

EUGENE WATER & ELECTRIC BOARD
REGULAR BOARD MEETING
EWEB BOARD ROOM
500 EAST 4TH AVENUE
JULY 21, 2009
6:30 P.M.

Commissioners present: Ron Farmer, President; John Brown, Vice President; Bob Cassidy, Rich Cunningham, Joann Ernst.

Others Present: General Manager Randy Berggren, Sheila Crawford, Lance Robertson, Cathy Bloom, Tom Williams, Joe Harwood, Debra Smith, Mark Freeman, Jim Origliosso, Tom Buckhouse, Jim Wiley, Dick Helgeson, Dean Ahlsten, Mark Oberle, Gail Murray, Judy Chase, 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 6:28 p.m.

AGENDA CHECK

There were no changes to the agenda.

PUBLIC INPUT

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

APPROVAL OF CONSENT CALENDAR

MINUTES

1. a. May 5, 2009, Work Session

CONTRACTS

2. Honey Bucket – Portable Toilet Services – Water Division \$75,000
3. Johnson Wildlife Services – WALTERVILLE AND LEABURG CANAL NUTRIA CONTROL – Electric Division \$32,761
4. Northwest Power Pool (NWPP) Corporation – Engineering and Testing Services – Electric Division \$60,000
5. OBEC Consulting Engineers – Carmen Diversion Bridge Replacement – Electric Division \$147,897
6. Peak Hydro Services – Carmen-Smith U1 Runner Repair – Electric Division \$126,458

Vice President Brown pulled Items 4 and 5.

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

ITEMS REMOVED FROM THE CONSENT CALENDAR

Vice President Brown asked if the contract with the Northwest Power Pool (NWPP) was for services that EWEB could not provide using its own employees. He asked if the contract was just for the software or did it include the expertise that went along with it. Dean Ahlsten, Systems Engineering & Substation Reliability Manager, replied that EWEB needed the software and the expertise that NWPP would provide.

General Manager Randy Berggren stated that it was dynamic modeling of the generation system and included a lot of data. Mr. Ahlsten added that it would be a 400 to 600 effort for an experienced planning engineer.

Vice President Brown asked if EWEB would be able to piggyback on the modeling so that it would not have to pay more for this type of effort. Mr. Ahlsten responded that the fees that were collected would offset EWEB's membership fees.

Vice President Brown, seconded by Commissioner Cunningham, moved to approve Consent Calendar Item 4, a contract with Northwest Power Pool Corporation for engineering and testing services. The motion passed unanimously, 5:0.

Regarding Item 5, Vice President Brown asked if the engineering services in the contract were for a bridge owned by the forest service. Jim Wiley, Director of the Electric Services Division, replied that EWEB owned the bridge but that it was located on forest lands. He explained that because of the location the forest service had a great deal of influence over the bridge. He noted that the bridge provided primary access to the Carmen-Smith diversion structures, upstream.

Vice President Brown, seconded by Commissioner Cunningham, moved to approve Consent Calendar Item 5, a contract with OBEC Consulting Engineers for work on the Carmen Diversion Bridge replacement. The motion passed unanimously, 5:0.

Commissioner Ernst expressed unhappiness with the nutria control contract. She felt it was inhumane to kill nutria with bows and arrows. She had met with Lisa McLaughlin, who she considered to be a real "asset" to EWEB, to discuss preventive action. General Manager Randy Berggren responded that staff tried to divert nutria from the facilities as much as possible.

ITEMS FROM BOARD MEMBERS

Commissioner Cunningham related that he had spoken with Lance Robertson and John Femal about the grants provided to the schools. It had occurred to him that EWEB could play a role by sponsoring a summit with leading businesses in Lane County to form partnerships in order to get business involved in the public schools. He requested a backgrounder on the feasibility of such an effort.

President Farmer said he did not know enough of what Commissioner Cunningham was proposing to comment on it. He suggested that Commissioner Cunningham meet with General Manager Randy Berggren and explore the concept and put it into writing for the Board.

