

EUGENE WATER & ELECTRIC BOARD  
WORK SESSION  
EWEB BOARD ROOM  
SEPTEMBER 2, 2008  
6:30 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, Mel Damewood, Cathy Bloom, Marty Douglass, Dean Ahlsten, Jim Origliosso, Jim Wiley, Dick Varner, Jeannine Parisi, Megan Capper, and Krista Hince of the EWEB staff; Ruth Atcherson, City of Eugene minutes recorder; and Rich Cunningham and Joann Ernst, members of the public.

President Simpson convened the work session of the Eugene Water & Electric Board (EWEB) at 6:40 p.m.

#### **WATER FIVE-YEAR CAPITAL IMPROVEMENT PLAN**

General Manager Randy Berggren said staff was not prepared to approve the water capital improvement plan (CIP) given the recent closure of Hynix Semiconductor, Inc. He explained that he wanted to delay approval because there were limited opportunities to manage expenses in the water utility. He observed that the closure was a significant revenue loss. He acknowledged the ongoing discussions the Board had engaged in regarding the state of reserves in the water utility, targeted mostly on load growth and revenue assumptions. He underscored that, like farmers, the water and electric utilities were highly dependent on the weather. He noted that the water utility had \$6 to \$7 million in total reserves; the ideal amount would be \$10 million. He related that he had asked Mr. Damewood to find deferrable items in the CIP and he had instructed Fiscal Services Supervisor Patty Boyle to include the Hynix closure in the rates. He said the CIP would be brought before the Board again on September 16.

Water Engineering Manager Mel Damewood reviewed the *draft Water Division 10-Year Capital Improvement Plan 2009-2018*, hard copies of which were provided to everyone present.

Vice President Farmer asked if the Hynix impact was \$900,000. Ms. Boyle replied that staff included zero revenue from Hynix in the financial plan. She said Hynix would continue to use a small amount of water but they did not know how much that would be at this time.

Vice President Farmer surmised, from the background materials, that deferring items in the CIP could make up \$500,000 and \$400,000 would have to be regained through rates. Mr. Damewood affirmed that this was the starting point. He noted that the \$500,000 that would be taken out of the CIP would be placed right into reserves. Mr. Berggren clarified that this proposal would move the reserve from \$7 million to \$10 million.

In response to a follow-up question from Vice President Farmer, Mr. Berggren clarified that there would still be a \$900,000 void.

Ms. Boyle noted that the numbers assumed conservative estimates. She said the actual revenue could be more by the end of the year, but she did not believe it would be less.

Mr. Damewood highlighted the *Financial Plan* and the *Staff Recommendations*.

Commissioner Brown asked if any water main replacements would be deferred that were planned to be in tandem with city-initiated street projects. He expressed concern that EWEB would incur extra expense should it not take advantage of the access such projects provided. Mr. Damewood replied that the general main replacements he proposed to defer were EWEB driven and not the ones driven by outside agencies. He confirmed that a potential city bond measure intended to ramp up road reconstruction would affect EWEB's budget. He could not accurately predict the impact at this time as it was not generally known what the city would do until the city had a design in hand.

In response to a question from Commissioner Menegat, Ms. Boyle stated that an eight percent increase was planned for 2009. Commissioner Menegat asked if the plan was now to add another seven percent to this and, if so, how much this would ultimately cost the rate payer. Ms. Boyle affirmed that this was staff's proposal. She said this would increase the average residential bill by \$15 per year.

Commissioner Menegat asked what kind of additional rate increase would be needed to increase reserves. Ms. Boyle replied that it would take another five percent increase, approximately 90 cents per month.

Commissioner Menegat opined that EWEB had been "playing games" with the water CIP and had finally arrived at a decision point to increase rates and "do it right." He said the utility would experience more water main breaks if it continued to defer replacement. He would support a five-year rate increase or rate surcharge specific to reserves so that the CIP would not be compromised. He thought he could go to his constituents and say "this will cost you 90 cents a month" and he would not be troubled by it.

Commissioner Cassidy concurred.

President Simpson also agreed. He supported the original eight percent increase, the additional seven percent increase to make up the lost Hynix revenue, and the additional five percent increase to make up the reserve funds.

Vice President Farmer ascertained from Ms. Boyle that the average bill increased by approximately 15 cents per month per one percent increase in rates and a 20 percent increase would come to \$3 per month.

Mr. Damewood hoped he could return with a revised CIP for the water utility on September 16 for Board approval.

Vice President Farmer asked staff to determine where EWEB would stand comparatively if it instituted a 20 percent rate increase. Ms. Boyle responded that staff had not determined where the 20 percent increase would place EWEB among utilities, but a 15 percent increase for the average residential home would move EWEB from second to the bottom to fourth from the bottom comparatively. She noted that the change in rates for a medium general service customer would move EWEB from the second to the third from the bottom place among comparables and the large general service would move to the fourth place.

Mr. Berggren remarked that it would not be realistic to assume that no other water utility would make significant adjustments to their rates given they all faced the same issues.

