

EUGENE WATER & ELECTRIC BOARD  
REGULAR BOARD MEETING  
EWEB BOARD ROOM  
500 EAST 4<sup>TH</sup> AVENUE  
OCTOBER 6, 2009  
6:15 P.M.

Commissioners Present: John Brown, Vice President; Bob Cassidy, Rich Cunningham, Joann Ernst.

Commissioners Absent: Ron Farmer, President.

Others Present: General Manager Randy Berggren, Sheila Crawford, Lance Robertson, Jim Wiley, Jim Origliosso, Debra Smith, Cathy Bloom, Tom Buckhouse, Terry Bequette, Dick Helgeson, Gene Austin, Mark Freeman, Eric Hiaasen, John Yanov, Patty Boyle, Tony Toncray, Mike Logan, Jennifer Joule, Wendi Schultz-Kerns, Joe Harwood, David Churchman, Jeannine Parisi, Will Bondioli, Edward Yan, Kim Spear, Steve Mangan, and Judy Chase of the EWEB staff; Kim Young, City of Eugene minutes recorder.

Vice President Brown convened the Regular Meeting of the Eugene Water & Electric Board (EWEB) at 6:14 p.m.

#### **AGENDA CHECK**

General Manager Randy Berggren suggested, given that the Regular Meeting had been convened a little early, that the Board reorder the meeting and place the last two items before the Public Input. Vice President Brown ascertained that the Board was amenable to the change.

#### **CONTRACT FOR GENERAL PACIFIC, INC.**

Tony Toncray, Distribution Engineering Supervisor, conveyed staff's recommendation that the contract for deadfront padmounted 15 kilovolt switchgear be awarded to General Pacific Incorporated. He said the current contract had expired underscored the need to get a new one in place to protect EWEB for cost, switch availability, and standardization of switches. He reported that purchasing had gone through the bid process and had selected General Pacific, Inc. He noted that there was a significant increase in the number of switches proposed to be purchased. He explained that they were seeking to address aging infrastructure issues by doubling the number purchased.

In response to a question from Commissioner Ernst, Mr. Toncray explained that typically the switchgears were a "one for one change out," but if they could they tried to replace the runs of 750 feeder cable out of the switches so that they did not have to go back and address the aging cable at a later point. He added that this cost was included in the five-year budget.

Commissioner Cassidy, seconded by Commissioner Cunningham, moved to approve the contract for the purchase of Federal Pacific Deadfront Padmounted 15 KiloVolt Switchgear. The motion passed unanimously, 4:0.

**BPA POST-2011 CONTRACT AMENDMENTS AND TIER 2 ELECTION –  
RESOLUTION No. 0923**

Dick Helgeson, Director of the Power Resources Division, and Eric Hiaasen, Mid-Term Trader, introduced the resolution, with power point slides. Mr. Helgeson stated that they were before the Board to request approval of a resolution that would authorize execution of the amendments to the power sales and creditworthiness agreements applicable to the power sales agreement with the Bonneville Power Administration (BPA) for power deliveries commencing in 2012. He said the resolution also would elect the option to decline the purchase of Tier 2 power from the BPA in Fiscal Years (FY) 2012 through 2014, with respect to coverage for load growth on the EWEB system. He noted that they had presented the information in a more indepth fashion at the September 15 work session and only intended to highlight it at the current meeting.

Mr. Hiaasen provided a brief review. He reiterated staff recommendation to not purchase Tier 2 power because rates would be based on market prices set in early 2011 and the power would be “take or pay,” which meant that if EWEB did not need the power the BPA would take the power back and EWEB would receive the difference between what the BPA had set in the rate case and what they were actually able to remarket it for. He explained that if EWEB was a small public power customer that did not have its own trading floor and did not have expensive contracts with market participants, then this offering would be a huge value. Since EWEB was already active in the market, there was no value in making a deal for market purchases that EWEB could “do” on its own.

Mr. Hiaasen showed a slide delineating EWEB Load and Resources. He stated that the reasons for the new resource were that diversification would reduce risk and uncertainty while enhancing EWEB’s sustainability. He stressed that rejecting Tier 2 power in the initial agreement would not preclude EWEB from further purchases and access to vintage resources if capability exceeded others’ requirements.

Commissioner Cassidy asked how the potential increases in load that could be brought about by an increased use of electric cars and the potential reoccupation of the former Hynix plant by an industry were being addressed. Mr. Hiaasen responded that he was not proposing that EWEB take more risk, rather he proposed that they buy other power, which he considered a more effective way to address an increase than by using Tier 2 power. Mr. Helgeson added that it was staff’s feeling that the surplus in the initial three-year period was somewhat conservative in the sense that it was fairly low, because they had not factored in the adjustment to be made for conservation and there was another 16 megawatts of capability from EWEB’s share in the International Paper (IP) plant cogeneration facility. He added that the Hynix plant had been designated as a new large single load and was not eligible for preference power from the BPA.

