

EUGENE WATER & ELECTRIC BOARD
REGULAR BOARD MEETING
EWEB BOARD ROOM
500 EAST 4TH AVENUE
JANUARY 5, 2010
7 P.M.

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

Commissioners Absent: Ron Farmer, President.

Others Present: General Manager Randy Berggren, Debra Smith, Sheila Crawford, Lance Robertson, Jim Wiley, Clay Norris, Tom Buckhouse, Dean Ahlsten, Terry Bequette, Mark Freeman, Joe Harwood, Ken Beeson, Wendi Schulz-Kerns, Ed Case, Ron Dyer, and Judy Chase of the EWEB staff; Ruth Atcherson, City of Eugene minutes recorder.

Vice President Brown convened the Regular Meeting of the Eugene Water & Electric Board (EWEB) at 6:50 p.m.

AGENDA CHECK

There were no changes to the agenda.

PUBLIC INPUT

Paul Duchin, ratepayer, remained unhappy with EWEB's offer of a settlement and the Board's decision not to enter into binding arbitration. He said he and his wife were concerned because there did not seem to be any options for them to pursue. They could not afford a lawsuit and could not interest the local newspaper in covering the issue. He related that they were "pushing" State Representative Paul Holvey and State Senator Floyd Prozanski to propose legislation that would provide an avenue for a ratepayer in his situation to resolve a complaint. He said they had made another offer since EWEB had made its offer and it had been rejected. He asked that Commissioner Ernst and General Manager Randy Berggren come to visit his property and look at it and hear the explanation. He averred that if both of them could "look [them] in the eye" and tell he and his wife that the offer EWEB had made was reasonable, he would not return to testify before the Board again.

General Manager Randy Berggren indicated his willingness to visit the Duchins' property, as did Commissioner Ernst.

APPROVAL OF CONSENT CALENDAR

RATIFICATION OF BOARD CONSULTANTS FOR 2010

1. Ratification of Board Consultants for 2010

- 1.1 Independent Auditor and Certified Public Accountant (required by Carmen-Smith Bond Resolution) – Moss Adams
- 1.2 Independent and Consulting Engineers (required by Carmen-Smith Bond Resolution) – Black & Veatch
- 1.3 Independent Actuaries – Kenney Consulting
- 1.4 Financial Advisor – JP Morgan

RATIFICATION OF RETAINED PROFESSIONALS FOR 2010

2. Retained Professionals and Attorneys for 2010

- 2.1 General Counsel – Calkins & Calkins Attorneys at Law
- 2.2 Special Counsel – Cable Huston Benedict Haagensen & Lloyd
- 2.3 Bond Counsel – Holland & Knight
- 2.4 Power Risk Counsel – Jim Deason, Attorney at Law
- 2.5 Human Resources Counsel – Harrang, Long, Gary and Rudnick
- 2.6 Bond Disclosure Counsel – Mersereau and Shannon

3. MINUTES

- a. November 17, 2009, Work Session
- b. November 17, 2009, Regular Meeting
- c. December 1, 2009, Work Session
- d. December 1, 2009, Regular Meeting

CONTRACTS

4. EFI Secured Shredding & Recycling – Confidential Document Destruction (on-site shredding) Services – Corporate Services Division, \$29,700.
5. FEI Testing and Inspection, Inc. – Additional Materials Testing and Inspection Services for Construction of Roosevelt Operations Center – General Manager's Division, \$64,140 (total contract is \$114,040).
6. Bruce Griffith, LLC. – Consulting Services Related to the Hayden Bridge Water Filtration Expansion Project – Water Division, \$65,000.
7. Harris Stratex Networks – Microwave Radio System Expansion for the Carmen-Smith Communications Project – Electric Division, \$467,435.
8. HD Fowler Company – Periodic Purchase of Meter/Valve Boxes and Covers – Water Division, \$505,175.
9. Lane Council of Governments (LCOG) – Continued Participation in the Lane County Community Emergency Notification System (CENS) – Electric Division, \$24,000 (total contract is \$60,000).
10. Mersereau Shannon LLP – Appointment as EWEB's Bond Counsel – Corporate Services Division, \$400,000.
11. TEKsystems, Inc. – Continued Temporary PowerBuilder and Sybase System Support and Report Writing Services – Corporate Services Division, \$80,000 (total contract is \$229,800).

