

REGULAR BOARD MEETING
EUGENE WATER & ELECTRIC BOARD
EWEB BOARD ROOM
500 EAST 4TH AVENUE
MARCH 17, 2009
6:30 P.M.

Commissioners present: Ron Farmer, John Brown, Bob Cassidy, Rich Cunningham, and Joann Ernst.

Others present: Randy Berggren, Sheila Crawford, Patty Boyle, Jeannine Parisi, Garilyn Johnston, Dick Varner, Tom Buckhouse, Jim Wiley, Mark Freeman, Marc Anderson, Ken Beeson, Jim Origliosso, Dick Helgeson, Mike Logan, Gene Austin, and Krista Hince of the EWEB staff; Ruth Atcherson, City of Eugene minutes recorder.

President Farmer convened the Regular Meeting of the Eugene Water & Electric Board (EWEB) at 6:23 p.m.

AGENDA CHECK

General Manager Randy Berggren said Item 10, the Natoli Lot Purchase, had been pulled from the Consent Calendar.

PUBLIC INPUT

Don Ablet, a Vida resident, stated that he lived across from the proposed boat landing site. He provided a record from the Oregon Department of Transportation (ODOT) that indicated that there had been 33 accidents over the past ten years and that 22 people had been injured in them. He averred that the driveway to the proposed site was in the middle of the stretch of road the accidents had occurred on. He declared that the entire community had objected to this site for a boat landing but EWEB had “rammed it down [their] throats.” He acknowledged that the Federal Energy Regulatory Commission (FERC) had required the boat landing, but he felt that FERC had wanted it situated on the lake. He asked that the Board look at the accident report and consider adding a turn lane for the site.

Terry McDonald, a Eugene resident, spoke as a representative of St. Vincent DePaul and voiced his support for the Systems Development Charge (SDC) waiver for the Lamb Building, Consent Calendar Item 13. He stated that the building would provide affordable housing for people at 60 percent of the median income and below, and the need for such housing was great. He said the SDC waiver would help the project “very much.”

Janet O’Brien, a Eugene resident, suggested that EWEB needed to understand the needs of the ratepayers and needed to be more conservative in its projects. She opined that little or no effort was being made in conservation and that rates were being hiked to pay high salaries. She wanted EWEB to “take a more practical approach” and to be more cognizant of the current economic situation. She said her bill was huge. Her husband had been cut back to three days of work per week.

She asked that EWEB not become “a part of the problem for the common people.” She averred that people were “groaning under the weight” of taxes, bonds, and other cost increases. She added her feeling that statistics could say what a person wanted them to say. She was skeptical of the results of EWEB’s comparative cost analysis that indicated EWEB had low rates.

Commissioner Cassidy remarked that he assumed the waiver would be approved. He had been struck by what a good thing EWEB was doing. He said EWEB provided a lot of these types of benefits and suggested that EWEB compile a book of information about all of the good work the utility did.

Vice President Brown commented that by waiving the SDCs for the St. Vincent DePaul affordable housing project EWEB would waive \$50,000 in added capacity. He pointed out that there was a bill at the legislature that would amend the law so that SDCs could be transferred from a building that would be torn down, such as the Willakenzie School, to a worthy project being undertaken by a non-profit agency.

APPROVAL OF CONSENT CALENDAR

Minutes

1. a. February 3, 2009, Regular Board Meeting

Contracts

2. Accountemps – Temporary Staffing Services – General Accounting – Corporate Services Division.
3. Balzhiser & Hubbard – UPS Replacement and Data Center HVAC – Facilities – Corporate Services Division.
4. FEI Testing and Inspection, Inc. – Roosevelt Building Project – General Manager’s Division.
5. HDR Engineering, Inc. – Stone Creek Environmental Compliance Monitoring – Electric Division.
6. High Line Corporation – Purchase of Software for Organizational Charts – Human Resources – Employee, Customer, & Community Services Division.
7. Mid-State Industrial Services – Parking Lot Sweeping Services – Facilities – Corporate Services Division.
8. Lawson Environmental Engineering – Hilyard Station Remodel – Electric Division.
9. TEK Systems, Inc. – Temporary Programmer Services – Information Services – Corporate Services Division.