General Manager Randy Berggren stated that monies that EWEB invested in schools had to have a clear relationship to its charter. He noted that EWEB developed curriculum around water and energy management services, watershed protection, and electric safety, among others. He was unclear what EWEB's leadership role would be and to what degree EWEB could influence people or get them to attend such an effort. He offered to flesh out Commissioner Cunningham's suggestion.

Vice President Brown related that he continued to receive comments on the phone system regarding a perceived lack of friendliness. He asked when the new system would be in effect. Debra Smith, Director of the Employee, Customer, & Community Services Division, stated that the system had been activated in the past week.

Mark Freeman confirmed that the new system had been implemented. He stated that the system alone would not solve the problem of customers not being able to reach EWEB. He reported that seven new customer service analysts had finished classroom training and would begin side-by-side training with experienced customer service analysts and were two to four weeks away from actually expanding the utility's capacity to take calls from customers. He said one thing that had happened was that the existing phone system remained on the existing phone lines and 24 to 32 lines had been added with the new phone system. He related that, for the present, this had in essence allowed more people to get into the system and be on hold.

Commissioner Ernst asked what the call back process was. Mr. Freeman replied that the receptionist had all of the supervisors extensions and cell phone numbers and should an unhappy customer call and ask to speak to a manager, the receptionist then contacted the supervisor and provided him or her with the customer's number.

In response to a follow-up question from Commissioner Ernst, Mr. Freeman stated that at present the phones shut down at 5 p.m. and employees stayed until 5:30 p.m. to deal with the volume. As such, he said, it would not be possible given current conditions to add a feature for customers to leave their numbers and receive a call back.

President Farmer asked if seven additional call takers would address the capacity issue. Ms. Smith responded that the Interactive Voice Response (IVR) system would "peel" a lot of the calls off. Mr. Freeman added that starting the week of August 10, customers would have the ability to pay their bills with a credit or debit card over the phone. He predicted that this would divert 4,000 to 6,000 calls per month.

Vice President Brown asked where the Roosevelt Boulevard building project was in its bid process. General Manager Randy Berggren replied that it was in its third phase and the last contract. He said bids would be awarded within 30 days. Vice President Brown looked forward to seeing where the bids fell in relation to the estimated total cost.

Vice President Brown requested an update on the diesel fuel tank that was in close proximity to Clear Lake. General Manager Randy Berggren responded that EWEB's design people were working on it.

Vice President Brown also wished to take this opportunity to thank the General Manager's Secretary, Krista Hince, for her work. He considered her a "wonderful asset" to the organization.

Ms. Hince received a round of applause.

Commissioner Ernst echoed Vice President Brown's words to Ms. Hince. She added that she was also disappointed that the fuel tank issue had not been addressed yet. She said EWEB should look into purchasing the resort.

Vice President Brown indicated his willingness to support purchasing the resort. He felt that the current management demonstrated a lack of awareness of the significance of Clear Lake and did not know it was EWEB's water source. He had not seen any sense of urgency on their part to protect the lake.

Commissioner Cassidy supported the idea of looking into purchasing the resort.

President Farmer acknowledged the majority Board support for exploring that possibility. He had some concern about the methodology involved. He thought EWEB could bring some pressure to bear on the forest service.

Commissioner Cassidy indicated that he had a motion he wished to place on the table.

Commissioner Cassidy moved that the first available \$1 million of surplus earnings at the end of calendar year 2009 be set aside to aid the Customer Care Program in 2010, specifically to aid the ratepayers who have become unemployed. Vice President Brown provided the second for the purpose of discussion.

Commissioner Cassidy underscored his concern for the people who had lost their jobs due to the economic recession. He wanted to ensure that those people in need had the help available to them right at the beginning of the year to help them transition to a "lower standard of living."

