



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD
PUBLIC AFFAIRS



TO: Commissioners Brown, Cunningham, Cassidy, Ernst and Farmer
FROM: Jeannine Parisi, Community and Local Gov't Outreach Coordinator
DATE: August 30, 2010
SUBJECT: PACE (Property Assessed Clean Energy) Program Update

Issue

In recent months, there has been growing media coverage and public interest in the use of Property Assessed Clean Energy (PACE) programs to finance home energy conservation measures and renewable energy systems, and the concept of Feed-In-Tariffs to incentivize solar energy systems. This is an information item on the status of these two initiatives, both being studied and/or piloted in Oregon.

Background

The following is a brief summary of the PACE and FIT programs. PACE programs allow municipalities to use their revenue bonding authority to create land-secured financing property districts. People living within the boundaries of the newly-formed financing district can voluntarily elect to make cost-effective investments in their homes to lower utility bills and repay for these investments via their property taxes. PACE seeks to make energy efficiency measures more affordable by lowering up-front costs and lengthening the payback period (typically 20 years).

In June 2009, the Oregon legislature established a pilot Feed in Tariff (FIT) program for solar photovoltaic systems. Under this incentive program, customers are paid a premium for the kilowatt-hours (kWh) their systems generate over a 15 year period. Unlike net-metered systems, all power generated goes to the utility. The FIT pilot program must be offered by the three investor-owned utilities in Oregon (PGE, PP&L, and Idaho Power) and will be administered by those utilities, though the Public Utility Commission will periodically re-evaluate rates.

Discussion

Twenty-three states, including Oregon, have passed PACE legislation. Lane County has stepped forward as one of the first Oregon jurisdictions to pilot the program and has contracted with Renewable Funding, a private California company, to assist with program design and administration. The County hosted an informational session on PACE in the beginning of the summer where representatives from Renewable Funding explained some key steps in program development:

- Legal authority/formation of district
- Program administration/application processing
- Localized design (eligible measures, consumer and lender protections, etc.)

- Marketing

EWEB staff at the meeting voiced general support for the concept and offered assistance in program design and coordination. However, since this meeting, several new developments have essentially stalled PACE initiatives nationwide. The key concern, voiced by large mortgage holders, is around securing repayment in the case of loan defaults. Attachment 1 includes a recent electronic newsletter article explaining these concerns. A second meeting with Lane County staff is expected to discuss next steps.

Regarding the pilot FIT program, staff have been tracking the authorizing legislation and subsequent implementation at the Investor Owned Utilities (IOUs). Anticipating questions from the public regarding the differential in the incentives paid per kWh of solar power generated, we have developed a Question and Answer sheet to explain some of the structural differences in the programs and will be loading that information onto the EWEB website (see Attachment 2).

The main difference is that EWEB's solar incentives are self-sustaining, i.e. they do not rely on across-the-board rate increases to fund the programs. FIT program costs are recoverable in utility rates. The current pilot caps total FIT installations to 25MW, which will provide an upper limit to IOU customer rate impacts. The upcoming IERP should provide a forum for Board discussion on this and other issues related to renewable energy incentives.

Requested Action

None, this is an information update only.

“PACE Setback: Alternate Strategies Could Save U.S. Investment in Residential Clean-Energy and Efficiency Program,” *CleanEdge*, August 2010.

Aaron Berg

The Federal Housing Administration (FHA) recently derailed one of the most popular and important tools for financing energy efficiency and clean-energy job creation. The tool, called Property Assessed Clean Energy (PACE), had attracted interest from communities across the country and millions of dollars in federal funding. Now, PACE programs for residential homes are all on hold, or canceled, while states and municipalities consider different strategies.

