

EUGENE WATER & ELECTRIC BOARD
REGULAR BOARD MEETING
EWEB BOARD ROOM
NOVEMBER 18, 2008
6:30 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, Dick Varner, Jim Origliosso, Jeannine Parisi, Dick Helgeson, Sheila Crawford, Lance Robertson, Cathy Bloom, Mark Freeman, Todd Simmons, Christina Bennett, Gene Austin, Garilyn Johnston, and Judy Chase of the EWEB staff; Rich Cunningham and Joann Ernst, Commissioner-elects; and Ruth Atcherson, City of Eugene minutes recorder

President Simpson convened the Regular Meeting of the Eugene Water & Electric Board (EWEB) at 6:07 p.m.

AGENDA CHECK

There were no changes to the agenda. There was some discussion on whether or not to hold the public hearing until the time at which it was listed in the published agenda, but it was determined that staff could provide the opportunity to submit testimony, should the meeting be adjourned by that point in time.

PUBLIC INPUT

There was no one present who wished to speak at this time.

APPROVAL OF CONSENT CALENDAR

Minutes

- 1 a. October 21, 2008, Special Board Meeting
- b. October 21, 2008, Regular Board Meeting
- c. October 21, 2008, Budget Work Session

Contracts

1. Brattain International Trucks, Inc. – International 7500 SBA 6X4 Chassis – Shop – Corporate Services.
2. Communication Services, Inc. – Phase 1b Microwave – 100 % Design – Electric Division.

Intergovernmental Agreement

3. Lane Council of Governments (LCOG) – 2008 LIDAR Data Acquisition Project – Environmental Management – Employee, Customer & Community Services Division.

Trojan Budgets

4. a. Revised 2008 Trojan Annual Operating Budget.
- b. 2009 Trojan Annual Operating Budget.

RESOLUTION

5. Resolution No. 0841 – Surplus Property – Beltline Highway and Coburg Road.

Vice President Farmer, seconded by Commissioner Menegat, moved to approve the Consent Calendar. The motion passed unanimously, 5:0.

ITEMS REMOVED FROM THE CONSENT CALENDAR

There were no items removed from the Consent Calendar.

ITEMS FROM BOARD MEMBERS

Commissioner Brown thanked everyone, especially EWEB's Lobbyist Jason Heuser and EWEB's Drinking Water Source Protection Coordinator Karl Morgenstern, for the work they had done on the interim fix for the fuel tank in close proximity to Clear Lake.

Commissioner Brown also thanked staff for being very responsive to a safety issue he had witnessed earlier in the day. General Manager Randy Berggren thanked Commissioner Brown for bringing to light a potentially dangerous situation.

In response to a question from Commissioner Brown, Mr. Berggren stated that they had not progressed in the Hunsaker proposal. He said they needed to make some determination as to what amount of money EWEB might be able to "kick in" for it. He averred that it was a difficult question because they had to figure out which utility would pay. He said the proposal was "on pause" for the present.

Commissioner Brown suggested that the boat landing planned for the Goodpasture property be donated to the McKenzie Masters, an offshoot of the McKenzie River Guides Association. He explained that they looked for projects and were very well funded. He thought they might be able to finance the maintenance and upkeep for the boat landing.

Mr. Berggren remarked that as part of doing that EWEB would have to do some kind of consultation with the Federal Energy Regulation Commission (FERC).

Vice President Farmer asked that there be an item on a future agenda to discuss the options for the boat landing.

President Simpson ascertained that there was Board support for doing so.

Vice President Farmer indicated that he would be participating in the 2008 Run to Stay Warm, a benefit for the Low Income Energy Assistance Program (LIEAP).

President Simpson reported that the McKenzie Watershed Council (MWC) had approved its work plan for 2009. He had a copy for anyone to peruse should they desire to do so.

President Simpson related that he had reported what he had observed to be suspicious activity, possibly metal theft, at a substation. Electric Division Director Jim Wiley said staff determined that there had been no metal theft activity.

CORRESPONDENCE

Mr. Berggren reported the following items of correspondence:

- Copies of a letter from Charles Dalton regarding institutionalized racism in EWEB hiring practices were provided to the Commissioners – a potential topic for future Board discussion;
- Board packets included a memorandum from Mr. Freeman regarding how to disperse the money from a recent anonymous donor per the donor's wishes – EWEB had moved outside of its existing contract relationship with the county, which had a higher overhead;

In response to a question from President Simpson, Employee, Customer & Community Services Smith assured the Commissioners that they would meet the donor's deadline for dispersal.

Mr. Berggren continued his report:

- Copies of the packet for the joint meeting with the Eugene City Council on the following day were provided to the Board;
- Commissioners were provided an attorney/client privileged memorandum on the status of a claim;
- A memorandum had been provided to the Board by Community and Local Government Outreach Coordinator Jeannine Parisi on Goodpasture boat landing options.