President Farmer indicated that he would oppose the motion, but not on its merits. He said the Board would get on a "slippery slope" if a Commissioner came to the Board with a motion on such short notice around any particular issue. He noted that he had only received a copy of the motion five minutes before the meeting and staff had not received any information about it. He predicted that if each Commissioner came forward with a motion in this manner at meetings, the Board would become chaotic and would no longer be a deliberative body. He underscored that the Board had staff working on this issue and staff would be returning to the Board with proposal on the subject of Commissioner Cassidy's motion. He reiterated that the Board needed to be more deliberative about this. He suggested that the proper thing to do would be to request that an item a Commissioner was keenly interested in be placed on an

agenda. He said for him to vote for the motion at the present meeting would almost be disrespectful of what the Board had asked staff to do in this area.

Commissioner Cunningham had confidence that staff were working at present to see what would be available for the program in the next year. He thought it might end up that the funds would be budgeted for the next year in an amount that would be equal to or exceeding the current level of funding. He suggested that the motion be tabled until the budget was adopted and, then, if the money was not available Commissioner Cassidy could bring it back.

General Manager Randy Berggren said he was somewhat in agreement with President Farmer in terms of process. He reiterated that staff was in the process of analyzing the opportunities for extending the Customer Care Program. He thought Commissioner Cassidy's motion would certainly give direction as to how much money should be spent on that particular aspect, but he also viewed this as constraining. He did not think staff had demonstrated an unwillingness to look at all facets of the program. He believed that it would be premature to set a funding level.

Vice President Brown recommended that Commissioner Cassidy watch the lobby. He predicted that he would be very impressed with the compassion for people demonstrated there. He also pointed out that EWEB had not given all of the current existing funding away. He added that he took issue with the amount of money it cost to give the money away, noting that it cost \$200,000 to give \$1 million. He asked to see ideas for how to use some leverage to ask the city and Metropolitan Wastewater Management Commission (MWMC) to give people in need some kind of break.

Commissioner Ernst liked Commissioner Cunningham's suggestion.

Commissioner Cassidy said he had gotten what he wanted; he had wanted to bring it up for discussion. He reiterated that he wanted to ensure that EWEB had money allocated for this specific aspect of need.

Commissioner Ernst agreed that the people who were losing their jobs was concerning. She did not want to leave out the people who did take another job at a much lower wage.

Commissioner Cassidy offered to withdraw his motion.

Commissioner Cunningham suggested that they table the motion to September 1, when staff would return with a recommendation.

President Farmer said he would prefer to have the flexibility to review the staff recommendation without the limiting aspects of the motion. He wanted to hear the material and then if Commissioner Cassidy wished to make changes, he should make a motion at that time.

General Manager Randy Berggren said it would be more useful for the Board to direct the General Manager to add this item to the agenda for September 1.

Commissioner Cunningham, seconded by Commissioner Cassidy, moved to direct the General Manager to add this item to the agenda of September 1. The motion passed unanimously, 5:0.

Commissioner Cassidy withdrew his original motion.

President Farmer asked Ms. Hince to approach the podium. He congratulated her on her retirement after more than 30 years of service. He recapped her career and commended her for her long-term commitment to EWEB. He thanked her for her “tireless efforts” in helping the Board.

Ms. Hince received a standing ovation.

Ms. Hince thanked everyone.

CORRESPONDENCE

General Manager Randy Berggren highlighted the following items of correspondence:

- Public Affairs Manager Lance Robertson’s memorandum on the McKenzie River Meeting and Leaburg Shelter Dedication Community Outreach;
- Legislative Representative Jason Heuser’s memorandum providing the Legislative Update from the Capitol – Conclusion of the 2009 Session;
- A memorandum sent by EWEB engineering staff regarding the Leaburg Canal: Closure of Johnson Creek Irrigation Withdrawal System;
- Marc Anderson provided a memorandum on the Delay of Leaburg Boat Landing Project. General Manager Randy Berggren noted that they did not see much in the way of an option to stop the Federal Energy Regulation Commission (FERC) decision to require an Environmental Assessment (EA).