Commissioner Ernst asked what EWEB had paid for the Block and Slice products. Mr. Hiaasen replied that those rates would not be set until mid-2011.

Commissioner Ernst understood that EWEB was in a “contract high water mark” and then would move into a transitory high water mark, in which it would be evaluated, and then the Block and Slice would be actually set based on this. Mr. Hiaasen clarified that the total volumes

of power that the BPA would sell to EWEB would be set based upon the high water mark. He said the rates would be set separately for everyone, with the rate case beginning in 2010 or early 2011.

Commissioner Ernst asked if staff knew what the rate would be for Tier 1. Mr. Helgeson replied that EWEB was actually paying a rate for the equivalent of Tier 1, subject to the pass-through rate action on the retail side later in the meeting. He noted that the BPA rates had generally trended as being slightly above inflation. He expected that the rate case in 2011 would follow the general framework of the past. He said rates of the Slice and Block products were structured a little differently. He anticipated that there would be a BPA rate action before the new contract was put into effect.

In response to a follow-up question from Commissioner Ernst, Mr. Hiaasen stated that in general the BPA rates were a "good deal." He explained that market purchases were approximately twice the rates and renewable resources were approximately triple them.

Commissioner Ernst had heard talk of a five-year renewable resource costing in the neighborhood of \$64. Mr. Hiaasen responded that this would be a surprise to him.

Commissioner Ernst was concerned that once November 1 had passed, they would not have an opportunity to access the Tier 2 power for a number of years. She wondered what would happen if electric cars "take off." She ascertained from Mr. Hiaasen that EWEB would not be allowed to use Tier 1 or Tier 2 power to serve the Hynix plant. He reiterated that if EWEB's loads, excluding the Hynix plant, did not materialize at the level that the BPA had forecast the BPA would take the power back. He said the BPA would sell power to EWEB at a different rate structure which he guessed would be comparable to the Tier 2 rates.

Continuing, Commissioner Ernst asked if EWEB had the option of purchasing up to 40 megawatts of power in the Tier 2 category. Mr. Helgeson clarified that EWEB could request up to 24 megawatts. Commissioner Ernst expressed some concern about not locking in some Tier 2 power, because she believed that wholesale rates would only go up. Mr. Helgeson responded that traditionally EWEB had not placed much of its load growth on the BPA. He said the conservation efforts made in the community and EWEB's efforts to diversify its power resources had offset a significant portion of the load growth. He underscored that they were not proposing something significantly different from the resource strategy that the Board had engaged in over the years. He stated that if they had any concerns about ending up in a short position during the initial years they would consider alternative including Tier 2. He noted that the projections presented were derated in order to reflect the outages caused by the work on the Carmen-Smith hydro facility. He reiterated that it was unlikely that the BPA would be able to price any of its products below market costs, because they were based directly on market index prices or the indicative prices were exactly what EWEB was seeing in the market for new acquisitions. He said if the BPA was offering a fixed price that was a hedge against cost escalation, staff might see this as a different situation, but he did not believe this was something that the BPA was likely to do, particularly in this economy.

Commissioner Cunningham, seconded by Commissioner Ernst, moved to adopt Resolution No. 0923, approving Bonneville Power Administration Post-2011 Contract Amendments and Tier 2 Election. The motion passed unanimously, 4:0.

## **PUBLIC INPUT**

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

## **APPROVAL OF CONSENT CALENDAR**

### **MINUTES**

1. a. September 1, 2009, Work Session
- b. September 1, 2009, Regular Session
- c. September 15, 2009, Work Session
- d. September 15, 2009, Regular Session

### **CONTRACTS**

2. BBB Contracting Corporation – Right of Way Mowing and Dangerous Tree Removal Services – Electric Division, \$200,000.
3. Card Logging Co. Inc. – Right of Way Mowing and Dangerous Tree Removal Services – Electric Division, \$200,000.
4. Communication Services, Inc. – Engineering and Construction Management Services in Support of Belknap and Smith Ridge Microwave Tower Sites – Electric Division, \$149,000.
5. Godfrey Engineering, LLC – Engineering Services Related to Road Evaluation, Reconstruction, and Maintenance at Carmen-Smith – Electric Division, \$23,220.
6. Mycoff, Fry & Prouse, LLC – Management/Industry Expert Recruitment Services – Employee, Customer & Community Services Division, \$70,000.
7. True System Designers, Limited (TRUSYS) – Headquarters Access Control System Consultation Services – Corporate Services Division, \$80,000.

