

EUGENE WATER & ELECTRIC BOARD  
REGULAR BOARD MEETING  
EWEB BOARD ROOM  
500 EAST 4<sup>TH</sup> AVENUE  
DECEMBER 15, 2009  
7:30 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, Mike Logan, Tom Buckhouse, Dick Varner, Steve Newcomb, Dean Ahlsten, Dick Helgeson, Terry Bequette, Jeannine Parisi, Steve Mangan, Will Bondioli, Mike McCann, Tom Williams, and Judy Chase of the EWEB staff; Tom Elliott, Cathy Estes, Oregon Department of Energy; Ruth Atcherson, City of Eugene minutes recorder.

President Farmer convened the Regular Meeting of the Eugene Water & Electric Board (EWEB) at 7:35 p.m.

#### **AGENDA CHECK**

Commissioner Ernst noted that the item regarding the Northwest Energy Coalition (NVEC) pledge that she supported signing was not on the agenda. President Farmer responded that he had been unaware that it should be placed on the current agenda. He had understood that it would be placed on the agenda pending some further information.

#### **PUBLIC INPUT**

**Paul Duchin**, ratepayer, expressed his disappointment and “dismay” in the Board decision not to extend an offer for mitigation of the situation on his property beyond EWEB’s original offer of \$5,000 or to send the matter to some kind of arbitration. He reiterated that the damage to his house had cost \$38,000. He was not sure where to turn after this. He had contacted the Mayor of Eugene, State Representative Paul Holvey, and State Senator Floyd Prozanski. He intended to encourage Rep. Holvey and Sen. Prozanski to propose legislation that would provide an avenue for a ratepayer in his situation to resolve a complaint. He did not feel they had been treated fairly.

#### **APPROVAL OF CONSENT CALENDAR**

##### **1. MINUTES**

- a. November 9, 2009, Special Board Meeting

##### **CONTRACTS**

2. Accent Business Services, Inc. – Business Process Analysis of EWEB’s Energy Management Services – Power Resources Division, \$41,560.

3. Axelrod, LLC – Services Related to Manufactured Coal Gas (MGP) Site Investigation and Clean-up – Employee, Customer & Community Services Division, \$250,000 (total contract is \$500,000).
4. Bonneville Power Administration – Modifications to BPA’s Eugene Substation to Accommodate Planned Work at Bethel Substation – Electric Division, \$250,000.
5. Financial Consulting Services Group – Economic Consulting for Water Rates – Corporate Services Division, \$12,000 (total contract is \$24,000).
6. Lane Council of Governments (LCOG) – Water Quality Assistance Activities – Employee, Customer & Community Services Division, \$560,000.
7. McFarland Cascade Holdings, Inc. – Routine Purchase of Douglas Fir Wood Power Poles – Electric Division, \$628,755 (total contract is \$950,000).
8. Motorola, Inc. – Land Mobile Radio System Expansion for the Carmen-Smith Communication Project – Electric Division, \$760,514.
9. SelecTemp – Temporary, Part-time Substation Design Engineer – Electric Division, \$145,000 (total contract is \$393,960).
10. Twenty-First Century Communications, Inc. – High Volume Call Services for Power Outages – Electric Division, \$280,000.

**RESOLUTION**

11. Resolution No. 0928 – Harvest Wind Line of Credit Extension.
12. Resolution No. 0930 – GP1 – Governing Style Board Policy; Resolution No. 0931 – GP4 – Agenda Planning Board Policy; and Resolution No. 0932 – GP7 – Parliamentary Procedure Board Policy.

**TROJAN BUDGET**

13. Resolution No. 0933 – 2010 Trajan Annual Operating Budget.

Commissioner Cassidy pulled Items 5, 9, and 12.

Commissioner Cunningham, seconded by Commissioner Cassidy, moved to approve the Consent Calendar with the exception of Items 5, 9, and 12. The motion passed unanimously, 4:0.

**ITEMS REMOVED FROM THE CONSENT CALENDAR**

Commissioner Cassidy questioned why EWEB contracted with the Financial Consulting Services Group and who they were. Garilyn Johnston, Senior Financial Analyst, responded that they reviewed the water rate proposals on an annual basis. She explained that they hired someone every year to look at the methodologies they were using to determine the rates in order to ensure that they were valid.

Commissioner Cassidy remarked that he thought staff did this work. Jim Origliosso, Director of Corporate Services, replied that staff did do this work, but it was good to “have another set of eyes” on it to act as quality control.