RESOLUTIONS

12. Resolution No. 1001 – Board Approval Thresholds Revisions – Ed Case, Risk Purchasing Manager.

13. Resolution No. 1002 – EMT Family Member Contracts – Ed Case, Risk Purchasing Manager.

Commissioner Cassidy pulled Item 12.

Commissioner Cunningham pulled Item 4.

Vice President Brown pulled Item 5.

Commissioner Cunningham, seconded by Commissioner Ernst, moved to approve the Consent Calendar with the exception of Items 4, 5, and 12. The motion passed unanimously, 4:0.

ITEMS REMOVED FROM THE CONSENT CALENDAR

Commissioner Cassidy was concerned because the resolution seemed like a policy to him. He asked if they would be reviewing it. Ed Case, Risk Purchasing Manager, responded that the item consisted of the revisions to the current contracting rules.

In response to a follow-up question from Commissioner Cassidy, Mr. Case stated that both the original and revised sets of contract rules were in the Board packets for their review. He said the revisions basically applied to those contracts that EWEB did not have a lot of choice about, such as software maintenance and software upgrade contracts. He added that the other portion of it consisted of contracts and price agreements that were set up by the Western States Alliance.

Commissioner Cassidy asked to meet with Mr. Case to gain a greater understanding of the contract rules and Mr. Case agreed to do so.

Commissioner Cassidy, seconded by Commissioner Cunningham, moved to approve Consent Calendar Item 12, Resolution No. 1001, a resolution to revise board approval thresholds. The motion carried unanimously, 4:0.

Regarding Consent Calendar Item 4, Commissioner Cunningham asked if there was a local company that could do the work. He suggested that Weyerhaeuser could provide the service. Mr. Case responded that local companies had the advantage usually, but this contract had gone to a service in Portland. He explained that the informal bid process required that they receive at least three bids and for this work EWEB had received four. He said one key element to the service was the ability to provide mobile shredding services on site.

Commissioner Cunningham, seconded by Commissioner Ernst, moved to approve Consent Calendar Item 4, a contract with EFI Secured Shredding & Recycling for confidential document destruction and on-site shredding services. The motion passed unanimously, 4:0.

Vice President Brown asked, regarding Consent Calendar Item 5, if EWEB or the general contractor did the testing. Ken Beeson, Project Manager for the Roosevelt Building Project, replied that it was an EWEB contract with the testing service. He said on a building project like this it would be the owner's responsibility to hire the inspecting agent. He stated that the

inspection service contract had been done in February in order to obtain the city permit to get “package B” out. He said at that time “package C” was still at 60 percent of its design development and the entire scope of what they would be doing had not been completely understood.

Vice President Brown wanted to know if EWEB was “bailing them out” because they had not completed their “homework,” noting that the cost was now increasing from \$49,000 to more than \$120,000. Mr. Beeson echoed his concern about this but he did not believe that EWEB was “bailing them out.” He said the testing work was work that needed to be done and was prescribed by code. He noted that the cost remained below budget. He stated that Board approval of the contract would allow him to keep the service there and on call which would help keep the project on track.

Vice President Brown remarked that he did feel it appeared that EWEB was “bailing somebody out.” He felt that the fact that it was not apparent that the need for testing was double what had been planned for meant it was the general contractor’s problem and the general contractor should take financial responsibility for it. He added that he would not block the contract.

Commissioner Ernst asked if the initial bid was low in order to get in the door. Mr. Beeson replied that he had tried to make that point in the backgrounder – the scope of the work had panned out to be more than had been anticipated.