### **LETTER OF SUPPORT**

8. Request to Lane County Board of Commissioners to Support Current Efforts to Add Lighting to the Historic Goodpasture Bridge.

Commissioner Cassidy pulled the minutes of the September 1 Regular Meeting and Item 8.

Commissioner Ernst, seconded by Commissioner Cassidy, moved to approve the Consent Calendar with the exception of the aforementioned minutes and Item 8. The motion passed unanimously, 4:0.

## **ITEMS REMOVED FROM THE CONSENT CALENDAR**

Regarding Item 8, Commissioner Cassidy said suggested that the letter of support be amended to reflect that EWEB would not assume financial responsibility for the lighting to be installed. Staff clarified for him that the current holiday lighting that EWEB provided for the bridge was done through a donation to the local Chamber of Commerce. There was no

objection. Public Affairs Manager, Lance Robertson, indicated that he would revise the letter and provide it for Vice President Brown's review prior to sending it.

Commissioner Cassidy, seconded by Commissioner Cunningham, moved to approve Item 8, the letter of support, requesting the Lane County Board of Commissioners to support current efforts to add lighting to the historic Goodpasture Bridge, with the recommended revision. The motion passed unanimously, 4:0.

Commissioner Cassidy referred to paragraph 3 on page 6 of the minutes from the meeting held on September 1. He wanted to clarify that he did value the information that the Board was receiving when they asked questions about certain contracts that were coming up. He said it was the "administration stuff" that was important. General Manager Randy Berggren suggested that they could add a sentence indicating that Commissioner Cassidy did note that he valued the information.

Commissioner Cassidy said he hoped that staff would determine what items the Board would receive information on and what could be handled administratively.

General Manager Randy Berggren ascertained from Commissioner Cassidy that he did not feel the minutes in question needed to be corrected; his concerns expressed on the record at the present meeting would suffice.

Commissioner Cassidy, seconded by Commissioner Cunningham, moved to approve the minutes of the regular meeting held on September 1, 2009. The motion passed unanimously, 4:0.

## **ITEMS FROM BOARD MEMBERS**

Commissioner Cassidy referred to an article in the October 4 issue of the *Register Guard* regarding the Energy Performance Score (EPS) rating symbol being used in Portland for new construction. He believed that generally landlords had not invested much in energy efficiency and a rating symbol would help renters know what they were going into and would affect the rental business. General Manager Randy Berggren offered to have staff provide a backgrounder responding to the concept and the resource implications of implementing the idea.

Commissioner Ernst said she continued to be concerned that the economy was not rebounding. She had conferred with some of the other Commissioners about her concerns. She indicated that she would have liked EWEB staff to look at what could be saved if employees were required to take mandatory furloughs or to delay Cost of Living Allowances (COLAs) to offset a potential rate increase. She acknowledged the budget reductions that had been made but believed that there was more "fat to be trimmed" in the budget. She noted that she had not been able to garner interest in this from any of the other Commissioners.

Commissioner Ernst also wished to acknowledge the work of Brenda Sirois. She was sorry to see her leave EWEB and wished her well in her new position at the Emerald People's Utility District (EPUD).

Commissioner Cunningham requested a backgrounder or possibly a work session on the quality of EWEB's water, what it was projected to be like in ten years, and what it would take to maintain the quality. General Manager Randy Berggren agreed to ask staff for a backgrounder. He added his feeling that this had a good deal to do with EWEB's Watershed Protection Program.

Commissioner Cunningham wished to speak in response to Commissioner Ernst's concerns regarding the economy. He averred that many people did not realize that EWEB had experienced its financial crisis after the energy crisis; all of EWEB's employees had made salary concessions and taken no raises because of a lack of reserves. He pointed out that, since then, EWEB had developed a fund to assist lower-income people and those in crises and the relations between the bargaining units and non-bargaining units had never been better. He believed that EWEB would be taking a "huge step" backward to request salary freezes and concessions "just because it happens to be politically expedient." He was not prepared to do so at this time and was not interested in looking into it, though this would be the first thing he would want to look at if reserve levels began to fall and EWEB's bond ratings were reduced. He commented that the city and other governmental organizations had not taken a hard look at where they stood and were just now realizing that they needed to take more extreme measures. He felt that EWEB had been nine years ahead of the city and the county; they were "having good times" at the turn of the century and EWEB was not. Now, EWEB was experiencing a healthy financial condition and they were not.