Commissioner Cassidy, seconded by Commissioner Cunningham, moved to approve Consent Calendar Item 5, a contract with Financial Consulting Services Group for economic consulting for water rates. The motion passed unanimously, 4:0.

Commissioner Cassidy stated that he had pulled Item 9, a contract with SelecTemp, in order to get more information on it.

Dean Ahlsten, Systems Engineering & Substation Reliability Manager, stated that the contract was specific for the hiring of a retired Bonneville Power Administration (BPA) engineer who would help with design work. Jim Wiley, Director of the Electric Services Division, noted that the associate engineer on the project was a new college graduate.

Commissioner Cassidy, seconded by Commissioner Cunningham, moved to approve Consent Calendar Item 9, a contract with SelecTemp for temporary, part-time substation design engineers. The motion passed unanimously, 4:0.

Commissioner Cassidy noted, regarding GP4, that the Board had an established custom of having the President and Vice President determine the agenda.

Commissioner Cassidy moved to add the words “and the Vice President” to the Agenda Planning Board Policy, GP4. The motion passed unanimously, 4:0.

Commissioner Cassidy, seconded by Commissioner Ernst, moved to approve Consent Calendar item 12, Resolution Nos. 0930, 0931, as amended, and 0932, having to do with governance policies. The motion passed unanimously, 4:0.

#### **ITEMS FROM BOARD MEMBERS**

Commissioner Cunningham announced that EWEB would be hosting the Lane Council of Governments (LCOG) meeting scheduled for February 25. He also noted that the annual LCOG dinner was planned for January at which the municipal employee of the year would be honored among other honorees. He said invitations would be coming out shortly.

Commissioner Cunningham said he had been volunteered to be interviewed by the auditors.

Commissioner Ernst related that she had lunch with General Manager Randy Berggren a couple of times. She had asked him to evaluate her and he had responded that he saw her as a skeptical person. She agreed that she was a skeptical person. She said she tried to balance this with letting everyone know at EWEB that she did appreciate what they were doing and that they had a lot of expertise. She knew that EWEB entered into a lot of contracts outside of EWEB. She wanted to come back to what she considered to be “the double-dipping thing.” She wondered if EWEB needed to implement some type of process that included a question regarding whether anyone in a company EWEB was considering contracting with was directly related to an employee at EWEB.

Commissioner Cassidy asked what clarity they currently had pertaining to this. Mr. Origliosso explained that the Board had assigned staff to design the purchasing policy so that it reflected something along those lines. He said this would come to the Board.

Commissioner Ernst wanted to make sure they included some factor based on the quality of life in this area as part of the base pay information in the General Manager recruiting process.

President Farmer asked, from a procedural standpoint, if the initial information was not already “out the door.” Debra Smith, Director of the Employee, Customer, and Community Services Department, replied that it was.

Commissioner Cassidy understood that the recruiter would stress the value of the local area.

President Farmer noted that he did a lot of recruiting for his employer. He commented that it may or may not be true that Eugene had a better quality of life than another city. He cautioned them against “blowing it out of proportion.”

President Farmer ascertained that his colleagues had seen the community care letter. He also noted for the record that he would be absent from the next meeting. He asked that they continue with the process to ratify Board assignments and requested that he remain assigned to the Northwest Public Power Association (NWPPA).

## **CORRESPONDENCE**

Ms. Smith highlighted the following items of correspondence:

- Lance Robertson, Public Affairs Manager, provided a memorandum on the Northwest Institute for Community Energy (NICE) energy efficiency project, to which EWEB had provided a \$3,500 donation.
- General Manager Randy Berggren sent an email to Board members regarding the performance goals and had also sent an initial email to staff asking them how they might tie their work into those goals. He also requested that the goal process be moved to January 16.
- The new EWEB facts and figures brochure had been completed and Commissioners would receive a copy soon.
- Roosevelt Project Manager, Ken Beeson, included a memorandum providing a status report on the Roosevelt Building Project.
- Christina Bennett, Human Resources Manager, provided a memorandum to the Board on the General Management Recruitment process.
- Mr. Berggren planned to take a vacation during the last week of the year.

Ms. Smith announced that December 24 was “Goodie Day.” Doors were scheduled to close at 3:30 p.m. She considered it a great opportunity for Board members to come by during the day and meet employees and their families.