President Farmer asked if FERC was prepared to extend the deadline. General Manager Randy Berggren responded that FERC had no choice if it was going to require the EA, and FERC representatives understood this.

Vice President Brown asked if the Oregon Department of Transportation (ODOT) process had been completed. Jim Wiley, Director of the Electric Services Division, was not certain if EWEB had the permits already, but EWEB had ODOT’s commitment to provide them.

BOARD AGENDAS

General Manager Randy Berggren provided the *Board Agenda Report* dated July 21, 2009.

Vice President Brown stated that there would be room for ten people on the river trip scheduled to precede the Lloyd Knox Park shelter dedication and meeting upriver scheduled for August 4.

General Manager Randy Berggren reminded the Board that there would be no second meeting held in August.

UNIVERSITY OF OREGON ALTERNATIVE PROCUREMENT PROCESS

Dean Ahlsten, Systems Engineering & Substation Reliability Manager, indicated that he was there to present the staff recommendation to authorize the exemption of all procurements associated with the construction of the University of Oregon substation, transmission lines, and terminations. He noted the presentation he had made with Gail Murray on June 2 in which they had brought findings of fact justifying this recommendation. He stated that EWEB would enter into an intergovernmental agreement (IGA) with the University of Oregon regarding construction responsibilities.

In response to a question from a question from Commissioner Ernst, Tom Williams stated that the University was looking into the possibility of using flex fuel. He explained that if a bio-fuel was developed in the future, they would be able to utilize it, but for the present they would be using natural gas to power their turbine. He added that this was a cogeneration facility because they would burn the natural gas to generate electricity and then would heat with the output from the natural gas.

Vice President Brown observed that the project would provide a substantial cost savings and efficiencies in operation and maintenance and asked why EWEB did not do this “all the time.” Ms. Murray responded that part of the savings resulted from using some of the same information and specification that had been used in the Willamette Substation. General Manager Randy Berggren added that both substations were in space-constrained locations. He reiterated the urgency of the need – there was already potential that the University could face some outages if the project did not move forward expeditiously.

In response to a question from Vice President Brown, Mr. Ahlsten stated that the only issue that had arisen had been about ownership. He added that he would not say that the University was pleased with paying for the facility.

Vice President Brown understood that EWEB was “piggybacking” on it and buying two generators. He asked if EWEB would get its generators “no matter what.” Mr. Ahlsten replied that EWEB needed its generators in 2010 and 2011, so if one came in damaged the University would be given priority.

President Farmer observed that such procurement procedures were governed by a specialized body of law. He understood that a public body had to have a “real good reason” for why it would engage in alternative procurement procedures; the laws were meant to prevent any type of cronyism. He underscored that an alternative procurement process was not to be taken lightly. He said because of this he wanted to “drill down” a couple of items to ensure that the reasons for doing so were on record. He stated that staff findings had to outline specific reasons for exempting a project and he believed that staff had done so. He related that the reasons had to include the type, cost, amount of the contract, and the number of persons available to bid. He asked if the question of who else might be available to bid had been answered. Mr. Ahlsten

responded that staff knew the pool of bidders for gas insulated switchgear (GIS) from its last bid process. He said staff had identified the 20 or so transformer providers worldwide.

President Farmer cited the last sentence in the Exemption Process paragraph, which stated: “an additional consideration would be that exempting the projects will result in substantial cost savings to the contracting agency.” He asked if staff had qualified what the cost savings would be. Mr. Ahlsten was not certain. President Farmer asked if staff could do so in a general range. Mr. Ahlsten replied that they could do so “fairly readily.” He noted that Hyundai had agreed to hold its price from 2006 with some minor escalation.

President Farmer requested a short memorandum that would delineate the estimated savings. He reiterated that it was one of the main reasons they could pursue the alternative procurement procedure and they needed to be able to justify this to the public.

