

EUGENE WATER & ELECTRIC BOARD
WORK SESSION
EWEB BOARD ROOM
500 EAST 4TH AVENUE
DECEMBER 15, 2009
5:30 P.M.

Commissioners Present: Ron Farmer, President; Bob Cassidy, Rich Cunningham, Joann Ernst.

Commissioners Absent: John Brown, Vice President.

Others Present: Debra Smith, Sheila Crawford, Lance Robertson, Jim Wiley, Jim Origliosso, Cathy Bloom, Bill Welch, Clay Norris, Garilyn Johnston, Felicity Fahy, Steve Newcomb, Jill Hoyenga, Dick Varner, Tom Buckhouse, Jeannine Parisi, Terry Bequette, Dean Ahlsten, Mike Logan, and Judy Chase of the EWEB staff, Ruth Atcherson, City of Eugene minutes recorder.

President Farmer convened the work session of the Eugene Water & Electric Board (EWEB). He noted that Vice President Brown was unable to attend the meeting and was excused and that General Manager Randy Berggren had been called away on short notice and also would not be able to attend.

Board Governance

Sheila Crawford, Strategic Planning and Governance Coordinator, stated that there were three policies to update. Legal Counsel Win Calkins had recommended some changes that were only a matter of ensuring that all of the parliamentary procedures were in the document policy and that they referenced the public input policy in public meeting law. She said those things were on the Consent Calendar because she had not heard any comments from the Board otherwise. She related that the second issue that the Board had indicated an interest in discussing was the bill stuffer policy.

President Farmer related that Vice President Brown had called him and requested that the Board set aside some time to discuss commissioner conduct. He had communicated it to Ms. Crawford earlier in the week. He supported having a discussion on the topic and Ms. Crawford intended to schedule the discussion for a later meeting. Ms. Crawford noted that the policy on rules and conduct was GP6.

Ms. Crawford said she had researched governance and had pulled a construct that seemed to be popular among a lot of boards. She explained that boards had a role of fiduciary responsibility and had to consider things in terms of governance and accountability or internal controls. She had reviewed the previous discussion on bill stuffers and it seemed that the Commissioners all had an understanding of what should or should not be qualified to be included with a bill. She thought starting from things that were limiting factors would provide the Board with the opportunity to create a policy that would empower the General Manager to make decisions on “the stuff that would be left over.”

Commissioner Cassidy said it sounded like an efficient way to consider the item except he was concerned that it was “kind of negative.” He thought they would also want to direct staff as to what they wanted to do.

Ms. Crawford stated that a new policy would contain language along those lines in the beginning of the policy, in a statement of purpose.

President Farmer observed that a Carver model would continue to “close the circle” on governance policies until they reached the point at which they were manageable. He believed that policy had to be somewhat broad in order to provide the discretion to operate. He said if they used the bill stuffer policy as an example and decided, for instance, to block any fliers that were politically oriented they could end up barring themselves from issuing information along with the bill regarding a political issue that was related to EWEB. He cited regional water as an example of a political issue that related to EWEB. He would not want to drill down too far the list of things they would not allow to be included as a bill stuffer.

Commissioner Cassidy questioned the need for the Board to even consider the bill stuffer issue. He wanted to allow staff to bring things to the Board, should they feel something should go into the envelope with a bill.

President Farmer believed that this was already the process.

Commissioner Cassidy did not want to give staff a sense that they could not do anything.

Ms. Crawford reiterated that they were testing the governance policy discussion using the bill stuffer policy. She said staff anticipated that some policy decisions would be coming before the Board. She related that they were working to figure out a process that would determine which things to bring before the Board and what threshold the Board would be comfortable with for what merited consideration at that level. Staff wanted the Board to establish the threshold for what would be considered operational issues that should not rise to the Board level. She wanted to find a structure to determine how they could get to “that place.”

Commissioner Ernst liked the current process.

Debra Smith, Director of Employee, Customer, and Community Services Division, stated that the current bill stuffer policy stated that only those items not related to EWEB would be brought before the Board for a decision.

President Farmer noted that if the General Manager wanted to do something that was outside of policy, he had the flexibility to come before the Board and request to do so. He did not want to begin picking and choosing which things the General Manager had flexibility on.