President Farmer requested a tour of the construction site on Roosevelt Boulevard. Ms. Smith said she would ask Mr. Beeson to get in touch with him.

Commissioner Cunningham suggested that staff let the members of the City Council know that they could opt to tour the property.

## **BOARD AGENDAS**

Ms. Smith provided the *Board Agenda Report* dated *December 15, 2009*.

Commissioner Ernst asked when they would consider signing the NWECA pledge. Ms. Smith replied that it would likely be on the agenda for December 5.

Commissioner Ernst asked why there was no time set aside for the Integrated Energy Resource Planning (IERP) process. Ms. Smith responded that she and Director of the Power Resources Division, Clay Norris, planned to discuss this in the agenda item on energy policy work scheduled for the meeting of January 19.

Commissioner Cunningham requested a quarterly update on the Carmen-Smith construction related to relicensing.

## **HARVEST WIND UPDATES**

Power Management and Planning Supervisor, Dick Varner, was pleased to announce that commercial operation of Harvest Wind had been declared on that day. He said they had enough wind over Sunday and Monday to get the BPA to give clearance to connect the project to their system. He related that the Construction Manager and the Operations and Management Manager had gone through a checklist and declared it ready. He stated that the estimated final cost was \$210 million for the generation portion of the project and \$10 million for the transmission and substation portion of the project. He noted that the original total estimate had been \$250 million; the project was approximately \$30 million below its original estimate. He said the EWEB share of the gross would be approximately \$44 million and if and when EWEB received grant proceeds it would fall to \$32 million. He related that they intended to submit the grants before Christmas and they hoped to know whether they would receive funding by the end of February, 2010. He explained that the federal government had 60 days to review the application and, hopefully, "cut the check." He said there were plans for a dedication ceremony for April or May, with the date to be firmed up later. Commissioners were provided with a gift that commemorated the project's completion.

Ms. Smith considered the occasion to be "a very big deal." She congratulated Mr. Varner and those staff members who worked to make it possible.

Commissioner Ernst asked if they would plan "a road trip" to the site. Mr. Varner replied that they would plan a trip for the dedication ceremony.

President Farmer asked if the savings were primarily due to the cost of the turbines going down. Mr. Varner replied that the turbine estimate had not changed very much; the reduction had mainly come from a reduction in construction costs. He considered it a sign of the economy, adding that it was a good time to build a wind project.

## **STEAM SYSTEM UPDATE**

Key Accounts Program Manager, Mike Logan, recalled that he had included a memorandum in the last board packet updating them on the latest information regarding the steam utility system. He noted that two representatives of the Oregon Department of Energy (ODOE), Tom Elliott and Cathy Estes, were present. He stated that the conversion process had been gaining momentum. He said the engineering consultant had completed site visits and collected data on 20 of the 55 buildings that were still remaining on the system. He related that four steam conversion projects were already underway. He stated that thanks to the efforts of city of Eugene staff, EWEB's steam customers had been included in a form of a sub-application for federal stimulus money. He related that they had requested \$6 million, with \$4 million of it to go to transition costs directly and the balance to go toward energy management efforts that were already underway.

Ms. Smith recalled that one year earlier Commissioner Cassidy had underscored his desire to see something completed by the end of the year. At the time she did not think they would be able to meet this deadline. She commended Mr. Logan, stating that he had done "an amazing job" of making this go forward.

Commissioner Cassidy asked how many buildings were owned by the City. Mr. Logan replied that there were four, with conversions of the Parcade and the Hult Center for the Performing Arts completed. He explained that the City of Eugene had allocated \$515,000 to the conversions from a prior grant award given to municipalities throughout the country through a federal grant process called the Energy Efficiency Conservation Block Grant (EECBG) program. He stated that the City had received \$1.48 million from the total allocation. He noted that the other two buildings were the Atrium Building and the Overpark. Ms. Smith added that this was separate from the current grant application.

In response to a question from Commissioner Cunningham, Mr. Logan stated that they had started identifying an order for the buildings to go through the system in order to work from the perimeter to the core in a logical way. He said there were a total of 55 buildings and 75 customers remaining on the system.