Vice President Brown, seconded by Commissioner Cunningham, moved to approve Consent Calendar Item 5, a contract with FEI Testing and Inspection, Inc. for additional materials testing and inspection services for construction of the Roosevelt Operations Center. The motion carried unanimously, 4:0.

ITEMS FROM BOARD MEMBERS

Commissioner Cassidy expressed his unhappiness that the EWEB meeting precluded attendance at the State of the City address. He hoped it would not happen again in the future. He averred that the EWEB Commissioners should all be in attendance.

Commissioner Cunningham had learned from the City Manager’s Office that the City Charter directed that the State of the City address should occur on the first Tuesday in January.

General Manager Randy Berggren said if the Board would like to attend the State of the City address, they had the flexibility to change their meeting to allow them to do so.

Commissioner Ernst said she wanted to take care of the Northwest Energy Coalition (NVEC) “problem.” She wanted to believe it was “just an oversight” during the budget conversations that the NVEC membership had been cut. She thought NVEC was “right in line” with what EWEB believed, as it advocated for stewardship of the environment and clean energy, among other things.

General Manager Randy Berggren noted that the NVEC dues had been cut from the 2010 budget, but were paid through the end of June, 2010.

Commissioner Ernst, seconded by Commissioner Cassidy, moved to continue EWEB's membership with the Northwest Energy Coalition.

Vice President Brown asked what the protocol should be for the item. General Manager Randy Berggren replied that the item was on the agenda and had been noticed; the Board could address the item at its discretion.

Commissioner Cunningham questioned the necessity of addressing the item at the current meeting given that the membership did not expire until the end of June. He asked where the funding would come from to continue membership. General Manager Randy Berggren responded that it would be taken back out of the savings.

Commissioner Cunningham asked what was set aside for conferences. General Manager Randy Berggren replied that the conferences were budgeted separately from the membership and was part of the Board's travel and training expense. Director of the Employee, Customer, and Community Services Division Debra Smith said there was \$2,000 for training and \$2,500 for travel per year per commissioner.

Commissioner Cunningham questioned why EWEB belonged to the NWECC and what EWEB received from this membership.

Commissioner Cassidy assumed that EWEB had belonged to the NWECC for a number of years. He thought if the membership was going to be dropped, this should be highlighted for the Board so that the Board could talk about it.

Commissioner Ernst reiterated that the NWECC advocated for many of the things that EWEB did, especially at the legislative level.

Commissioner Cunningham asked what the difference was between the American Public Power Association (APPA) and the NWECC. Ms. Smith stated that staff had prepared a memorandum that reviewed all of EWEB's memberships and affiliations and explained what those organizations were. She offered to provide copies of the memorandum to the Board, noting that it would not be necessary to take action on the item at the current meeting given that the membership did not expire until July 1.

General Manager Randy Berggren remarked that they had made across the board reductions in a number of other memberships, such as the Public Power Council and others. He thought the reduction was fairly broad. He said there was nothing that EWEB staff had against the NWECC. EWEB had been a member for at least ten years. He remarked that, for EWEB, the NWECC seemed to be mostly a political entity working with board members and not with staff. He said some collaboration on issues would be helpful in terms of the staff's point of view. He averred that staff became involved when they had to try to "recover" their position when it had been misrepresented by the NWECC. He did not feel it was a judgment about the efficacy of the NWECC mission, charter, or passion; it was more of an issue of their ability to collaborate with their membership. He noted that several years earlier, the NWECC had "double digit" utility membership and now there was less.

Commissioner Ernst understood that it was important for staff to get involved, especially given that the Energy Plan was coming out. She knew EWEB would want to have a say in the plan. General Manager Randy Berggren responded that they would have a say in the plan; what staff did not want was for the NWEC to represent EWEB's position.

Commissioner Ernst moved to table the motion to a date certain, to be two weeks hence.

Vice President Brown stated that this was not a debatable motion.