The FHA, however, had legitimate reasons for stopping PACE, as PACE would have created tax liens on private property senior to the existing mortgage instruments that it insures. This would have subordinated the FHA's senior position behind that of new investors thus increasing the perceived risk of the transaction through a diminished collateral position for the primary mortgage holder. The benefit of PACE is the proposition of a repayment mechanism for clean-energy financing focused on the foreclosure rights and liquidated value of the entire underlying real-estate asset perfected by the tax-lien (super-lien) it creates. This collateral-based approach is commonly recognized by bond markets as “safe” and could potentially provide the basis for raising significant capital from public-bond investors. But the mortgage industry's current problems highlight the limitations of this strategy.

The U.S. economy has experienced tremendous downward pressure on real-estate asset values, exacerbating the distress of the mortgage industry and the financial sector that floated the bubble. Millions of mortgage loans are currently held in securities that have questionable asset/collateral value securing them. Roughly one quarter of American mortgages are underwater and some homeowners are choosing to walk away from their mortgages because their houses are no longer worth what they owe or what they originally paid. PACE financing instruments could have inadvertently marginalized and deteriorated the collateral value available to mortgage holders on existing loans. This unintended consequence of PACE financing has some real and perceived negative consequences for a fragile mortgage industry whose recent collapse nearly sunk our global economy. In this context, it's no surprise the FHA decided to step in.

So where does this leave us? And where do we go from here? We have a depressed economy in dire need of job creation, more than 100 million homes across the country in need of energy tune ups, efficiency investment potential with real returns to investors, and millions of dollars in funding from the U.S. Department of Energy and the Obama Administration to jumpstart this multi-billion dollar industry. First, it's critically important that we recognize the tremendous support and enthusiasm for clean-energy financing PACE recently created. Something we surely need to capture in our efforts to continue blazing ahead on the path to a more vibrant and restorative economy. Thankfully, other strategies are ready to pick up what PACE has started and deliver on the promise of financing clean-energy improvements.

One approach is to focus on the ability to predict cash flows for clean-energy loans by monitoring and verifying the energy savings/performance of buildings that undergo energy-efficiency upgrades. With reliable, controllable, and verifiable savings from clean-energy improvements, private capital can finance these improvements with support from public funding. McKinsey and Company has [estimated](#) the investment potential for energy efficiency in the United States at \$520 billion with returns of \$1.2 trillion over the next 10 years. Private capital will chase this enormous market, and build an entire industry of clean-energy jobs in the process, when investors are confident in the security of their returns with clearly documented and proven energy savings.

The U.S. Department of Energy recently [awarded](#) \$450 million to 25 different cities and states to undertake innovative and collaborative approaches to financing energy efficiency. The “BetterBuildings” awards lay out a goal of leveraging private capital by ratios of at least 5:1. If successful, that will translate into approximately \$2.75 Billion in energy-efficiency work over the next three years, a substantial boost to this emerging industry. But even with 5:1 leverage, this is still only half of one percent of the \$520 Billion investment potential identified by the private sector.

Another alternative to PACE is to work with utilities like the City of Portland and State of Oregon have done with the [Clean Energy Works Portland](#) program. Portland was recently awarded a \$20MM grant from USDOE's BetterBuildings program. A

new non-profit company, Clean Energy Works Oregon Inc., has been created to serve as the capital aggregation and service delivery platform for roll out of energy efficiency upgrades serving a wide range of customers, communities, and buildings. As the nation's primary energy providers, utilities have an important role to play in attracting this investment. But this role need not be extensive or cumbersome to the utility companies. By serving as a pass-through conduit for on-bill repayment, utilities can offer investors and lenders a reliable repayment mechanism with low historic default rates. Utilities already provide financial and technical incentives for clean-energy initiatives, but the simple service of on-bill repayment may offer even more support for energy investment in the long run. And it's a logical fit; utility companies exist to deliver energy services to their customers. By directly engaging utility companies and financial institutions in a positive dialogue, energy-efficiency programs across the country can still spark the growth in clean-energy investment that PACE had promised to deliver. The result may be stronger and more financially stable for all parties involved.