Continuing, Mr. Logan related that the heating system had failed in the McDonald Theater building the previous week and they were able to act on the building immediately. He explained that heating savings on steam did not qualify for the Energy Management programs; the programs were based on kilowatt hours (KWH) and not pounds of steam. He said by the fact that the building had cooling systems available, staff had been able to package those and utilize the Energy Management Services loans in order to get them an energy efficiency loan offer right away to get their heating systems back on line. He underscored that they had been able to leverage existing programs without "bothering the ODOE folks" and had restored heat to the buildings. He added that it appeared that work could start in January on the Wilder Apartments at the corner of 13th Avenue and High Street; they were talking to ODOE staff about procuring a loan for the conversion.

Mr. Logan anticipated that building reports to be delivered by the end of the year for a number of buildings, shown on a slide. He said they had collected the field data on the rest of

the buildings but had yet to compile the data. He showed a slide of the area, roughly defined by the grant submitted in collaboration with the city of Eugene. He stated that they were in the competitive phase; out of a \$450 million grant solicitation offered nationwide, the city of Portland was a lead agency and the city of Eugene was the only sub-applicant included. He noted that this inclusion spoke to the quality of the steam transition project. He remarked that it was "about as shovel-ready as it could get," adding that taking the steam plan off line would reduce energy requirements for those customers by 40 percent.

Mr. Logan reviewed a flow chart entitled *EWEB Steam Conversion Funding Paths*. He explained that the EECBG funds would augment and buy down the loans issued by the ODOE Small-Scale Energy Loan Program (SELP). He said they would also establish a revolving loan fund with the grant funds, should they be awarded to the project, to be augmented with city and EWEB funds.

President Farmer asked if there would be a difference in qualifying criteria. Mr. Logan replied that there would be, but they would try to mimic the criteria used by ODOE in order to ensure that all of the steam customers were treated the same and provided with the same terms.

President Farmer asked what would happen if a business did not get approved for a loan. Mr. Logan replied that the revolving loan fund might be for those loans that did not qualify on a credit basis for the ODOE loans. Ms. Smith clarified that the terms would be the same, but the credit criteria could be somewhat different.

Commissioner Cunningham asked what would happen if an entity defaulted on a loan. Mr. Logan replied that ODOE would assume the risk. He noted that ODOE had let a lot of loans out successfully, as had EWEB; the default rate was very small. He said if a customer was not credit qualified, they would have to make a decision about how much risk to assume.

In response to a question from Commissioner Cassidy, Mr. Logan reiterated that the funding for the revolving loan fund would not come from EWEB. He noted that EWEB did budget \$300,000 toward energy efficiency in both 2009 and 2010.

President Farmer asked if they needed to worry about projects, like the one undertaken on the McDonald Theater, taking funding from other projects. Mr. Logan assured him that they did not. Bill Welch added that the project had been paid out of energy management projects that they would have undertaken anyway. Ms. Smith added that the program had experienced a reduction in demand because of the economy.

Mr. Logan reviewed the costs of systems with different efficiencies. He said the higher efficiency approach was a two boiler system working in tandem and the least cost approach was a larger boiler system. They wanted to steer customers, as much as possible, to the more efficient approach. He explained that while it would take a bit longer to pay back, the ongoing savings were much higher. He reviewed several of the individual projects.

Commissioner Ernst asked if the analyses had looked at other alternatives for heating. Mr. Logan replied that they had not; electricity and natural gas technologies were the common media for heating for buildings of this size. He added that the analyses had shown that there was

a lot of cold water going back into the system from cooling elements and they were now requesting water consumptions histories on some of the buildings with a look toward recapturing some of the water.

In response to a follow-up question from Commissioner Ernst, Mr. Logan predicted that they would see more heat pumps for the smaller applications and the McDonald Theater was looking into a solar water heater.

President Farmer had heard some “rumbling” about whether or not the Business Energy Tax Credit (BETC) would be regenerated and asked if Mr. Logan was at all worried about it. Mr. Logan responded that he considered the BETC something that was “nice to have” but not absolutely necessary. Mr. Welch commented that it was hard to predict at this point what would happen with it.

President Farmer expressed concern that someone might go with the least cost alternative because they did not foresee being able to get the BETC. Mr. Logan responded that they would be working individually with each customer to find the best efficiency solution. Mr. Welch agreed. He believed they were working together with that in mind. Mr. Logan added that the steam costs were so high that they were prompting people to look closely at the savings involved in the heating options they could transition into.

Mr. Logan stated that they had been able to get pre-certified for a \$60,000 BETC for the study itself. He said once the reports were completed they would be submitted to ODOE and the credit was slated to be put into place.

In response to a question from President Farmer, Mr. Logan confirmed that the credit would be sold to a pass-through partner.