Commissioner Cunningham noted that later in the agenda the Board would be considering renewal of the contract with Lane County Limited Income Services for administration of the utility aid for low income people. He questioned the cost-effectiveness of having the county serve as the administrator. He suggested that they discuss creating an ad hoc committee to discuss whether or not it was cost-effective.

General Manager Randy Berggren asked for the opportunity to provide some background information.

Commissioner Cunningham suggested that the General Manager come back before the Board in 30 days. He noted that Ms. Smith had provided him with a copy of a report from seven years earlier. Ms. Smith indicated that she would provide copies of it to all of the Commissioners. She said it would give the context for how they had arrived where they were in the present.

Commissioner Cunningham wanted to ask whether it would be more cost effective for EWEB to administer its own program rather than paying 20 to 25 percent to the county for doing so.

Vice President Brown ascertained that there was Board support for putting this item on the agenda.

Vice President Brown asked if EWEB would participate in the upcoming Job Fair. Ms. Smith affirmed that the utility would be there. Vice President Brown stated that the event was scheduled for February and provided "a wonderful opportunity" to engage with the youth there and give them mock interviews. He noted that between 30 and 50 employers participated.

Vice President Brown had heard concern expressed by some McKenzie River guides and fisherman about the Carmen-Smith drawdown. He said they remembered that when the Army Corps of Engineers (ACOE) had drawn down the river it had destroyed the fishery. He related that the insect life had not returned to that area and the fisherman and guides speculated that this was because there was DDT in the sediment that had been stirred up. He stated that they wanted to make sure this did not happen again and they asked that he convey the request that EWEB work to lower the turbidity. General Manager Randy Berggren replied that he had suggested that they give staff some time. He pointed out that they had just begun to work with the "technical people," who were "just getting their feet on the ground" relative to all of the options. He said there was much discussion going on about the manner in which they would approach construction and potential shutdowns. He offered to provide background information on the core sampling and sediment issues and information from the biologists. He was not sure they had all

of the answers at this point, but he thought they could come up with a sense of the risk that people had about it and it could become part of EWEB's effort to mitigate those things as it began its design and construction. He asked for two to three weeks to gather information.

CORRESPONDENCE

General Manager Randy Berggren highlighted the following items of correspondence:

- A backgrounder on *PERS Funding Strategies/Actions* was provided to the Board by EWEB Treasurer, Jim Origliosso.
- Catrin van Donkelaar, P.E. Generation Manager, provided the Board with background information on the *Leaburg and Walterville Canal Seepage*
- The Board was provided a backgrounder by Ken Wedin, EWEB Property Management, in response to testimony given at a previous meeting by Mr. Mike Miller. General Manager Randy Berggren noted that staff continued to engage in discussions with Mr. Miller.
- Todd Simmons provided the Board with a backgrounder on *Future Water Quality Concerns*.

Commissioner Cunningham asked that Mr. Simmons be thanked for the memorandum.

General Manager Randy Berggren noted one last piece of correspondence, from Mr. Origliosso, on the Standard & Poor's retail electric credit profile.

Commissioner Cassidy asked why the rating agency was concerned about the hydroelectric generation facility. General Manager Randy Berggren responded that this was a common risk concern of every rating agency. He said the rating agencies viewed a lop-sided dependence on hydroelectric generation, with all of the volatility in water years, as a financial risk.

In response to a follow-up question from Commissioner Cassidy, General Manager Randy Berggren said he did not think that providing an evaluation of EWEB's specific hydroelectric resources would be able to sway the rating agencies.

Commissioner Cunningham expressed disappointment in the 4 rating. He commented that in a scale of 1 to 10, this was on the good side of average. He wondered what it would take to get to a 2 or a 1. General Manager Randy Berggren replied that this was a good question.

Commissioner Cunningham announced that the annual Lane Council of Governments (LCOG) dinner was scheduled for January 28.

BOARD AGENDAS

General Manager Randy Berggren provided the *Board Agenda Report* dated *January 5, 2010*.

CONTRACT APPROVAL, LANE COUNTY LIMITED INCOME SERVICES

Wendi Schulz-Kerns, Cash Accounting Supervisor, thanked the Board for its benevolence and thanked the contractor for their work.