Land Acquisition For Water Department

10. Natoli Lot Purchase – Vacant Lot Purchase for Water System Master Plan.

Resolution

11. Resolution No. 0912 – Power Risk Management Guidelines/Policy

Agreements

12. Hynix Interim Agreement Extension

System Development Charge (SDC) Grants

13. The Lamb Building – St. Vincent DePaul Society of Lane County
14. Roosevelt Crossing – Housing Policy Board & Water Division.

Commissioner Cassidy pulled Item 5 (HDR Engineering, Inc. – Stone Creek Environmental Compliance Monitoring).

Commissioner Ernst pulled Item 7 (Mid-State Industrial Services – Parking Lot Sweeping Services).

Commissioner Cunningham, seconded by Commissioner Cassidy, moved to approve the Consent Calendar with the exceptions of Items 5, 7, and 10 (pulled at beginning of meeting). The motion passed unanimously, 5:0.

ITEMS REMOVED FROM THE CONSENT CALENDAR

Commissioner Cassidy had noticed that the term of the agreement was incorrectly listed in Item 5, a contract with HDR Engineering, Inc. Mr. Berggren indicated that he would ensure it was corrected.

Commissioner Cassidy, seconded by Vice President Brown, moved to approve Item 5, a contract with HDR Engineering, Inc. The motion passed unanimously, 5:0.

Commissioner Ernst had incorrectly identified the Consent Calendar item she wished to pull; the correct one was Item 11, Resolution No. 0912, a resolution on power risk management guidelines and policy.

President Farmer pointed out that the Board had already approved that item.

Mr. Berggren suggested that Patty Boyle, Fiscal Services Supervisor, respond to Commissioner Ernst's concerns.

In response to a question from Commissioner Ernst, Ms. Boyle explained that EWEB did a lot of research on risk practices throughout the industry, but the policy itself did not reference a specific group. She said should the industry have a generally accepted policy regarding best practices published, they would reconsider the policy at that time.

Mr. Berggren reiterated that there was no generally accepted policy.

ITEMS FROM BOARD MEMBERS

Vice President Brown announced that he would be going to Salem to advocate for a water

protection overlay zone, but would not be doing this in his capacity as a Commissioner. He said he would be clear that he was speaking as an individual.

Commissioner Ernst said she was hearing from people who were experiencing hard times. She wanted to look at what EWEB could do within its departments to find where cuts could be made and conservative measures could be adopted in order for the utility to maintain its “fairly low rates.” She suggested that EWEB consider evaluating its different departments.

President Farmer noted that the General Manager would be coming forward with a report on the goal that the Board had set for him regarding finding efficiencies. He thought this would address Commissioner Ernst’s concern. He also pointed out that EWEB had increased its community care package from \$2 million to \$7 million. He said this would help to alleviate the economic woes some people were facing.

Commissioner Ernst asked when the Board would receive the report. Mr. Berggren responded that he would report on the efficiency goal in his quarterly reporting on the goals. He said the Board might recall that the efficiency goal was in line with the sustainability work and would include looking for ways to be both more efficient and sustainable. He suggested that if she meant making substantive budget reductions of some sort to create some sense of EWEB participating in the downturn, this would be a different discussion better engaged in during the strategic planning workshop scheduled for April 7.

Commissioner Ernst related that she continued to hear comments regarding the billing service in Vancouver, Washington. She wanted to keep paperless billing as a topic for strategic planning.

Mr. Berggren clarified that EWEB did not send its billing function out of state; the Vancouver service only opened the remittances. He said checks were sent to the Clark County service because it had a machine to open the bills, which would cost quite a lot of money for EWEB to purchase, and that opening the bills was one of the highest carpal tunnel injury causing functions that EWEB had experienced.

Commissioner Ernst said she understood this and she agreed that, at that time, sending the remittances to Vancouver was the right thing to do. She reiterated her feeling that paperless billing would assist in the process.

Mr. Berggren stated that paperless billing would require a new CIS system, which was a couple of years away.

Commissioner Ernst observed that EWEB had always had great conservation measures and in looking at other utilities, EWEB’s program for conservation exceeded their efforts. She thought they should keep it in the forefront as a possible future agenda item.

Mr. Berggren asked Commissioner Ernst if she wished to have the topic queued up to discuss the level of conservation. She replied that she would suggest a presentation during one of the work sessions to explain EWEB's conservation programs.