President Farmer asked what could be done with the headquarters building. Mr. Logan replied that the natural gas company was not sure how a gas line could be routed to the building. Ms. Smith said staff was putting out a “low-key” Request for Proposals (RFP) to get a sense of the project.

In response to a follow-up question from President Farmer, Mr. Logan projected that it would cost approximately \$500,000.

Commissioner Ernst asked if they were considering the use of geothermal or “straight” thermal heating for the building. Ms. Smith responded that they were only just engaging in a preliminary investigation into the transition.

President Farmer asked what would happen if EWEB could not get any partners. Mr. Logan responded that ODOE had done this type of work since 1980 and he was confident that there were qualified customers in the area. He underscored that this type of work was what the SELP loans were designed for. He was confident that they would find customers that would not qualify on a technical basis or would not qualify on a credit basis. He said this was why they were undertaking the site assessments in the present, so that they would have an idea of where the challenges lay. He added that the initial reports were very promising.

Ms. Smith said it was possible that the General Manager could come before the Board to request a funding allocation to help a customer or two afford the transition that could not get off the system another way. She stressed that this would be a loan fund. She added that by mid-year, staff should be able to quantify what lay ahead and know who would qualify and who would not.

Commissioner Cunningham thanked the ODOE representatives for coming.

Mr. Elliott stated that if a customer was credit worthy, he or she would not have any problem at all. Ms. Estes added that ODOE did not intend to “cherry pick” through the customers – they would look at them all. She said they wanted to make loans; they were a self-funded program and risk was a part of it.

President Farmer asked if the credit criteria they used were similar to that of a bank. Ms. Estes replied that in some ways they were and in others they were not. She said they acted like a bank in that they required a demonstrated ability to repay the debt, but they often took on projects that banks would shy away from because the technology was new or complicated or there was difficulty structuring financing that included incentives and tax credits.

President Farmer asked if there was a prohibition against a type of borrower, such as a church. Ms. Estes replied that they could not fund a church, but they could consider buildings that were part of the church structure but were not dedicated to worship.

Ms. Smith thanked Ms. Estes and Mr. Elliott for coming from Portland to attend the meeting.

## **INTERNATIONAL PAPER RESIDENTIAL EXCHANGE**

Mr. Varner recapped the situation having to do with the sale of Weyerhaeuser to International Paper (IP) and the residential exchange monies that were being reimbursed by the BPA. He explained that Weyerhaeuser and IP had worked together and had arrived at a reasonable resolution wherein the two entities had an agreement on how to handle the credits. He stated that EWEB would be treating them similarly to all of the other customers. The resolution would rescind the previous resolution and put a new one in place that would authorize the distribution of the funds to all EWEB customers. He said it also authorized Mr. Berggren to enter into an agreement with IP for the distribution of the residential exchange credit to them.

Commissioner Cunningham, seconded by Commissioner Cassidy, moved to approve Resolution No. 0929, a resolution directing disposition of residential exchange credits for purposes of offsetting current and future power supply costs in retail rates. The motion passed unanimously, 4:0.

## **CONTRACT FOR CH2M HILL**

Mike McCann, Carmen-Smith Implementation Project Manager, briefly reviewed the contract with CH2M Hill for flexible engineering services for the Carmen-Smith licensing project.

Commissioner Ernst asked if the funding had been set aside in anticipation of hiring a firm. Mr. McCann replied that it was seed money to get the project started. He thought it likely that they would start spending the money on services from CH2M Hill, but he did not believe they would reach the maximum of the contract until they had been into the project for at least eight years, by which time they would be receiving the bond money for it.

Commissioner Ernst asked if they had conversations with the company about how long it would take to rebuild. Mr. McCann responded that they had received proposals from six firms and had interviewed four of them. During the interview, the firms had been asked questions specific to the length of time projected for the work. He related that the proposal from CH2M Hill had indicated that they believed that they could still do some generating during the construction period, in addition to an estimate of the duration of the project that fell well below what had been projected.

Commissioner Ernst, seconded by Commissioner Cassidy, moved to approve a contract with CH2M Hill for engineering design services and engineering support during construction for the implementation of the Settlement Agreement and Federal Energy Regulation Commission license at EWEB's Carmen-Smith Hydroelectric Project. The motion passed unanimously, 4:0.

President Farmer adjourned the Regular Board Meeting at 8:28 p.m.

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Assistant Secretary

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President