Mr. Berggren introduced Gene Austin, recently hired to take over the position of North American Electric Reliability Corporation (NERC) compliance auditor position.

BOARD AGENDAS

Mr. Berggren highlighted the *Eugene Water & Electric Board Agenda Report* dated *November 18, 2008*. He noted that staff planned to bring all of the details on the collective bargaining agreement to an executive session planned for the beginning of the December 2 meeting. It was hoped that staff would have a recommendation to approve the bargaining agreement on December 16.

Mr. Berggren stated that EWEB would be before the Local Government Advisory Committee (LGAC) talking about its deposit policy and its customer complaint policy, as well as giving the committee a “heads up” on the proposed rate action.

President Simpson requested an executive session for the commissioner-elects to review pending litigation. Vice President Farmer suggested that Mr. Berggren hold one-on-one sessions with them.

CONSENT CALENDAR – DELTA SAND & GRAVEL, EUGENE SAND & GRAVEL, COBURG ROAD QUARRY, & EGGE SAND & GRAVEL

Water Operations Manager Todd Simmons explained that the three companies all had products that EWEB used for specific things. He said EWEB typically used approximately \$275,000 in gravel products per year and the contracts were intended to span five years. He conveyed staff’s recommendation for Board approval.

In response to a question from President Simpson, Mr. Simmons said the cost escalations that they were seeing were related to the cost of delivery of the products and not the product itself.

Vice President Farmer asked if the materials were stockpiled on job sites or at a central site. Mr. Simmons replied that it was stockpiled in the EWEB yard so that if emergencies came up over a weekend the materials would be available.

In response to a question from Commissioner Brown, Mr. Berggren stated that his occasional business with the Wildish Company could be a perceived conflict of interest, but likely was not.

Vice President Farmer, seconded by Commissioner Menegat, moved to approve the price agreement to Eugene Sand and Gravel, Egge Sand and Gravel, Coburg Road Sand and Gravel, and Delta Sand and Gravel for Eugene Water & Electric Board construction aggregate needs. The motion passed unanimously, 5:0.

EXECUTIVE LIMITATIONS (EL #4) – RESOLUTION NO. 0843

Human Resources Manager Christina Bennett explained that the resolution accomplished two things: approval of Executive Limitations Policy No. 4 and the elimination of Strategic Direction Policy No. 11, which referenced the 55th to 60th percentile. She said the new policy had been written based on prior Board discussions that Jean Meyer (EWEB’s prior Human Resources Manager), Mr. Berggren, and Ms. Smith had around the need for flexibility in the compensation program.

In response to a question from President Simpson, Ms. Bennett stated that the way the new policy was written it could potentially apply to both the workers who were not represented and those who worked under a collective bargaining agreement.

Vice President Farmer ascertained from Ms. Bennett that the resolution was not legally binding in terms of determining the pay in the collective bargaining process.

Vice President Farmer, seconded by Commissioner Menegat, moved to approve Resolution No. 0843, a resolution approving Board policy Executive Limitations No. 4 related to compensation and benefits. The motion passed unanimously, 5:0.

HARVEST WIND PROJECT AND FINANCING

Power Management & Planning Manager Dick Varner stated that staff had selected Siemens as the turbine vendor. He related that they had received significant decreases in prices, a \$25 million reduction for the turbines, both from the negotiation and from more favorable exchange rates. He said a group had been sent to New York to talk to banks and financial institutions about construction financing and the possibility of tax owners. He said they had been given a good indication that if EWEB proceeded, it should be able to secure both some time in the spring of 2009. He stated that they were projecting to be in commercial operation by the end of 2009. It appeared that both the turbines would be available and they would be able to secure the necessary transmission in order to meet the current deadline for the production tax credits.

Mr. Varner reported that EWEB had secured bids from four different vendors for the 230 kilovolt transformer. He noted that all of the vendors for the proposal had indicated they could meet a third quarter 2009 deadline.

Commissioner Brown asked if the project would use up the acquisition reserve. Mr. Varner affirmed that it would, adding that EWEB contributed approximately \$1.3 to \$1.4 million annually to the reserve from rates.

Commissioner Brown asked if the reserve monies could be utilized to ease the transition costs for steam customers. Mr. Berggren replied that the Board ultimately controlled the money, but it had been represented to ratepayers as being used for new resource acquisition.

Vice President Farmer commented that he was less optimistic about the project. He noted that news from the national conference on energy and power two days earlier indicated that projects were “falling off the board.”

He believed it represented a substantial risk as lending was “drying up” quickly. He added that he intended to support it.