Vice President Brown asked if EWEB did not already have a regularly scheduled meeting to discuss conservation on an annual basis. Mr. Berggren responded that it would be included in his quarterly report as a part of the Operations Performance Measures (OPMs) on the status of conservation acquisitions and how much EWEB had done. He recalled that EWEB had gone through a fairly lengthy process during the previous year and had made a strategic shift from five percent of gross revenues for conservation funding to a specific number based on an average megawatt (amW) acquisition. He said staff would not likely revisit the subject in the near-term absent a specific desire on the part of the Board.

President Farmer encouraged the newer members of the Board to ask for information and review it. He suggested that they not put something on the agenda until after they had reviewed the information and found something strategic that they wanted to take up based on that information, rather than have the board meetings become information presentations. He underscored that if there was something strategic in the information provided to them that they wanted to have addressed they should bring it forward for the Board to consider.

Commissioner Cassidy remarked that a backgrounder would meet his need for information on conservation.

Commissioner Ernst thought that a backgrounder on conservation had been listed on the agenda report as coming and had been dropped. Mr. Berggren said he would look into it. He assured her that staff's process was such that something like that would not be dropped unless it had been completed.

Commissioner Cassidy shared that he was happy to learn that the Roosevelt Boulevard buildings would be wired for the possible future development of photovoltaic (PV) energy and that PV panels would be installed on some of the buildings. He said another item that had come up in looking at the original plans that had been developed in 2005 for the site was the possible inclusion of a workout room should the administration functions be moved to the site. He thought that if this raised a concern for the other Commissioners regarding the cost and the amount of space such a facility would require, they might want to express that concern to the committee.

Commissioner Cassidy observed that the performance review had been glowing, but two percent of the people did not approve of EWEB. He acknowledged that this was a small percentage, but given the total number of ratepayers this percentage could equal a sizable number.

Commissioner Cassidy related the story that a ratepayer had shared with him about an exorbitant water bill that had occurred after the person had moved out of the house. The ratepayer

had appealed the bill, which was likely due to a leak, but had only been given a small credit on the bill. He felt that giving someone who had moved out of the area a credit was not helpful. He noted that the bill also included a \$307 bill for wastewater. He said when EWEB provided relief to someone who had an issue with a water bill it did not affect the city's wastewater fee.

Commissioner Cassidy also shared that someone in his neighborhood had not been able to get information on tree trimming from EWEB. Mr. Berggren responded that he would be happy to provide comprehensive backgrounders on both the tree trimming issue and the issue that was specific to the water bill experienced by the customer who contacted EWEB.

President Farmer stated that he had been asked to serve as a trustee for the Northwest Public Power Association. He said he had agreed to serve and this would entail taking on additional responsibilities.

CORRESPONDENCE

Mr. Berggren called attention to the following items of correspondence:

- Commissioners were provided customer comments received regarding rates;
- The Lane Board of County Commissioners sent a letter inviting the EWEB Commissioners to meet with them – he noted that Commissioner Cassidy had responded with an interest to meet with them.

Commissioner Cassidy understood that 150 invitations had been sent out. He said it appeared that the County Board would listen to representatives of the entities they had sent the invitations to for a specific amount of time.

Mr. Berggren shared staff's sense that this was a temporary trend that had, perhaps, arisen from focus group information that people needed a better connection to their Commissioner representatives and this was their response to this.

Mr. Berggren continued his report on correspondence:

- Board members were provided a status report on EWEB's Johnson Creek maintenance and bridge replacement, including the correspondence sent to the residents relative to their ongoing desire for EWEB to maintain or pay for certain portions of the road, which EWEB did not intend to do;
- Mike Logan, Key Accounts Program Manager, had included a memorandum in Board packets regarding the status of his work on the federal economic stimulus project;
- Brenda Sirois, Senior Resource Analyst, and Steve Newcomb, Environmental Manager wrote a follow-up memorandum on the preliminary sustainability imbalances with the Seneca cogeneration project in answer to the questions that had been raised by the Board;

- Jason Heuser, Legislative Representative, included a *Legislative Update from the Capitol* in Board packets;
- Ken Beeson, Roosevelt Project Manager, provided a status report on the Roosevelt Boulevard building project to the Board;

Commissioner Ernst was uncertain as to whether Ms. Sirois had tied in the performance standard that she thought the State Legislature was considering, which would require new energy production sources to be “at least as clean as natural gas.”