At a very basic level, financing is a means to an end. If we can agree on the end goals of putting people back to work while achieving greater energy security for our nation and greater ecosystem security for our planet, there is no reason we shouldn't be able to continually dream up innovative and effective ways to finance clean energy. PACE was one innovation. On-bill repayment is another. These tools only scratch the surface of our creative potential. The recent boom and bust of PACE doesn't have to end in anything more than a lesson that we have a long road of innovation ahead for financing clean energy. Getting it right will require agility, patience, and collaboration.

Aaron Berg is President & Founder of [Blue Tree Strategies](#), a Portland-based clean-energy consulting company and is currently serving as CFO of Clean Energy Works Oregon Inc.

Feed in Tariff Questions and Answers

In June 2009, the Oregon legislature established a pilot Feed in Tariff program for solar photovoltaic systems. Under this incentive program, customers are paid for the kilowatt-hours (kWh) their systems generate over a 15 year period, at a rate set at the time a system is initially enrolled in the program. The Oregon Public Utility Commission (PUC) was left with the discretion to establish rates and administrative rules by July 1, 2010. This program must be offered by the three investor-owned utilities in Oregon (PGE, PP&L, and Idaho Power) and will be administered by those utilities, though the PUC will periodically re-evaluate rates. The program costs are recoverable in utility rates and utility-owned systems are not allowed to receive the incentive. The pilot program installation cap is limited to an aggregate cap of 25 megawatts of PV, with a maximum system size cap of 500 kilowatts (kW).

Q. What is a Feed in Tariff (FIT)?

A. A traditional Feed in Tariff model is designed to pay a premium for kilowatt hours (kWh) as they are generated – no energy is used by the consumer, it is all sent back to the grid and sold to the utility. Oregon's PUC pilot differs from a true Feed in Tariff in that the customer does not operate as a mini power producer for the grid. Instead, participants receive an incentive payment for 100% of the kWh produced, up to their monthly onsite usage with any excess kWh produced rolled over for future months. To avoid customer's 'making money' off the program, system sizes are restricted to produce equal or less than the energy consumed on site on an annual basis.

Q. How does the pilot FIT benefit owners?

A. The customer receives either 55 or 65 cents per kWh generated (depending on the utility), which is a substantially higher amount than the rate they pay for electricity. The net "profit" from this varies greatly depending on the customer's energy use, cost to insure the system (required), cost for additional meter and reading services, etc. In addition, the customer is subject to claim any payment through this program as income. Customers who choose to participate in the FIT forfeit their right to an Oregon state tax credit and any utility or Energy Trust of Oregon incentives.

Q. How is the pilot program funded?

A. The program is funded through utility rates. Part of the legislation stipulates that the participating utilities may raise the rates to cover the expenditures for this program. Reviews of rate increases will occur Nov. 1, 2010, 2012, and 2014 and whenever otherwise directed by the PUC. (See section 860-084-0380 of AR 538 HB 3690 for complete cost recovery language.) The utility has the right to retain all Renewable Energy Certificates (REC's) though the PUC pilot programs. In this pilot program, the participating utility actually gets a REC value of 2 for 1 in some instances.

Q. Who can participate in the pilot program?

A. Oregon's three investor-owned utilities, PGE, PPL and Idaho Power, are required to participate in the pilot. Any customers of these three utilities may take advantage of this program on a first come first served basis. The total allocation for this pilot is 25 MW, so each utility allocates a set amount in 6 month periods. The first allocation was fully reserved within 15 minutes of the application process opening on July 1.

Q. Does EWEB have a Feed in Tariff incentive program?

A. Yes. The PV Generation Program is modeled after a traditional feed in tariff. EWEB customers that install PV systems larger than 10KW are eligible to participate in this program. Like FIT, EWEB purchases all of the power generated by the system for ten years at a fixed rate. The rate is reviewed and set annually for future projects, however once a customer “locks in” they keep the same rate for 10 years. The current 10-year rate is 11 cents/kWh generated. Payments are made once annually at the end of each calendar year.