Mr. Varner said if they were unable to get construction financing, staff would come to the Board to talk about whether EWEB would provide additional money in the near term to get the project done without the financing. He noted that it would be problematic for the two co-ops that were partnering on the project, more so than it would be for EWEB.

Commissioner Brown asked if the fixed costs would change with more or less partners. Mr. Varner responded that getting below an 80 megaWatt (mW) project would be problematic given the level of fixed costs. He said if the co-ops could not move forward there was an option to talk to California entities that were now faced with stiff Renewable Portfolio Standards (RPS) requirements.

Commissioner Brown asked if there was a point at which the project could not move forward. Mr. Varner responded that the co-ops had the ability to move forward if there was a tax owner in place. He explained that if there was not a tax owner, they would only be able to finance approximately half of their shares and EWEB would have to figure out what to do with the extra 20 to 25 mW of power.

Mr. Berggren thought the mandatory RPS would mean that California would be “gobbling up” what it could. He considered the Harvest Wind project to be a good one.

In response to a question from Vice President Farmer, Mr. Varner clarified that EWEB would need the tax owner in place before they undertook the construction financing or the commercial operation date, but ideally by late March or early April.

Vice President Farmer asked how much EWEB could spend in a worst-case scenario. Mr. Varner replied that it could be as much as \$13 million.

In response to a question from Commissioner Brown, Mr. Varner explained that a tax owner could be anyone with a federal tax liability.

Commissioner Menegat, seconded by Vice President Farmer, moved to approve Resolution No. 0842, a resolution to approve Harvest Wind reserve transfers in the amount of \$13 million.

Commissioner Brown thanked staff for making the project understandable. He was confident that staff would measure the opportunities so that it would go forward in a manner that would be consistent with EWEB’s goals of power source diversification.

The motion passed unanimously, 5:0.

President Simpson called for a ten-minute break at 6:46 p.m.

BUDGET AMENDMENT NO. 7 – JOHNSON CREEK

Treasurer Jim Origliosso stressed that the bridge over Johnson Creek was an emerging issue and staff was back before the Board to approve an amendment to the capital plan for the electric utility. He said the cost estimate was \$1.24 million for the bridge, the surrounding area, and improvements to the roadway.

Mr. Berggren said this would be a project that would be spent by year-end.

Mr. Wiley stated that the emergency access road was completed and staff was now working on getting permits for the bridge.

Commissioner Brown asked if the contractor had been selected. Mr. Origliosso responded that the bids had been awarded but no contracts had been signed at this point. Commissioner Brown ascertained from Mr. Berggren that he did not have a potential conflict of interest.

Commissioner Brown expressed appreciation that Lane County had brought this to EWEB's attention. He recalled that the Oregon Department of Transportation (ODOT) had conducted an inspection and determined that the bridge had another 15 years of life. He thought they should consider having their other bridges inspected by someone other than ODOT. Electric Division Director Jim Wiley responded that EWEB planned to have OBEC conduct inspections of the other bridges.

Commissioner Brown asked how many bridges EWEB owned. Mr. Wiley replied that he thought there were two or three other bridges, but he was not entirely certain.

Vice President Farmer asked who owned the road. Mr. Berggren responded that it was a private road with an easement. He said EWEB was conducting some research, as it had been formerly identified as a public road. Mr. Origliosso added that a portion of it was on EWEB property and a portion of it was an easement.

Mr. Wiley clarified that EWEB owned the bridge and the portions of the road that accessed the bridge.

Vice President Farmer, seconded by Commissioner Brown, moved to approve Budget Amendment No. 7, for major electric capital projects to replace the Johnson Creek Bridge. The motion passed unanimously, 5:0.

2009 Budget

Fiscal Services Supervisor Patty Boyle began the presentation of the *2009 Electric & Water Budget Review* with power points, hard copies of which were provided to everyone present. She said there was "no real new news" since the last presentation and discussion of the budget. She related that the only difference in the budget from the previous presentation had to do with customer accounting, which was at \$658,000 and was being driven by the credit card processing fees, the Information Technology (IT) costs, and the customer care payments newly increased by the anonymous donor.

Senior Financial/Rates Analyst Garilyn Johnston reviewed the *Water Budget*. She reiterated that there had been no changes since the last presentation two weeks earlier. She reminded the Board that the loss of Hynix Semiconductor Incorporated represented a six percent reduction in revenue.

President Simpson asked what were the targets for the reserves. Ms. Johnston replied that the Board would be determining appropriate reserve levels for the water utility in a discussion that would be scheduled for the spring.

Ms. Johnston noted that the rate comparison contained in the slide *Average Monthly Residential Bill for 9.0 kgal* featured the current rate for the Springfield Utility Board (SUB), but they had recently announced that they would be increasing their rates as well.