Commissioner Cunningham ascertained from Ms. Schulz-Kerns that \$2.5 million was for a three year contract. He indicated that he would support the contract, though it concerned him that it cost 25 percent of the money set aside to administer it. He needed proof that it should be higher than 10 percent. Given the current economy, he felt obligated to be as cost effective as possible. He discussed some of the issues that people faced when trying to get assistance including waiting and not being able to obtain assistance because the allotment for the month had been allocated. He wanted to know if they could streamline the service and if they could deliver it to more people.

Mark Freeman, Customer Service Manager, said the part of the process, having to get the request in by the 10th of the month, had been agreed upon by both the Lane County Human Services Commission and EWEB. Ms. Smith added that this was so they could continue to serve people every month.

Commissioner Cassidy was concerned that after a couple of years of putting more money into the program than they had in the past, the Board would have to reduce the amount because of budgetary concerns. He was concerned about signing a five-year contract. General Manager Randy Berggren clarified that it was a three-year contract.

Mr. Freeman noted, from an administrative point of view, that there was very little money from the Customer Care program funding that went toward the county for administration. He explained that when EWEB increased the dollar limit from \$200 to \$300 for people, it had not increased the cost of administration.

Commissioner Cunningham, seconded by Commissioner Ernst, moved to approve a new Intergovernmental Agreement with Lane County Human Services Commission for the administration of EWEB's Limited-Income Energy Assistance services. The motion passed unanimously, 4:0.

CONTRACT APPROVAL, WRIGHT TREE SERVICE

Ron Dyer, Right-of-Way Vegetation Management Supervisor, stated that the tree trimming contract was for the next five years for an estimated \$18 million. He recapped the bidding process and explained that the estimate was based on the work which included all of the line clearance as well as completing the tree work associated with the five-year capital plan.

Commissioner Cunningham asked if the business was a local contractor. Mr. Dyer replied that the people were local but the business was headquartered in Des Moines, Iowa.

In response to a follow-up question from Commissioner Cunningham, Mr. Dyer stated that there were no local bidders. He said it seemed to be the type of work that tended to be awarded to larger companies.

Commissioner Ernst asked if EWEB was actively moving to a two-year tree trim schedule and whether that increased the cost of the contract. She had understood that EWEB had been doing it on a yearly basis, especially around distribution. She thought this was why she was receiving some emailed complaints – the trees were getting trimmed back more than they would if they were being trimmed on an annual basis. Mr. Dyer replied that the tree trimming had not been done on a one-year cycle during his tenure with the program. He said they would like to be on a four-year cycle and to trim the fast growers every two years. He underscored that this was their goal, but they had not met it. Electric Services Division Director Jim Wiley added that they were making deeper cuts in the trees. He thought this was causing an increase in complaints.

Commissioner Ernst asked if EWEB was doing it that way to save money and whether EWEB was saving any money in doing so. Mr. Dyer replied that the acceleration of the trimming was in compliance with Public Utility Commission (PUC) regulations and EWEB was “working more successfully” to stay in compliance.

Mr. Wiley stated that Oregon had the toughest requirements in the United States. He said Oregon had fast-growing trees and the requirement for lots of clearance required a lot of tree trimming.

Commissioner Cassidy had noticed that EWEB was changing tree trimming contractors and wondered if there was something wrong with the one they had been using. He asked if they took into consideration the number of complaints they were receiving when reviewing bids on the contract. Mr. Dyer did not know if there was a tracking mechanism for complaints that came in regarding tree trimming work. He said they had a thorough customer survey program given to every property owner on whose property trees were trimmed. He noted that the survey had been beneficial.

Mr. Wiley thought that would be an interesting topic of conversation regarding the next contract on the agenda.

Vice President Brown asked how EWEB assured that the work was being done. Mr. Dyer responded that they monitored the work. Mr. Wiley said this was part of the next contract.