Q. What is the basis for the EWEB solar buyback rates?

A. EWEB takes several different items into consideration when determining the rate in order to pass all the benefits of the PV projects to owners of the projects, including current projected power market pricing, the transmission and distribution losses, inflation, annual output of the system, the price of REC’s, depreciation, etc.

Q. How does the pilot FIT for PV systems compare to existing incentives for solar that EWEB customers can access?

A. The “front end costs” for the system are generally the same for both programs. These costs include the PV system equipment, installation, labor, permits, hook up, etc. The significant departure is the over-market payments for power generated for FIT participants, which is intended to shorten the payback time.

Q. Why don’t participants in EWEB’s PV incentive program get paid more for the solar energy generated like the FIT pilot participants?

A. EWEB’s PV incentive programs are designed to be consistent with the Board’s policy against cross-subsidizing of rates and relatively self-sustaining; i.e., they do not require rate increases for all customers to help offset the costs of incentive programs. EWEB does offer incentives to help make PV more affordable for customers. The following are other differences between the FIT Pilot and EWEB programs:

- ✓ EWEB customers receive a one-time \$/watt (AC output watts) incentive for installing a net metered system - \$2 for residential net metered up to \$10,000, \$1 for commercial up to \$25,000.
- ✓ EWEB customers are eligible to apply for ALL tax credits, both state - up to \$6000, and federal-up to 30% of project cost.
- ✓ EWEB does not require its customers to purchase additional insurance for their PV system.
- ✓ EWEB does not charge meter reading fees nor do they charge for a new meter when a customer participates in the PV net metering program.
- ✓ EWEB net metered customers retain the RECs for their project.

Q. What other PV incentive programs does EWEB offer?

A. The PV Generation program, where all power produces is sent directly to the grid, is geared towards commercial-sized systems. EWEB also offers a PV net-metering system option. These systems start as small as 0.5 KW and are required to be designed so as not to exceed the building load. Once a net metered PV system is installed and turned on, the customer’s electricity bill will reflect the “net” power usage (the energy generated by their PV system will decrease the amount of kWh registered as consumed by the customer resulting in a smaller electric bill).

In instances where a customer has a fairly large PV system, they may actually carry a credit on their account in the sunnier months. The credit is calculated at the tier three rates for electricity – currently that rate is 7 cents/ kWh.

Q. How much does a net metered PV project cost, and what savings can a customer expect?

A. A customer can expect annual generation of approximately 1,100 kWh for every KW of PV installed. Average cost (after the EWEB incentive is subtracted – but before state/federal tax credits) of residential net metered systems installed in the EWEB service territory in 2010 is \$7700/KW.

Q. Is EWEB going to institute a FIT as an option for its customers or otherwise adjust its solar incentives program?

A. To-date, EWEB customers have installed over 2 MW of solar electric generation through our PV programs. There are no current plans to institute a FIT such as the PUC has developed at this time. EWEB and the Board would need to weigh the economic, social, and environmental aspects of such a program. There are social equity issues to consider, specifically the customers who are able to install PV (i.e., own their home, have good solar access, etc.) being subsidized by all EWEB customers under a PUC-type FIT model.

Additionally, while solar electric generation is a viable renewable energy strategy, inflating the incentives to make it more financially attractive diminishes the importance of less expensive, cost effective measures our customers should practice first, such as continuing sustainable conservation practices, weatherizing their homes, and improving outdated heating systems.

It is unclear how the FIT could be expanded statewide without significant rate increases for all utility customers. Even this relatively small FIT pilot is projected to produce noticeable rate increases for all customers of the participating utilities. Staff do not believe the current PUC FIT model would be financially sustainable in the long term for EWEB or its customer base.

Q. Will the PUC FIT or EWEB's PV incentive rate change?

A. The PUC pilot FIT rate is eligible for review and adjustments every six months, however once a contract is signed, the customer “locks in” at the agreed upon rate for 15 years. EWEB's net metered incentives are adjusted any time there is a rate change. The one-time incentive is reviewed annually to ensure it reflects the cost value (to the utility) of PV.