PUBLIC HEARING ON UNIVERSITY OF OREGON ALTERNATIVE PROCUREMENT PROCESS

President Farmer opened the public hearing. He determined that there were no members of the public present who wished to speak on that item and closed the public hearing.

UNIVERSITY OF OREGON ALTERNATIVE PROCUREMENT PROCESS

Commissioner Cunningham, seconded by Commissioner Ernst, moved to approve full exemption of procurements associated with the construction of a new Substation at the University of Oregon and its associated 115 kilovolt underground transmission lines. The motion passed unanimously, 5:0.

MASTER PLAN PROJECT LAUNCH AND PUBLIC ENGAGEMENT STRATEGY

Mark Oberle introduced Kaarin Knudson, of Rowell Brokaw Architects, and Ellen Teninty, of TNT Consultants.

Ms. Knudson provided a brief overview of the Downtown Riverfront Master Plan Project Schedule + Process Diagram, included in the memorandum entitled EWEB Riverfront Master Plan Project dated July 14, 2009.

Mr. Oberle underscored that the Board would have input about what the project parameters would be before it would be brought out for public input.

Ms. Knudson stated that the diagram had been crafted to meet the requirements of the Memorandum of Understanding (MOU) between EWEB and the city.

Ms. Teninty highlighted the Public Engagement Plan, also included in the memorandum. She welcomed Board attendance at the public meetings. She said the full public participation schedule would be posted on the EWEB Web site. She asked for Board suggestions for who they should reach out to.

In response to a question from Commissioner Cunningham, Ms. Knudson clarified that the first public event would be a charette coordinated with the First Friday Art Walk on October 2 and another one on Saturday, October 3.

Mr. Oberle stated that the four public events that were shown on the schedule were EWEB's events at which the public was invited to come in. He explained that EWEB would participate in other community events such as neighborhood association meetings and the Eugene Celebration to gather further input.

Commissioner Cunningham suggested that they plan a meeting and hold it at a location in his ward, such as the Peterson Barn Community Center. Ms. Teninty replied that the larger EWEB-sponsored meetings would be held on the current site because they wanted to place the people in the context of the area they were considering. She added that the larger outreach efforts could include meetings in the Commissioners' wards.

Vice President Brown asked what the design options would look like. Ms. Knudson responded that they were still in the process of determining this. She related that one question they needed to address was how much detail to include in the options.

Vice President Brown ascertained that they would not be getting into the building types or design elements. He asked what would happen if the Board rejected or amended a draft from the Citizen Advisory Team (CAT). Mr. Oberle replied that they would rework it and try to incorporate what the Board would prefer to see.

Vice President Brown asked what arts and culture meant in a master plan process. Ms. Knudson responded that it was a group interview that they added to the process because there were four criteria in the Downtown Plan and the fourth had to do with engaging an educational aspect on the site and providing opportunities to learn about the culture and history of the city.

Mr. Oberle thought the end result could range from an "artsy" walk to inclusion of some kind of museum or an art education center/gallery.

Vice President Brown asked where the habitat setbacks deviated on the site. Mr. Oberle replied that he was not able to provide that kind of information at this point in the process. He stated that there would be biologists from the University of Oregon and others that would help them to understand this.

Vice President Brown emphasized that the setbacks would be a critical value to the land. He ascertained from Mr. Oberle that EWEB could keep the footprint of the equipment repair buildings so they could take advantage of the proximity of the building to the river.

In response to a question from Vice President Brown, Ms. Knudson explained that 'sustainable urbanism' was a term that had emerged in the last several years because it was known that 80 percent of the world's population would be living in cities within the next 20 years. She said the focus group that would undertake the subject would bring in a lot of different perspectives.

Vice President Brown did not want to put a lot of weight in a brand new term that was difficult to measure, though he emphasized that he did not want it inferred that he was “bashing” the idea of sustainable urbanism.

Mr. Oberle pointed out that they were working toward Leading in Energy and Environmental Design (LEED) certification which fell under the umbrella of sustainable urbanism.

