive variance of \$21.8 million in the contribution margin, up \$600,000 from the last report. She anticipated that by the time they received the third quarter report staff would have a much better picture of whether they would actually realize the entire contribution margin. She said if the entire contribution margin were realized at the end of the year, the purchased power reserve would be at \$42.6 million. She remarked that this would be a nice position for the utility to be in.

Continuing, Ms. Eicher related that the capital budget for the electric utility was at 33 percent of budget and was expecting to be at budget at the end of the year, with the exception of Harvest Wind. She expected that a budget amendment would come before the Board in the fall to address this.

Ms. Eicher stated that the operating budget was at 43.6 percent, which was slightly under where staff would expect to be at this point. She thought there might be some budget amendments in the fall.

Regarding the water utility, Ms. Eicher reported that working cash was at zero. She explained that there had been demands on the working cash because of the additional capital work and with the decreased pumping numbers. She noted that the rate increases had kept the revenue up. She said over all the capital reserve was at \$2.8 million, down slightly from the last quarter, and the operating reserve was at \$1.1 million, up from the previous quarter due to a transfer out in working cash. She stated that net operating revenue was at \$627,000 compared to \$209,000 in the previous year, completely attributable to the rate action. She noted that net income was up slightly from the previous year, at \$282,000.

Ms. Eicher related that the capital budget for the water utility was at 33 percent at this point in the year and was anticipated to end the year on budget. She stated that the operating budget was at 38.8 percent and was also projected to be on budget. She noted that they were tracking some items that could require budget amendments and staff was also looking at other areas where they could possibly find savings to cover them.

President Simpson asked Ms. Eicher to elaborate about how Green Power was accounted for. Ms. Eicher responded that at present as the rate revenues were collected they were flowing into general cash. She said she had spoken with Key Account Manager Tom Williams and he indicated that the Board would likely see more information on how those transfers would be done in a future meeting. She said there was not a methodology for setting aside this revenue at present, but she anticipated that there would be a transfer into a dedicated reserve when the methodology was determined.

Vice President Farmer asked if the water utility was running a “book overdraft.” Ms. Eicher replied that she did not think the utility did so because the reality was that all of the funds were pooled together for both the water and the electric utilities. Vice President Farmer asked how the utility could have zero cash. Ms. Eicher explained that EWEB had some inter-entity activity and would book the overdraft within the two utilities. She said “on any given day” there might be money floated from one to the other and then the water utility would owe the electric utility some cash. She said she would find out how much money this amounted to.

Vice President Farmer asked if the general cash for the electric utility was too much at present. Ms. Eicher replied that compared to the target it was high but it was comparable to the previous year. She underscored that through August and September the cash levels would start to drop off as revenues dropped off.

Vice President Farmer wondered if EWEB should be paying something down with that money. Ms. Eicher replied that it had been challenging for staff, given the market environment, to find options for how to better invest the money. Vice President Farmer opined that \$8 million extra was “a lot.”

President Simpson thanked Ms. Eicher for her report.

SECOND QUARTER 2008 GENERAL MANAGER’S GOALS STATUS

Mr. Berggren noted that the second paragraph on the second page of the memorandum entitled *GM Goals – Second Quarter Status* and dated *July 30, 2008* was missing one sentence. He explained that the Proposed Final Order (PFO) had been issued by the Oregon Water Resources Department (OWRD) on July 31 and, absent a protest by another entity, EWEB would have a final permit on the Confluence Wellfield by September 1. He said other than that he tried to describe the status of the goals in the memorandum. He noted that Key Account Program Manager Mike Logan had been brought in as project manager for the steam transition plan and some of the milestones for

the steam utility had been redefined. He hoped to bring the plan before the Board by November.

Vice President Farmer asked if the measurements for water reliability were a cause for concern. Mr. Berggren did not think so. He felt there were some years in which there was an increase in events that shifted the reliability figures. He said he would do some research in order to determine if there were steps to take to “pull that back.” He stated that the performance measure was close to target.

Commissioner Brown asked if EWEB had engaged the interest group regarding the steam plant transition plan. Mr. Berggren responded that he was not certain the group had been engaged as a unique and identifiable entity, but he thought portions of those people had been engaged in some of the follow-up sessions. Employee, Customer & Community Services Division Director Debra Smith added that they were part of the survey group. Mr. Berggren stressed that EWEB’s interest was that he or she as well as every steam customer had the voice they wanted to have in the process. He said the intent was to set forth a very clear view of a specific plan.

Vice President Farmer underscored the importance of keeping the downtown customers in the loop, adding his prediction that if they were left out they would be more vocal than the people affected by the proposed closure of the College Hill Reservoir. He averred that if people could feel that they were part of crafting the solution it would benefit the process.

President Simpson congratulated Mr. Berggren and staff on the smooth transition in the customer service software upgrade. He had been pleased with the public outreach. He observed that EWEB was now able to serve its customers more efficiently. Ms. Smith responded that staff had appreciated hearing from him.

ADJOURNMENT

President Simpson adjourned the Regular Board Meeting at 8:35 p.m.

Assistant Secretary

President