Commissioner Cassidy asked if the Board would be receiving detailed information about the type of filters or monitoring that was proposed for the Seneca cogeneration facility’s chimneys. Mr. Berggren indicated that staff could do so.

BOARD AGENDAS

This item was not covered.

PROPOSED 2009 SPRING WATER RATE INCREASE

Senior Financial Analyst Garilyn Johnston stated that she had provided a comparative rate table that included Medford, Creswell, Junction City, and Veneta as had been requested by President Farmer and Vice President Brown. She provided a short power point presentation, noting that there had not been new information since her previous presentation. She underscored that the drivers for the rate increase were the capital program to replace aging infrastructure, the need to replenish the capital reserve fund, and the loss of EWEB’s largest customer, Hynix Semiconductor, Inc. She reviewed the impact of the proposed rate increase by customer class, noting that the average residential customer’s bill would increase by \$1.50 per month.

President Farmer encouraged staff to include Medford in its ongoing list of comparator cities given that it was located on the Interstate 5 corridor. He acknowledged that Medford’s lower rates were due to the income the utility received from agricultural irrigation, but he felt that its omission raised suspicion that it was being deliberately omitted.

Fiscal Services Supervisor Patty Boyle recalled that when staff had compiled the original list of comparators they had come forward with the list of cities and the methodology they were planning to follow. While she did not think the Board had officially voted to adopt that list, she thought there had been general agreement to use that particular list. She said if the Board wanted the list to include Medford, staff would do so.

President Farmer reiterated his concern that someone might surmise that EWEB was deliberately ignoring Medford.

Vice President Brown supported its inclusion. He thought that if EWEB considered becoming a regional water supplier in the future, this type of data stood to support the potential economic advantage to protecting EWEB's existing water rights. He suggested that Creswell also continue to be included on the list.

Ms. Boyle said staff could include Creswell and Medford in the list.

Vice President Brown felt that the number of miles of lines that needed to be replaced and that the utility needed to use the opportunities for replacement that street replacement presented had been confirmed. He expressed concern that the impact of losing Hynix had not been emphasized. He underscored that water cost a fixed amount and the loss of a large customer such as Hynix meant that the rest of the community had to shoulder the cost of that water. He noted that this was exactly what had happened in Creswell; they lost a large industrial customer and had an outstanding bond issue for water improvements to pay for. He pointed out that the average annual water bill in Creswell was \$700 and the average annual water bill in Eugene was \$200.

SECOND PUBLIC HEARING ON PROPOSED SPRING WATER RATE INCREASE

President Farmer opened the public hearing.

Mel Menegat, a Eugene resident, supported the proposed rate increase and the ongoing capital improvement projects of the utility. He encouraged the public to judge the utility on whether it was fiscally sound and whether it was doing the job it was supposed to be doing, which was to provide water and power to its consumers. He underscored that the capital improvement projects, which were a "big chunk" of the increase, were intended to address aging infrastructure issues and the need for system upgrades. He observed that the loss of Hynix and the decreased water usage that would result from people taking individual steps in conservation would impact the overall projected usage that the EWEB budget was based upon. He predicted that the budget would "take a hit." He said operating reserves were necessary for the utility. He declared that a sound utility would help the community get through "these troubled times."

Dorothy Good, a Eugene resident, gave kudos to the EWEB and its staff for alerting the public to the proposed rate increases and for inviting public input. She thought the coverage was good and had seen the television spot. She recalled that she had first appeared before the Board on December 10 to oppose the May 1 planned water rate increase. She had based her opposition on the number of unemployed people and she had asked EWEB to revisit the 20 percent increase. She related that after meeting with Mel Damewood she had come to believe the increase was justified based on the data he had shared with her, though the timing of the increase was "bad." She added her thanks to Mr. Berggren for arranging this meeting. She noted that the proposed rate had been changed from 20 percent to 18.1 percent, which made her question the data. She asked why the utility could not consider lowering the increase to 16.1 percent or 14.1 percent then, given that the

rate had decreased in that time. She also recalled a *Register-Guard* article from November 20 that indicated that EWEB planned to increase water rates annually over the course of the next few years for the purpose of repairing and replacing water mains. She wanted to know what those rate increases would be and how many years they planned to take those annual rate actions. She also wanted to know on what hard data these increases were based. She questioned how certain they could be of the future data given that there were so many unknowns, such as what the snowpack would be and what reserve levels would be. She thought it was possible that another industry at the level of Hynix could come into the community. She asked the Board to revisit further the proposed May increase and the annual increases planned for several years to come.