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD
PUBLIC AFFAIRS



TO: Commissioners Brown, Cunningham, Cassidy, Ernst and Farmer
FROM: Lance Robertson, Public Affairs Manager
DATE: Aug. 27, 2010
SUBJECT: Television coverage of Board meetings

Issue

Commissioners have expressed interest in receiving information about the cost and logistics of broadcasting regular work sessions and meetings on Metro Television.

Background

Metro Television is a division of the Lane Council of Governments. It began production in 1985, carrying live broadcasts of Lane County Board of Commissioners meetings. Broadcasts of the Eugene City Council meetings were added soon after. Meetings currently are carried live, and are rebroadcast, on Comcast Cable Channel 21. Lane County meetings, and selected City Council meetings, also are encoded for broadcast on the Internet. Eugene Planning Commission meetings will be added soon to Metro TV's lineup.

Previous EWEB Boards have expressed interest in joining the county and city in the Metro TV partnership. In 2001, approximately \$38,000 was added to the 2002 budget to purchase the necessary equipment and to contract with Metro TV for broadcast services, via an Intergovernmental Agreement. However, the funding was eliminated from the budget as a result of the substantial spending cuts approved by the Board in March 2002 in response to the West Coast Energy Crisis (Minutes from that March 2002 Board meeting are attached).

Discussion

In early August, EWEB staff met with Robert Lewis, program manager for Metro Television, to discuss costs, logistics and technical improvements needed to broadcast EWEB meetings from the Board Room in the North Building.

The annual cost would be \$25,000 for basic meeting coverage. This would include live broadcasts of EWEB's two monthly meetings, plus three to four re-broadcasts per week, on Channel 21. Metro TV would provide a staff person at each EWEB meeting to control cameras, queue up onscreen commissioner and agenda item identifiers (printed names and agenda items on the screen), and perform other duties necessary for the live feed. Each meeting would be re-broadcast three to four times each week, between meeting dates.

EWEB also discussed the possibility of adding to an agreement an additional \$5,000 per year, for a total annual cost of \$30,000, to pay for delayed broadcast of special Board meetings or those

sessions that are not held in the Board Room. For example, the Board meets once a year at a location in the McKenzie River Valley; those meetings would be recorded using portable equipment and then rebroadcast on Channel 21. Metro TV would charge EWEB on a per-meeting and “as needed” basis for these occasional remote meetings.

Mr. Lewis estimated capital expenditures of between \$30,000 and \$40,000. This would include two cameras and other equipment needed for live broadcasts, digital recording, telecommunications lines and switches, installation and encoding equipment for potential Web broadcasts. However, Mr. Lewis indicated that Metro TV would be willing to offset all of these capital costs with a special fund established by Comcast as part of its franchise agreement with the City of Eugene. Comcast allocates \$50,000 annually to purchase or upgrade equipment as needed by the city, county and any other entity that may partner with Metro TV. If EWEB were to join that partnership, those funds would be available to purchase cameras and other equipment for the Board Room in the North Building. However, allocation of funds would have to be approved by the Metropolitan Policy Committee, which acts as the Metropolitan Cable Television Commission.

Some potential technical issues and additional internal costs for EWEB also were identified. To broadcast from the North Building, a dedicated fiber-optic line would have to be available or extended to the central “box” that would control the cameras and provide a live feed on Channel 21. Using this line could limit future use of fiber in the North Building, for other needs. There likely would need to be work done to connect the fiber line from our fourth-floor data center to the county’s RIS network. There also may be some internal security issues, since the rooms where the equipment would be located also have facilities that are considered a “protected cyber assets” under FERC, with access only to authorized personnel. Some electrical work may be needed to install power outlets near where the cameras would be mounted. Finally, the current meeting room configuration may not be conducive to broadcasts. Specifically, the windows behind commissioners likely would create a “backlighting” situation that would make it difficult for the cameras to adequately show the faces of commissioners during daylight-hour meetings. Cost of making these upgrades or connections is estimated at \$3,000 to \$4,000.