Vice President Brown noted that the University had possible plans for dewatering the Millrace. Ms. Knudson replied that they had discussed this. She knew this was an issue in the community; the Millrace was part of the stormwater-shed for the downtown core and having it go dry would create an impact. Vice President Brown expressed concern that the stormwater runoff would not be adequately diluted without it.

President Farmer remarked that if he was new to town and he picked up the memorandum provided to the Board, he would surmise that there was no responsibility for an economic return in the project. He said the stage needed to be set for a viable economic return for the disposition of the asset.

Ms. Teninty emphasized that the CAT wanted to ensure that the conversation they engaged in was realistic.

President Farmer reiterated his concern that they had set the expectations of what the process was going to be without having included the economic return component. He also did not have the level of confidence in how they intended to get the pulse of Eugene beyond the normal people who come to public meetings. He pointed out that when they held rate hearings on rates that would affect every single person in the city, very few people showed up.

Continuing, President Farmer said he wanted the consultants to come to the Board and tell them how the master planning process and its associated public input component would be formulated. He did not want them to ask the Board who they should be talking to.

Commissioner Ernst said her biggest concern lay in the need to maintain the value of the property without compromising the MOU. She agreed with President Farmer that there should be some type of boundaries so that the members of the public who participated would not “go off in 5,000 different directions.”

Commissioner Cassidy thought the value of the property would be determined by the marketplace. He added his feeling that there was a “real value” in doing what the city wanted even if it did not yield maximum value for the property.

Commissioner Cunningham wanted to see the highest level of functionality for the riverfront property with the freedom of the citizens to enjoy it. He also wanted to get enough money for the property to offset the bonds that would cost EWEB.

Vice President Brown complimented the outreach efforts. He had confidence that they would do it right. He said there was a direct relationship of scrutiny of geographic areas and the

end result. He pointed out that it had taken 11 years to get the land use planning done for the Riverfront Research Park. He advised them to take it as a lesson.

Mr. Oberle complimented the Board for its CAT appointments. He felt that the CAT members were representing EWEB and the City Council well.

BUDGET AMENDMENT #7 – HARVEST WIND PROJECT

Jim Origliosso, Treasurer, explained that the budget amendment would formalize the budget action the Board took in June when it had given staff the authority to proceed on the Harvest Wind project.

In response to a question from Vice President Brown, Mr. Origliosso stated that Harvest Wind was a sister project to White Creek. General Manager Randy Berggren noted that White Creek had preceded it.

Mr. Origliosso stated that the partners in the White Creek project had looked to do another project and had proposed just above it.

In response to a question from Commissioner Ernst, Mr. Origliosso clarified that EWEB's share of the project would cost approximately \$46 million if they did it with more ordinary financing. He said there were other financing methods that their partners had interest into bringing into the partnership, as did EWEB. One of those would be a tax equity partner, i.e. a public/private partnership. He said it was the model originally proposed and it would have substantially reduced the cost. He related that they might not be able to get a tax equity partner in the current economic market and they intended to still proceed with the project at the higher cost. He reiterated that they hoped to find a tax partner by August 1 and if they did not have a prospect they could close on by September 30, they planned to proceed with a conventional bond issue.

Commissioner Cunningham, seconded by President Farmer, moved that the Board approve Resolution No. 0918 authorizing Harvest Wind development.

Vice President Brown asked what the other partners were doing to solve their problems. Mr. Origliosso replied that the co-ops were funding the transmission parts and the larger utility, Cowlitz County Public Utility District (PUD), was proceeding in the same manner that EWEB was.

It was determined that the Board would be voting on the Budget Amendment; the Resolution had already been passed.

Commissioner Cunningham withdrew his motion.

President Farmer, seconded by Commissioner Cunningham, moved to approve Budget Amendment #7, which would allow EWEB to spend up to \$50 million on the Harvest Wind project. The motion passed unanimously, 5:0.

President Farmer adjourned the Regular Board Meeting at 8:31 p.m.

Assistant Secretary

President