Commissioner Ernst, seconded by Commissioner Cunningham, moved to approve the contract with Wright Tree Service for utility line clearance and tree pruning and removal services. The motion carried unanimously, 4:0.

CONTRACT APPROVAL, WASHINGTON FORESTRY CONSULTANTS, INC.

Mr. Dyer explained that the contract with the consultants was for pre-inspections, customer notification, and post-auditing for the tree trimming program. He said the work they performed was an integral part of the tree trimming program because they were trained in arboriculture and knew how to identify what work needed to be done by the tree crews, they kept the crews productive by mapping and routing work, and they communicated with EWEB’s customers. He related that the service sought out customers prior to the work occurring to address their concerns and were also available while the work was going on. He noted that the basis for the \$1.2 million over five years were the rates provided in their bid.

Commissioner Cunningham, seconded by Commissioner Ernst, moved to approve the contract with Washington Forestry Consultants, Inc. for tree work pre-inspection and quality control. The motion passed unanimously, 4:0.

CONTRACT APPROVAL, FWT, INC.

Dean Ahlsten, Systems Engineering and Substation Reliability Manager, explained that he was asking approval for a five-year contract with FWT, Incorporated for the purchase of tubular steel transmission poles. He said FWT, Inc. was located in Fort Worth, Texas and was selected through a competitive bidding process. He stated that the term of the contract was for one year, to satisfy 2010 capital projects that were planned, with the option to renew for an additional four years.

Commissioner Cunningham, seconded by Commissioner Cassidy, moved to approve the contract with FWT, Incorporated for the periodic purchase of steel poles and cross-arms. The motion passed unanimously, 4:0.

ELECTION OF OFFICERS

Commissioner Cunningham nominated Vice President Brown to serve as President. Vice President Brown was elected President by a unanimous vote, 4:0.

President Brown nominated Commissioner Cunningham to serve as Vice President. Commissioner Cunningham was elected Vice President by a unanimous vote, 4:0.

APPOINTMENT OF COMMISSIONERS TO BOARD LIAISON ASSIGNMENTS AND COMMITTEES

President Brown reviewed the list of liaison assignments. The Board determined the following:

Lane Council of Governments: Vice President Cunningham will continue to be liaison, with Commissioner Ernst serving as an alternate.

Northwest Energy Coalition: Commissioner Ernst will continue to be liaison, with Commissioner Farmer serving as an alternate.

Western Generation Agency: Employees Susan Eicher, Dick Varner, and Catrin van Donkelaar represent EWEB and will continue to do so.

McKenzie Watershed Management Council: President Brown will continue to serve as liaison, with Commissioner Ernst serving as an alternate.

Roosevelt Building Advisory Team: The project is in its implementation phase but the team will remain on the roster in case further consultation is needed. Commissioner Cassidy and President Brown will continue as members.

General Manager Performance and Compensation Evaluation: General Manager Randy Berggren suggested that the committee did not have an immediate role given that the whole Board was involved in the current hiring process. The Board agreed to delete the committee for the present.

Other Post Employment Benefits: Commissioner Cassidy agreed to serve on this.

Northwest Public Power Association: Commissioner Farmer had requested to continue serving, given that he was on the board there. Commissioner Ernst indicated an interest in serving as an alternate.

General Manager Randy Berggren stated that the roster of liaisons would come before the Board as a resolution on the Consent Calendar at the next meeting.

NORTHWEST ENERGY COALITION PLEDGE

General Manager Randy Berggren said a motion had been tabled during the Items from Commissioners.

Commissioner Ernst said other utilities had signed the pledge and EWEB should do so, too.

General Manager Randy Berggren could not see anything in the pledge aside from a commitment to membership. Commissioner Ernst agreed that new members had to sign it. She interpreted signing it to mean that EWEB was in agreement with the ideas that the NWEC was promoting. She asked that the pledge be included when they brought the item forward again.

President Brown adjourned the Regular Board Meeting at 8:09 p.m.

Assistant Secretary

President