## **ELECTRIC FIVE-YEAR CAPITAL IMPROVEMENT PLAN**

Systems Engineering & Substation Reliability Manager Dean Ahlsten reviewed the changes made to the draft CIP since the meeting of August 5, as follows:

- The beginning reserve balance in 2009 had dropped to \$1.1 million, driven largely by another review of the projections for 2008.
- A \$4.3 million transfer from the contribution margin into reserves was now reflected, \$500,000 less than had been projected in the previous meeting due to the cost of the study work on the headquarters facilities. He noted that if it was determined that the costs needed to be expensed rather than capitalized the costs would appear in the budget.
- \$1 million in communications project upgrades had been deferred and put into the Carmen-Smith relicensing budget.
- The Capital Reserve had dropped from \$17.2 million to approximately \$16.1 million.

He reported that one-third of the funding would be spent on aging infrastructure. He said the new CIP was approximately \$150,000 less than it had been on August 5 and that was attributable to a net increase on the estimated cost of the boat ramp. He remarked that it was impossible to predict what would happen in terms of the Public Utilities Commission (PUC) and regulatory issues that could come up.

In response to a question from President Simpson, Electric Division Director Jim Wiley said EWEB would understand the costs of undergrounding better in 2009/2010 as work in the Churchill High School area was undertaken to install some underground loops. Mr. Berggren noted, in regard to concerns about replacement costs, that it could not be assumed that the deterioration of underground cables was linear, especially with the cable that had been installed in the 1970s.

Mr. Ahlsten noted that the CIP attempted to account for cost escalation.

Mr. Wiley reported that a bridge safety issue had been identified in the previous week. He explained that the bridge over the Leaburg Canal downstream from Johnson Creek would need to be replaced. He noted that the project had been included in the CIP for replacement in 2011 with a weight limit restriction of five tons. He stated that this limit would prevent access for emergency services vehicles to the 20 residences across the bridge. He said the bridge had been built in 1954 and it had been given a sufficiency rating of 74.2 percent after an inspection in 2006 by the Oregon Department of Transportation (ODOT). He related that the Lane County road crew had been doing some asphalt maintenance in January of this year and they observed that the wood deck supporting the asphalt was severely decayed. He said EWEB staff then inspected the bridge and ultimately hired OBEC Engineering Consultants in 2008, which gave the bridge a 45.5 percent sufficiency rating, which meant that the bridge was structurally deficient. He stated that the road along the Leaburg Canal from where the power house was would need to be upgraded for emergency vehicles and for construction vehicles, which would be needed on the north side of the canal. He related that estimated costs were \$750,000 for the bridge replacement and \$250,000 to upgrade the road. He explained that since this was an emergency situation staff was recommending that the project be exempt from the public bidding process.

Mr. Berggren said he had reviewed the issue. He felt the road was not good and that leaving people without access to services was not a strong position for EWEB to be in.

Vice President Farmer asked who owned the road. Mr. Wiley replied that according to the agreement EWEB had, it was responsible for the maintenance into perpetuity.

President Simpson asked what rating the bridge would be rebuilt to in terms of tonnage. Mr. Wiley was not certain, though it would bear heavier loads than five tons.

Commissioner Brown questioned how EWEB would know its other bridges were not in the same situation, given ODOT's rating from only two years earlier. Mr. Wiley shared his concern. He said staff had conducted another assessment of the bridge up at the Carmen diversion reservoir as a result of that concern and had then determined that it should be included in the CIP for 2010.

Mr. Berggren averred that short of going out and conducting detailed inspections of all of the bridges he would not be prepared to state that there would not be other problems.

Mr. Wiley related that Mr. Ahlsten and the system engineering group had put a program together to conduct systematic bridge inspections.

Vice President Farmer advised staff to fix the bridge and "do it right." He wanted staff to make an effort to determine whether there was a way to transfer the bridge to the county's ownership. Mr. Berggren remarked that staff could ask the county.

Vice President Farmer asked how much it would cost to build a passing lane on the road at the boat ramp if that was required. Mr. Ahlsten speculated that it would cost \$250,000. Mr. Wiley added that EWEB could be required to put in a left-turn lane, which was anticipated to cost \$750,000.

Vice President Farmer wished to emphasize that while \$500,000 had been earmarked to study the headquarters facility there was no money in the CIP for what the study might indicate needed to be done.

President Simpson asked why there was a \$4 million jump in the cost for the substations and then a \$7 million reduction in 2010. Mr. Ahlsten responded that this was due to the effect of the University of Oregon substation.

President Simpson asked why there was a power management reduction in 2011. Mr. Ahlsten replied that this fell on the “heels” of the Harvest Wind project.

President Simpson asked why the information resource management costs would drop from \$2.8 million in 2008 to \$1 million in 2009. Mr. Ahlsten replied that the impacts on the “front end” were the Human Resources Information Services (HRIS) upgrades and software projects. He said they had transferred an access control project from Facilities to the Information Technology Division.

President Simpson adjourned the meeting at 7:40 p.m.

---

Assistant Secretary

---

President