EWEB staff did not perform a thorough analysis of any internal technical issues or additional costs that may allow or hinder live “streaming” or the posting of videos of Board meetings on www.eweb.org. The equipment purchased to telecast meetings would have full encoding capabilities to allow for Web broadcasts in addition to a live feed on Channel 21. However, there may be internal technical or security issues with live streaming on our current web site servers or system. If the Board were to agree to move forward with meeting broadcasts in 2011, the Internet functionality could be added at a later time and as internal resources become available.

Requested Board Action

This is an information item only, in response to commissioners’ interest in learning more about the cost and logistics of live meeting broadcasts. Currently, no funds are allocated in the draft 2011 budget for broadcasting meetings. If a majority of commissioners favor moving forward, further budget cuts in other areas of Public Affairs’ or the Board’s annual budget would have to be identified to offset the added cost of the annual contract and partnership with Metro TV of between \$25,000 and \$30,000, plus \$3,000 to \$4,000 in additional start-up costs.

Attachment: March 5, 2002, Board meeting minutes

EUGENE WATER & ELECTRIC BOARD
REGULAR BOARD MEETING
EWEB BOARD ROOM
MARCH 5, 2002
7:30 P.M.

Board Members Present: Dorothy Anderson, Peter Bartel, Susie Smith, Patrick Lanning, and Sandra Bishop.

Others present: Randy Berggren, JoAnn Andersen, Tom Buckhouse, Marty Douglass, Dick Helgeson, Jim Origliosso, Roseanna McArthur, Mark Oberle, John Yanov, Dick Varner, and Krista Hince of the EWEB files; Kim Young, City of Eugene Minutes Recorder; Scott Maben, *representing the Register-Guard*; KMTR-TV; and members of the public

President Anderson called the Regular Board Meeting to order at 7:30 p.m.

AGENDA CHECK

President Anderson suggested item 10 be moved forward ahead of item 6. There was no objection. No other changes were suggested.

APPROVAL OF CONSENT CALENDAR

There was no Consent Calendar.

ITEMS FROM BOARD MEMBERS

President Anderson said she received a telephone call from an acquaintance who was widowed and living alone and who had expressed concerned about the tiered rate system. She had asserted that in the 1950s, EWEB had time-of-day metering; President Anderson asked for more information about that. Dick Varner, Fiscal Services Supervisor, was unaware of any such system for residential users in the 1950s. An audience member asserted that both a day meter and night meter were used at that time.

General Manager Randy Berggren said he would have to do further research. He added that it would be very expensive to take such an approach now.

Vice President Bartel said that the Eugene Planning Commission plus three City Councilors were meeting to discuss the Downtown Plan and had identified boundaries for the plan, which included EWEB. He said that the Commission and Councilors would be meeting at EWEB on Monday.

Commissioner Lanning reported that the Lane Community College Board was meeting the following day to discuss potential budget reduction and he would be unable to attend the March 6 meeting scheduled.

CORRESPONDENCE

Mr. Berggren noted the All-Utility Meeting taking place the next evening. Vicki Zanzandt, Vice President of Operations & Planning for the Bonneville Power Administration would be present to discuss the formation of regional transmission organizations (RTO's).

Mr. Berggren said that EWEB staff would be staffing a booth at the home show during the upcoming weekend. He invited Board members to stop by.

Mr. Berggren indicated that Krista Hince would be polling the board for new dates for a governance meeting and a retreat. He suggested that the Board consider a focused four-hour retreat on a Friday night to concentrate on strategic issues.

Mr. Berggren said that the Northwest Power Planning Council was meeting in Eugene that day and the next day. EWEB staff had made presentations to the Council about EWEB's conservation and renewables effort as well as responding to questions.

Mr. Berggren previewed the upcoming meeting agendas.