Commissioner Cunningham preferred the policies to be as open as possible so that the General Manager could come before the Board at any time he or she might need to bring an issue forward. He did not want to tighten up the policies at this point in time.

Ms. Crawford stated that the Board had a responsibility to review the policies and checking internal controls, according to the General Accounting Office (GAO). She said it would be recorded in the minutes that policies were reviewed and then if someone asked later on if there was a process for policy review, there was written documentation that there was such a process. She underscored that how the Board wanted to develop a process was up to them.

President Farmer emphasized the importance of having policies set by the Board to guide the General Manager. He stated that the General Manager had 100 percent discretion in operational matters, but policy came from the Board. He recalled that the General Manager who had served before Mr. Berggren had been fired by the Board, a very different situation from the one the current Board worked with.

Commissioner Cassidy commented that what was policy and what was operational became “pretty fuzzy sometimes.”

Ms. Smith said the Board Governance policies were about how the Board conducted its work. She underscored the importance of having them have some meaning and value to the Board. She stated that the Board’s role was to manage the policy but it also was to have direct communication back to the community. She said the Executive Limitations policies were the ones that governed what the General Manager could not do. She related that staff did not feel the Executive Limitation policies were too restrictive. She said the place that presented grey areas were the Strategic Development policies; staff sometimes struggled with interpreting them. Ms. Crawford added that many of those policies had been set up by a very different group of people from the current Board. She thought some of them might not even resonate with the current Board.

President Farmer remarked that he had participated in a workshop during his early tenure on the Board that had thoroughly reviewed every policy. He did not believe the current Board would score well on a test on the current policies because he did not think the Board was truly familiar with them. He said in a perfect world, they would look at the utility’s overarching goals and the goals for the General Manager and they would ask what policy implications and issues would come from them.

Ms. Crawford said currently there was a definite impetus among public boards to do the governance work and to make progress on it and to document this progress. She stressed that EWEB sought to remain one of the best utilities in the country, as Vice President Brown considered it to be.

In response to a question from Commissioner Cassidy, Ms. Crawford stated that the process of self-evaluation was for the Board to ask if it had been accountable to the things it said it would do. Ms. Smith added that the last time the Board had undertaken a self review was a few years earlier and only Vice President Brown and President Farmer had served on the Board at that time. She noted that the top areas of the review had framed the strategic discussion for that year.

Commissioner Ernst agreed that the Board should have a review process. She believed that they could review their policies rapidly without becoming bogged down in larger discussions.

Ms. Crawford said if the Board was comfortable with the process, she intended to bring the next package of policies in January and this would include the Strategic Development and Executive Limitation policies.

President Farmer noted that a General Manager that did not follow set policy could be terminated and asked what would happen if the Board did not follow its policy for itself. Ms. Smith replied that the only policy that talked about this type of situation indicated that the Chair would hold a discussion on it. She recalled two former commissioners who had a difficult relationship and that a consultant had been brought in to help them sort things out because their relationship was distracting to the Board.

Ms. Crawford said the recommendation was for boards to receiving orientation and training on a regular basis, through the American Public Power Association (APPA) or another organization. She stressed the importance of remembering that they were stewards of the community and it behooved them to find a way to work well in this process.

Commissioner Cunningham found it interesting that in talking about what the Board could and could not do that there was no provision in the City Charter for the removal of a board member who was not acting appropriately other than a recall provision. He questioned whether a governance discussion on board conduct would result in being able to censure a fellow commissioner for an egregious action.

President Farmer stated that the Board could not violate the City Charter, but it could make policies.

Ms. Smith said the Board could modify the bylaws. She stated that the order of priority was that the Charter trumped the bylaws and the bylaws trumped the policy. As long as the Board did not make policies that conflicted with the Charter, additional constructs could be created.

Global Reporting Initiative Themes Discussion

Felicity Fahy, Sustainability Coordinator, recapped the purpose and use of the Global Reporting Initiatives (GRI) framework with the aid of power point slides. She said it was hoped that the GRI would help EWEB to have a more indepth conversation with its ratepayers. She noted that customers had indicated, in surveys, that they were interested in this type of information. She stated that they were finishing their first report and had slimmed down the number of indicators to 48 so that they better matched EWEB. She said they would begin the data collection for 2009 in the early part of 2010 and would likely wait to release the report to the public until later in 2010 so that two years of data could be presented.