President Simpson asked if the additional valve checking and main flushing was a new program that had been stepped up. Ms. Johnston replied that it was attributable to lagging maintenance. Mr. Berggren added that EWEB was undertaking commensurate restructuring related to what were specific functional roles being assigned to people in the water division. He said previously everyone was “responsible for everything” and they were now trying to focus responsibility.

Commissioner Brown asked if Drinking Water Source Protection Coordinator Karl Morgenstern’s septic tank checking and pumping program was included in the *Operating Expenditures*. Mr. Berggren responded that he believed it was included in environmental services. In response to a follow-up question from President Simpson, Mr. Berggren clarified that the environmental services budget was allocated to both utilities based on the ratio of how they were used.

Employee, Customer & Community Services Division Director Debra Smith noted that page 79 of the budget delineated the environmental management department budget. She said the source protection costs were included in the water portion of the budget.

Commissioner Brown observed that source protection was worthwhile and cost effective. He asked if it was being adequately funded. Ms. Smith affirmed that it was. She said Mr. Morgenstern leveraged grant funds, which were politically driven, primarily Homeland Security funds to this point. She related that there was now a shift more toward climate change and sustainability, and the program dollars reflected this.

Commissioner Brown said the majority of the increases in the water budget were for capital infrastructure, but the budget had been developed prior to the passage of the city’s street bond. He wondered if that would affect the 2009 budget. Treasurer Jim Origliosso responded that the Board would see it come back in April of 2009, when staff had a better idea of what the impact would be.

Mr. Berggren stated that Ms. Parisi had been actively working with the city and there was an overt acknowledgement that the two entities needed to coordinate as much as possible on the project. He felt that everyone was “on the same page.”

Vice President Farmer asked if the annual budget was divided into monthly budgets. Ms. Boyle replied that staff did not divide it by months at this point. She said when the budget was approved staff then returned before the Board on a quarterly basis. Vice President Farmer encouraged the financial staff to think in that direction.

Vice President Farmer reiterated his discomfort with a budget in which 40 percent would be spent in the last two months of the year. He was concerned he might not be doing his due diligence. He also wondered if the water utility should change its budget assumption, not unlike what the electric utility had done. Ms. Johnston responded that the growth in the 2009 budget was .5 percent. She said they were not planning on more customers. She thought they should consider including the possibility of more conservation in the budget estimates.

Ms. Boyle said the goal was financial stability and toward that end staff had looked at the water utility and the tools that would best achieve that. She averred that it could be through rates, a change in structure, or other financing arrangements but the consumption forecast and the actual consumption was usually “pretty right on.” She underscored that what really affected the water utility were things like the loss of Hynix and the lawsuit settlement and other one-time events. She also noted that when the electric utility was doing better it tended to pay some of its debt and then water paid its share as well.

Mr. Origliosso stressed that the water utility costs were fixed; they were attributable to labor and operations.

Commissioner Cassidy commented that he did not think monthly budgeting would benefit the Board.

Vice President Farmer reiterated his concerns related to annual budgeting. Mr. Origliosso assured him that they had a budget monitoring process and Ms. Johnston reviewed it consistently.

Commissioner-elect Rich Cunningham, at the encouragement from President Simpson, remarked that it was challenging for low-income people, and especially seniors, to access the LIEAP. He advocated for truncating the process and increasing the amount that people were eligible for up to \$250.

Mr. Berggren recommended that if the Board wished to take that under advisement that the Board should provide staff the opportunity to provide context relative to the implications of doing so. He wanted to ensure that the Board understood what had been done programmatically to change the amount of money between 2008 and 2009.

President Simpson ascertained that there was Board support for exploring Mr. Cunningham's suggestion.

Mr. Cunningham also requested a discussion of tiered rates in the New Year. Vice President Farmer responded that the Board had engaged in a "huge time-intensive" discussion of tiered rates and the Board had been split at the time it decided to employ them. He did not want to rehash the same thing. He encouraged staff to provide the commissioner-elects with the full background on the issue. Mr. Berggren suggested that he meet with them one-on-one. Mr. Cunningham reiterated his support for revisiting it.

FIRST PUBLIC HEARING ON 2009 BUDGET

President Simpson opened the public hearing. No public testimony was offered and President Simpson closed the public hearing.

2009 BUDGET

Ms. Boyle discussed the slide entitled *Beyond the Budget*. She noted that the final amounts for the residential exchange in the long-term plan were probably high.

In response to a question from Commissioner Brown, Ms. Boyle explained that initially EWEB had been told the utility would receive \$500,000 per month but after 2010 it would likely be \$250,000 per month. Mr. Berggren added that this had been a surprise to everyone in the region.

ADJOURNMENT

President Simpson adjourned the Regular Board Meeting at 8:04 p.m.

Assistant Secretary

President