PUBLIC INPUT

Jim Seaberry pointed out that the public notice indicated that the public hearing would occur at 7:30 p.m.

BUDGET KIT TOOL AMENDMENTS

Treasurer Jim Origliosso presented six proposed budget tool kit amendments and briefly described the impact of each: 1) reduce non-labor expenditures; 2) water buyout headquarters lease; 3) water purchase of vehicles; 4) vacancy savings; 5) reduce wage increases and incentives; and 6) borrow for conservation.

President Anderson asked if the decrease in all the items added to a decrease in the electric budget by about \$2 million. Mr. Origliosso thought it higher than that. The impact was about \$10 million.

Responding to a question from Commissioner Bishop regarding recommendation 5, Mr. Origliosso reminded the Board that the budget it approved in the fall included funding for pay adjustments, including merit increases and the incentive programs; the recommendation also affected the power trading incentive. He said that staff created no specific formulas for how remaining funds would be distributed. Mr. Berggren said that the funding was cut in half and affected all employees.

Vice President Bartel was not willing to cut down on the televising of EWEB meetings, saying the public had a right to know what the Board was doing. He asked how the Board was going to address the in-lieu-of-tax payments to the City of Eugene and the part of the rate structure that does not affect the \$2.5 million, and when.

Mr. Origliosso said that this did not reflect all items on the preferred tool kit list. Other actions could be added to the tool kit.

Vice President Bartel wanted to hold the line on salary increases. He also wanted to continue to budget for televised meetings.

Commissioner Smith, seconded by Vice President Bartel, moved approval of budget amendments 2, 3, 4, and 6. The motion passed unanimously, 5:0.

Vice President Bartel, seconded by Commissioner Bishop, moved to add back the line item for televising meetings at a cost of \$32,680 annually.

President Anderson said if the utility was in a better financial situation she would support the motion; however, she thought the expenditure could be dropped for now. Commissioner Lanning also found the service important, but thought the timing was inauspicious.

Vice President Bartel thought televising Board meetings was a very meaningful service to the community than other services EWEB offered. He thought it very important, in light of the recent rate increase and budget reductions, that the community be aware of what the Board was doing, and that it was trying to do the best job possible in the eye of the public. He suggested that the Board would appear to have something to hide.

Commissioner Smith agreed with the concept of broadcasting Board meetings and thought that EWEB should do so in the future, but echoed Commissioner Lanning's remarks about the deep cuts made to the organization's operational structure. She thought EWEB did a good job getting the word out. She did not think the community had the perception that EWEB acted behind closed doors. She agreed that the timing was not right.

Commissioner Bishop did not think the cost was too high and noted the community's interest in having meetings telecast so that people could view meetings from their homes. She thought the service a silly thing to cut.

The motion failed, 3:2; Vice President Bartel and Commissioner Bishop voting yes.

Vice President Bartel moved to reduce the amount available for pay increases by half. The motion died for lack of a second.

Commissioner Bishop, seconded by Commissioner Smith, moved to adopt budget amendment 5.

Vice President Bartel said that these were extraordinary times in terms of economic ups and downs. If one wanted a job, one must be willing to forego raises. He termed it "nice" to have merit raises and incentive raises. He said that EWEB was asking the community to raise rates and it should do the right thing and let the employees speak their mind and come forward with their contribution.

President Anderson said she understood Vice President Bartel's concern but was not prepared to tell EWEB's hardworking employees that there was no money for any increase whatsoever. She

said that the increases did not have much impact on the individual rate payer, and having staff feel appreciated for what it was doing was important to her.

Commissioner Smith said that the EWEB compensation plan was pegged to the market. She believed that to go deeper than what was being proposed was "penny-wise and pound-foolish." Unless the Board intended to roll back its compensation philosophy and plan, it would have to restore the positions back to the benchmark established, costing more money in the future.

Commissioner Lanning concurred with Commissioner Smith.