Janet O'Brien opposed any rate increase. She was certain there were other ways to cut costs, such as cutting administrative salaries. She said during the public sessions regarding the building the new building, it had been noted that the infrastructure was decaying and that some water lines were over 100 years old. She felt the Board and others had prioritized building a "truck barn" over the infrastructure. She declared that the infrastructure should have come first. She had also noticed, in the conversation about the administration building, the consideration given to the installation of an exercise room for employees. She asked if the exercise room would be for employees only or would it be for public businesses to use. She underscored that people were suffering because of the economy and asked that EWEB be conservative when looking at projects; table those that could be tabled and move forward with the ones that need immediate attention.

Larry Dunlap thought that everyone should know that this was not the right time for a rate increase. He noted the recent rebate to ratepayers, some of whom he felt did not need it. He averred that it would be irresponsible to build a reserve fund in the current financial climate. He pointed out that the county had asked its employees to consider accepting a wage freeze. He suggested that the employees who made \$100,000 or more per year consider rolling some of those wages back. He opined that it was "okay to be number one" at the bottom of the list if it meant keeping spending down. He asked that the rate increase be moderated a "wee bit."

William Morse was not concerned as much about the water rates that were being raised as he was about the increase that happened during the summer. He felt that it would discourage people from raising a garden when "they need it most."

Zachary Vishanoff said he had missed the Public Input portion of the meeting and wished to provide general comment. He noted that he was neutral on the rate increase. He thought the EWEB headquarters site was being considered for potential reuse as a new city hall. He stated that he had a tentative approval from the City Club's programming committee to put together a forum on that subject. He wondered if Mark Oberle, Lance Peterson, or possibly Vice President Brown, given his activism on behalf of the waterways, might consider speaking there. He hoped to also invite Councilor Mike Clark and Mayor Kitty Piercy. He thought this would not be scheduled before October or November. He thanked the Board for its hard work.

President Farmer closed the public hearing.

PROPOSED 2009 SPRING WATER RATE INCREASE

Commissioner Cassidy expressed appreciation for former Commissioner Menegat's comments in regard to increasing the reserve fund. He averred that it was the essential thing that needed to be done.

Vice President Brown appreciated those who came before the Board to testify. He noted that EWEB was not the only entity that was considering a rate increase; the Metropolitan Wastewater Management Commission (MWMC) planned to raise its rates and the wastewater charge that the city had tacked onto the EWEB bill was also going to increase. He reiterated that the town of Creswell water utility had not built its reserve funds and when it lost its major industrial customer the rest of the water users were stuck paying water bills that were three times the rate that EWEB customers paid. He stressed that the Board cared very much about the process, but the Board was also tasked with caring about reliability and community service. He said EWEB had \$3 million reservoirs that had to be built and 800 miles of lines that needed to be replaced. He emphasized that a large portion of the cost increase was due to the loss of Hynix as a customer and that having adequate reserves would serve to cushion such an impact. He considered the rate increase to be a difficult decision.

Commissioner Cassidy, seconded by Commissioner Ernst, moved to approve Resolution No. 0911, a resolution to authorize the General Manager to implement the rates in the May, 2009, rate proposal, to be effective on or after May 1, 2009.

Commissioner Cunningham acknowledged the testimony suggesting that administrative employees should be paid less. He wanted to point out that though the General Manager had received an evaluation that showed his work to be at a level where he should have received a merit increase, he had turned down the increase because of the economy. He said most of the raises at EWEB were less than people would want. He agreed that the percentage increase looked high, but he felt that if one sat down and asked oneself if it was worth it to put aside \$3.50 or \$4 per month to keep the water infrastructure in good condition the answer would be yes. He indicated he would vote to approve the resolution.

