

EUGENE WATER & ELECTRIC BOARD
REGULAR BOARD MEETING
EWEB BOARD ROOM
OCTOBER 21, 2008
5 P.M.

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

Others present: Randy Berggren, Patty Boyle, Debra Smith, Jim Wiley, Will Bondioli, Dick Varner, Jim Origliosso, Jeannine Parisi, Jay Bozievich, Mel Damewood, John Yanov, Mike Freeman, Dick Helgeson, Cathy Bloom, Laurie Muggy, Marty Douglass, Garilyn Johnston, and Krista Hince of the EWEB staff; Rich Cunningham, member of the public; and Ruth Atcherson, City of Eugene minutes recorder

President Simpson convened the Regular Meeting of the Eugene Water & Electric Board (EWEB) at 5:10 p.m.

AGENDA CHECK [deferred from the earlier Special Board Meeting]

There were no changes to the agenda.

CONSENT CALENDAR

Minutes

1. a. September 23, 2008, Special Board Meeting
- b. June 17, 2008, Regular Board Meeting

Contracts

2. Hatch Acres Corporation dba Hatch Energy – FERC License Amendment Support -- Electric Division - \$27,159
3. Selectemp – Meter Reading – Meter Reading Department – Corporate Services - \$130,000
4. Selectemp – Temporary Building Maintenance Support – Facilities – Corporate Services Division - \$10,000

Intergovernmental Agreement (IGA)

5. Lane Council of Governments (LCOG) – 2008 LIDAR Data Acquisition Project – For coordination of a multi-agency LIDAR imagery project throughout the Willamette Valley. Multi-agency participation will reduce the costs and have standardizing deliverables and formats for all agencies to understand.

Commissioner Menegat moved to approve the Consent Calendar.

President Simpson ascertained that three items that had not been included on the agenda for the Consent Calendar had been listed on the Web site for consideration at the present meeting and that the Commissioners had been made aware of them. Those items were, as follows:

5. OBEC Consulting Engineers – College Hill Reservoir Joint Repairs and Headhouse Fencing – Water Division - \$17,807

6. Kennedy/Jenks Consultants – Hydraulic Model Assistance – Water Division - \$150,000
7. Lane Council of Governments – Contract for the 2008 LIDAR Data Acquisition Project – Corporate Services Division – 57,645

Commissioner Menegat amended his motion to include those three items. Commissioner Cassidy provided the second. The motion passed unanimously, 5:0.

ITEMS REMOVED FROM THE CONSENT CALENDAR

There were no items removed from the Consent Calendar.

PUBLIC INPUT

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

ITEMS FROM BOARD MEMBERS

Commissioner Brown related that someone from the Springfield Planning Department had contacted him about whether EWEB had a formal discussion about a cell tower sited on the side of Vitus Butte. He said there was a proposal to put the cell tower outside the perimeter of the water filtration facility. He explained that the people proposing the tower indicated that they would secure it themselves and that it would generate \$1,000 to \$1,500 per month for 30 years. He remarked that he did not understand how this would compromise security if that area were not currently secured. He passed the information along to General Manager Randy Berggren and staff.

Commissioner Brown had also spoken with the head of the Willamette National Forest about the diesel fuel tank along Clear Lake. He reiterated his concern regarding the close proximity of the tank. He did not want it to remain there for another winter. He related that the person he had spoken with had heard nothing about this issue and underscored the need to be proactive about it.

President Simpson concurred.

PROPOSED STEAM UTILITY RATE INCREASE

Senior Rate/Financial Analyst John Yanov reviewed the *December 2008 Steam Rate Proposal* with power points, hard copies of which were provided to everyone present.

Commissioner Menegat recalled the discussion on transition plans and asked where this would show up in the budget. Mr. Yanov replied that it would appear in the electric division budget and would not be part of the steam division budget for 2009.

Vice President Farmer ascertained from Mr. Yanov that the actual dollar amount impacts for the percentage increases were contained in Attachment 4.

Vice President Farmer asked what the impact would have been if EWEB had not been able to hedge the fuel costs. He also wondered what staff projected the costs to be as they moved forward. Steam Plant Supervisor Will Bondioli replied that in looking forward at this point it was much the same. He said if EWEB had not hedged it would be extrapolating that the forward values were roughly in the current ballpark. He explained that the advantage of the hedge was that EWEB had locked in the prices at a strike price, which they could then build the budget on.

Vice President Farmer asked if they thought they would be locking in a much higher price going forward. Mr. Bondioli affirmed this.

Vice President Farmer observed that the Board backgrounder discussed loans between the Steam and Electric Divisions and asked if they were not technically the same. Mr. Berggren replied that they did indeed carry such loans but the two utilities were essentially the same.

Vice President Farmer ascertained from Mr. Berggren that if the steam utility closed soon the electric utility would consider money in the steam utility to be a cost write-off. Vice President Farmer asked how much was loaned at this time. Treasurer Cathy Bloom responded that she had not seen the current projections to know what would be left in three years. She agreed, at Vice President Farmer's request, to provide an idea of how much the write-off would be.

Vice President Farmer encouraged staff, for public information purposes, to provide the information so that the utilities appeared to break even rather than including a \$6,000 loss.