Ms. Fahy stated that the process had helped them to gain a more integrated understanding of how the electric and water utility worked together and how staff could be more effective. She

underscored that the report indicated that EWEB had engaged in a very solid performance and now was the opportunity to build on it.

Ms. Fahy shared the nine themes they focused on: climate change, succession planning, energy efficiency and clean energy, water supply planning, infrastructure and conservation, ecological and resource stewardships, management for affordability and management of risk, facilities and operations sustainability, community contribution, engagement and outreach, and workforce diversity and wellness. She provided copies of the first two themes and how they were outlined to form the basis of a report.

Steve Newcomb, Environmental Management Manager, discussed the first theme. He said what they knew about climate change as it affected this area was that smaller streams had a big response to relatively small changes in temperature and snowfall ranges. He related that this presented challenges for both the water and electric utilities. He stated that there was a great deal of regulatory change coming from climate change. They perceived this as a regulatory and risk management challenge for EWEB. He added that EWEB had a long history of doing the right thing in this respect.

Mr. Newcomb highlighted the second theme, regarding succession planning. He shared a slide with a pie chart indicating that approximately one-third of EWEB employees would be able to retire or turn over and this would impact the organization at all levels. He acknowledged that the utility industry across the nation was experiencing a similar staffing impact. He said EWEB would continue its efforts in the areas of strategic staff development.

Mr. Newcomb stated that they would be providing more information regarding the themes in the next month. He conveyed their hope that the GRI report would form a good basis for the Board as it developed strategic direction and policy. He suspected that they could need a comprehensive sustainability policy, which could include elements relating to EWEB's 100-year commitment to action and self-sufficiency, its long-standing commitment to the McKenzie River and the environment, and its concern for customers and the management of the physical and financial resources.

Ms. Fahy demonstrated the sustainability web site that Albuquerque, New Mexico had developed, using a web tool called See It.

Commissioner Ernst asked if the report would include specific action items. She also wondered if the evaluation process was already set up. Ms. Smith responded that the project at present was creating information. She said after it was developed, the Board would weigh in on whether or not it wanted to set policies around it and the organization, primarily through the Executive Management Team (EMT), would look at what targets they would want to set. She stated that as they set targets, some of those could "flow up" and help to create policy.

Commissioner Cunningham expressed an interest in having a web site similar to the one that Albuquerque offered. Mr. Newcomb indicated that it would be possible to build such a web site if that was one of the Board's goals.

Commissioner Cunningham asked if this might be a good joint project for the University of Oregon and EWEB. Mr. Newcomb replied that EWEB had engaged in some partnerships in the past.

Commissioner Cassidy commented that they accumulated a lot of information about what they were doing and questioned how they would know whether the utility should be doing better in an area. Mr. Newcomb pointed out that carbon emissions was one area that EWEB was ahead in achieving reductions.

In response to a question from Commissioner Ernst, Mr. Newcomb said public input would be part of the GRI process. He stated that getting buy-in from the organization and the Board came first.

President Farmer observed that in his work people sometimes spent more time reporting on things than doing them. He cautioned people to be careful what they wished for regarding Board involvement. He pointed out that the more information the Board had on the operations end of things, the more they might want to meddle in them.

President Farmer also would have liked to have seen more Board involvement in determining the nine themes. Additionally, he wanted to hear more about how the themes would be managed over time. He noted that they were not all equal and some had not even been on the Board's "radar" when he was first elected. He also said information would not be too useful to the Board unless it was tied to a target. He would be particularly interested in seeing the numbers that could be tied as directly as possible to the goals the Board set or the mission and values it had established.

Ms. Smith stated that it was absolutely part of the Board's role to help set priorities around the themes or areas that would arise from the data. She said this would become part of how the Board could set strategic goals going forward which then informed staff's planning process.

President Farmer adjourned the work session at 6:50 p.m.

Assistant Secretary

President