Vice President Brown observed that some people were critical of the rebate given to people who did not want it and did not ask for it. He felt that they could not make everyone happy all of the time. He said the clean water that EWEB had and its ability to protect it was unparalleled. He asked where else in the United States could a person get 8,000 gallons of good water delivered to their door for that cost. He challenged people to buy eight bottles of water and tell him what that cost. He emphasized that EWEB had clean water and it cost money to preserve it. He averred that the only way to maintain EWEB's advantage would be to stay ahead of the needed infrastructure work. Even though it was not easy for him to do so, he intended to support the resolution.

Commissioner Ernst believed that EWEB and its staff were sympathetic and understood that the rate increase was a hardship. She said it was part of a long-term planning process that had gone on well before she had taken her place on the Board. She thought it was a good plan and would allow EWEB to continue to provide the best water possible. She noted that the change from the projected 20 percent to the 18 percent increase had come from refinement of the numbers. She said she tried to keep in mind that she paid a bill and not a rate and she was “a little bit empowered” to control the bill through conservation measures. She agreed that reserves should be increased. She felt that the loss of Hynix had been a “bitter pill to swallow” but she did not think the buildings on the Hynix site would remain empty for long. She thought when a new industry was in the building the rates could be adjusted if possible.

President Farmer said dealing with a rate increase during an economic time that was more difficult than any other in this lifetime was extremely difficult. He had spent a lot of sleepless nights dealing with decisions related to his work as a banker. He felt that this was just one more thing in a lot of people’s lives that would be difficult. He stressed that the Board was tasked with providing equilibrium to the utility.

President Farmer was concerned that having a meeting such as the current one could be perceived to seem that the decision had already been made. He wanted to stress that the proposed rate action was the result of an accumulation of months and years of work and long-term planning with a five- and ten-year view. He stated that a tremendous amount of time and deliberation had gone into the action. He also had heard more than one person question the \$30 rebate given to customers in the face of the proposed rate increase. He clarified that the water and electric utility were separate legal entities and EWEB could not legally use one to support the other. He pointed out that the rebate could not be applied to the water rates on people’s bills; it was only taken from the electric portion of the bill. He also did not want to leave the impression that having comparatively low rates was good because a utility could have low rates if it did not upgrade its infrastructure in a timely manner. He said if EWEB wanted to continue to have reliability and quality, the utility had to invest in the long-term to make that happen. He stressed that the Board’s responsibility was safety and reliability and not cost.

President Farmer stated that the Board did care about the challenges that were facing the community. He highlighted the \$7.3 million care package for the community. He noted that the utility had spent \$2.5 million on energy assistance in the previous two years. He said this demonstrated how important the community was to the utility.

President Farmer called for the vote and the motion passed unanimously, 5:0.

GOODPASTURE BOAT LANDING DESIGN CONSIDERATION

Senior Engineer Marc Anderson stated that he was requesting approval for the final design of the boat landing, per the presentation and discussion that had occurred in the preceding work session.

Vice President Brown, seconded by Commissioner Cunningham, moved to adopt the boat landing design as presented during the Eugene Water & Electric Board Work Session. The motion passed unanimously, 5:0.

BYLAWS REVIEW

Mr. Berggren stated that Article VII, Section 2 of the Bylaws required that they be reviewed within 90 days of swearing in new Commissioners. He said this meant the Commissioners should review them. He intended to return before the Board to see if there was any interest in changing or revising the Bylaws after the Commissioners engaged in its governance work.

Commissioner Cunningham had reviewed the Bylaws. He wanted to suggest that Article IV be amended to expand the Board to seven Commissioners. He noted that this would require an amendment to the Charter and City Council approval.

President Farmer was not certain that it would be prudent to make changes before engaging in the governance work.

Commissioner Ernst had not had a chance to review the Bylaws. She was looking forward to the governance work and thought it would make more sense to review and revise the Bylaws after that process.

Commissioner Cassidy indicated that he had read the Bylaws.

President Farmer suggested that Commissioner Cunningham return with a suggested course of action and that he determine if he had support from at least two other Commissioners to pursue it.

ADJOURN

President Farmer adjourned the Regular Board Meeting at 7:57 p.m.

Assistant Secretary

President