Commissioner Ernst wanted to take this opportunity to thank General Manager Randy Berggren for not taking his raise for the year. She asserted that the push for asking about this was not political. She alleged that she had been contacted by a number of people who were struggling because they were working for companies that were making cuts.

Vice President Brown reported that he had spoken before the Senate Interim Committee on Environment and Natural Resources on September 30. He underscored that he was speaking before the committee as an individual. He related that there were several major bills and statewide efforts coming up in regard to water, Renewable Portfolio Standards (RPS) and House Bill 3039. He also related that he had spent the previous day at Clear Lake Lodge with two county commissioners from Lane County, two from Benton County, and two from Linn County discussing a regional water strategy. He lauded EWEB staff's knowledge of the issue and the technology for it, stating that EWEB staff stood above the staff of the other agencies. He added that he was pleased to see that the work had begun on moving the diesel tank away from the lake.

## **CORRESPONDENCE**

General Manager Randy Berggren said he had intended to ensure that the Commissioners knew that workers were making headway on the project to move the diesel tank away from the McKenzie River headwaters at Clear Lake. He highlighted the following items of correspondence:

- Mike Logan sent out a memorandum updating the Board on the Steam Utility Transition Plan – the good news was that EWEB seemed very close to getting the Oregon Department of Energy (ODOE) self-loan for the transition costs to customers.

- Board packets included the customer comment letters, which had been discussed in the Work Session.

## **BOARD AGENDAS**

General Manager Randy Berggren provided the *Board Agenda Report* dated *October 6, 2009*. He reminded the Board that the entire meeting on October 20 would be comprised of a Budget Workshop.

### **ELECTRIC RATE INCREASE**

Senior Financial/Rates Analyst, John Yanov, provided a PowerPoint presentation, reviewing the information on the electric rate increase, which was a pass-through from the BPA.

### **PUBLIC HEARING ON ELECTRIC RATE INCREASE**

Vice President Brown opened the public hearing. There being no one present who wished to speak, Vice President Brown closed the public hearing.

### **ELECTRIC RATE INCREASE ACTION – RESOLUTION NO. 0922**

Commissioner Cassidy, seconded by Commissioner Ernst, moved to approve Resolution No. 0922, a resolution to initiate a rate increase for the electric utility.

Commissioner Cunningham reiterated that the rate increase was a direct pass-through from the BPA. He felt confident that those who needed it the most would receive rate relief. He believed that to move on, the rate increase needed to happen.

The motion passed unanimously, 4:0.

### **STEAM RATE INCREASE**

Mr. Yanov introduced the item and provided a PowerPoint presentation on the proposed rate increase.

Commissioner Ernst asked if the Board would hear a report on the Steam Utility Transition Plan. Mr. Logan responded that staff would come back with an update on December 15. He added that staff had done field data collection and would have a better sense of the findings by then.

In response to a question from Commissioner Cassidy, Mr. Logan stated that the Hult Center was a steam customer, along with the Parcade and the Overpark.

### **PUBLIC HEARING ON STEAM RATE INCREASE**

Vice President Brown opened the public hearing. There being no requests to speak, he closed the public hearing.

## STEAM RATE INCREASE ACTION

Commissioner Cunningham, seconded by Commissioner Cassidy, moved to approve Resolution No. 0924, a resolution to institute a steam rate increase. The motion passed unanimously, 4:0.

Vice President Brown stated that a member of the public had indicated a desire to speak before the Board and he reopened the Public Input segment of the meeting.

**Kit Duchin**, 2575 Highland Oaks Drive, submitted her testimony in writing for inclusion into the record. She asserted that a leak in EWEB water facilities had damaged her home and property. She shared a brief chronology of events that she and her husband had compiled. She noted that the Board had seen the materials previously. She related that EWEB Treasurer, Jim Origliosso, had requested the plans for the original drainage system, which were shared with him. She said the drainage system was functioning on the east side of the house, and was not the issue. She said Mr. Origliosso had also asked for details about other possible leak sources and these were investigated and eliminated, as were natural springs. She stated that a contractor had built a “super drainage system” and this had not mitigated the problem. She alleged that an arborist had verified that a tree had been killed by water-logged roots.

Commissioner Cassidy asked if there were disadvantages of using an arbitrator in this matter. General Manager Randy Berggren replied that this would not be a traditional practice for how EWEB approached claims.

Commissioner Cassidy suggested that arbitration be used in this case only. He felt it would be a reasonable and logical tack to take.

Commissioner Cunningham determined that staff was still in discussion with the Duchins. He suggested that staff provide a brief summary of where the negotiations stood before the next meeting.

Vice President Brown adjourned the Regular Board Meeting at 7:25 p.m.

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Assistant Secretary

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President