Commissioner Brown asked who would pay for the transition plans to move community members out of being steam customers. Fiscal Services Supervisor Patty Boyle replied that they had built the budgets between the steam and electric divisions so that the steam budget included all of the revenues and expenses the utility traditionally had and the transition costs, intertie costs, and planning costs had been placed in the electric budget at this point.

Commissioner Brown asked what a commissioner would say to an electric division customer who asked why they were shouldering this cost. Mr. Berggren responded that the steam utility used to generate power and at that time the electric utility had been the entity in need of money.

Commissioner Brown understood that the water division had the majority of ownership in the present headquarters site and wondered if the steam utility also shared in the ownership. He asked if there would be any allocation from the sale to the steam side of the budget. Ms. Boyle recalled that

the reallocation of proceeds did not include a steam component. She was unclear on whether or not there was any property identified as being owned by the steam utility. Mr. Berggren thought all of the analysis that had been done on the future potential sale assumed a split between the electric and water utilities, as the electric utility was the owner of the steam asset.

Commissioner Cassidy surmised that steam customers would be motivated to change modes of heating as the prices rose.

President Simpson asked how long the current hedge was for. Mr. Bondioli replied that they only hedged for 2009 at this point.

Commissioner Brown averred that the steam customer, if they had an option to quit being steam customers, would have done it already given the expense. He underscored that they were paying three to four times more per square foot than conventional electric rates. He did not think a lot of people were going to drop off because of the cost issue in the imminent future as it would take time to plan and finance the change.

Commissioner Cassidy thought EWEB should consider pressuring the customers into it somehow.

Commissioner Menegat underscored that EWEB was looking into a transition program given that it was removing a resource. He said the community had a reasonable expectation that once it was provided it would be there for a period of time. He felt it would take time to put together the means to move to a different resource. He thought EWEB would have some resources available to help "smooth out" the transition rather than raising steam rates more frequently or another way to motivate people to cease being steam customers.

Vice President Farmer did not think the transition period would be orderly if EWEB did not find a way to help out, particularly in this economy and the precarious financial markets. He agreed that they should keep things moving as he felt the customers would not keep moving on their own. He wanted to see ideas from staff on what EWEB could do to help move the process along.

Mr. Berggren commented that staff had heard this and had some forecast forwards related to migration rates. Mr. Bondioli added that they were also working on a general proposal to use the 2009 money to reach out in a proactive way to find out what the cost would be.

Ms. Smith related that Key Account Manager Mike Logan had a positive meeting with the Oregon Department of Energy. She said they were working on a plan that would give a lot more flexibility in how and what they might be able to offer the customers and how EWEB could be a partner in this. She reiterated that staff was actively working on trying to influence and potentially offer a different kind of program to customers that could allow the timeframe to be shortened.

President Simpson favored a shorter timeframe.

PUBLIC HEARING ON PROPOSED STEAM UTILITY RATE INCREASE

President Simpson opened the public hearing. Seeing no one who wished to testify, he closed the public hearing.

PROPOSED STEAM UTILITY RATE INCREASE – RESOLUTION NO. 0836

Commissioner Menegat, seconded by President Simpson, moved to approve Resolution No. 0836, a resolution concerning Steam Rates.

Commissioner Brown asked if he needed to declare a potential conflict of interest if he owned a building or was liable for a building that was a steam customer. Mr. Berggren did not think so. He said everyone on the Board had to be a ratepayer.

The motion passed unanimously, 5:0.

GENERAL MANAGER'S PERFORMANCE EVALUATION – AMENDED SCHEDULE

Human Resources Generalist Laurie Muggy explained that she was present to propose that the Board explore the opportunity of having a one-time early evaluation process for the General Manager.

Commissioner Cassidy said he had noticed that there did not seem to be a formal consideration of the previous year's recommendation in the present evaluation. Ms. Muggy responded that if there was a need or interest in reviewing information from prior years she could provide it for the Board.

President Simpson said the General Manager's Performance and Evaluation Subcommittee was recommending that if there should be a merit adjustment decided before the completion of the year, the actual pay adjustment should not take effect until April 2009.

Commissioner Menegat recalled that a portion of the evaluation was a recommendation but he did not know if it was a consolidated recommendation from the Board. Mr. Berggren agreed that there were typically diverse points of view expressed in it.

Commissioner Menegat also wished to point out that the General Manager's goals at the beginning of the year incorporated certain things that were set forth by the Board as areas of concern.

Vice President Farmer asked when the October in-house financial report would be available. Ms. Bloom replied that they were usually completed eight to ten working days after the end of the month.

Vice President Farmer commented that the Board's contract with the General Manager would expire on December 31 of this year. He believed there might be some logic to trying to have concurrency with this process.

Mr. Berggren noted that he had the contract queued up as a 30-minute item at the next meeting.

Commissioner Cassidy, seconded by Vice President Farmer, moved to hold a one-time early annual performance evaluation process for the General Manager. The motion passed unanimously, 5:0.

Ms. Muggy stated that evaluations would be sent to the Commissioners on October 24.

Mr. Berggren informed the Board that the Citizen Advisory Team for the Riverfront Master Planning Process had recently put out a Request for Qualifications (RFQ), of which there were two components: consultants to help with public engagement and to come up with a consensus vision for the properties. He said the RFQ was due on November 26 and the team was determining how it would evaluate them.

President Simpson adjourned the meeting at 5:57 p.m.

Assistant Secretary

President