Commissioner Bishop said that the issue was difficult for her. She had talked to EWEB employees who would gladly give up a pay increase, but she did not think it responsible to balance the budget on the backs of employees. She said that employees were cross-trained to the degree she had questioned whether they were happy, and she had learned they were very happy about the cross-training. EWEB employees had pitched in and gone through many changes to assist the utility. The utility was among those run with the least number of employees to customer ratio. There were still other areas that could be cut. She did not want to cut any more in this area.

The motion passed, 4:1; Vice President Bartel voting no.

Vice President Bartel, seconded by Commissioner Bishop, moved to approve the resolution. The motion passed unanimously, 5:0.

ELECTRIC RATE PROPOSAL

John Yanov, Senior Rate/Financial Analyst and Dick Varner provided a PowerPoint presentation, copies of which were provided to Board members, on the proposed rate increase for the electric utility to take effect with the May 2002 bills for consumption in April.

Mr. Varner reviewed the staff recommendation. Mr. Yanov reviewed how the rate increases affected customer classes and compared current and proposed residential rates and current and proposed street lighting rates.

Mr. Varner reviewed next steps, noting the public hearing occurring later in the evening, and concluding that the Board would consider adoption of the rate change on March 19. A rate review based on BPA actions would occur in fall 2002; another review of rates and the surcharge would occur in spring 2002.

Commissioner Bishop referred to the in-lieu-of-taxes payments EWEB made to the City of Eugene and said she was having a difficult time in keeping that discussion at bay while the Board raised rates. She suggested that the Board find a way to address the in-lieu-of-tax question; EWEB was paying the City twice as much as State law required through an intergovernmental agreement. She said the City was not willing to do anything but spend utility-related funds on things not related to helping the community deal with the increased power rates. She suggested the small percentage rate increase could be offset by a reduction in that payment.

Vice President Bartel said he would be happy to put the issue back on the table, but pointed out it would take some time to complete negotiations with the City and sort out the issues involved. Mr. Berggren agreed. He did not think the Board could count on those dollars in 2002 with any degree of certainty. He said that the staff could pursue that at the Board's direction. President Anderson suggested that the Board schedule the topic for discussion at the upcoming retreat. Commissioner Lanning indicated support.

Commissioner Smith recommended that the Board schedule discussion of the issue as an agenda item Work Session, and involve legal counsel in that discussion. Mr. Berggren indicated he would schedule the item on the next Board Agenda.

PUBLIC HEARING ON ELECTRIC RATE PROPOSAL

Commissioner Anderson opened the Public Hearing.

Jim Seaberry, 3294 Stark Street, Santa Clara, complimented the manner in which EWEB's employees addressed the problems caused by the wind storm. He agreed with Vice President Bartel about the merit increase issue.

Mr. Seaberry said that if EWEB needed temporary funds, it should reduce its in-lieu-of-tax payments to the City of Eugene. He said that EWEB should stop payments being made by credit cards to save money. EWEB should stop lending excess funds to the affluent for programs poor people cannot participate in. He noted the publication of an article in *The Register-Guard* regarding the rate hikes that quoted Vice President Bartel and suggested his "threshold of pain" comment represented a poor choice of words, given the impact of the rate increase on senior citizens living on fixed incomes. Mr. Seaberry predicted any EWEB bond measures would be defeated because the "trough is empty." He asserted that major mistakes were made by management in its "quest for short-term profits." He suggested that management use its own money in making such investments, rather than that of the public.

Commissioner Bishop clarified that Mr. Seaberry was referring to programs that were available to all but not affordable by all, with the effect of subsidizing those who have the money to install conservation features.

George Boehnke, 24 Willamette Street, questioned why EWEB was choosing to go into another business other than electric and water. He did not want a surcharge on his bill; he said that was part of the rate, and should be identified as such. Mr. Boehnke did not think EWEB should be charging more for wind power, and said that all the power was the same. He said "let's quit fooling the public." He spoke of his own experience using EWEB discounts to purchase low-energy appliances, but suggested that such programs be placed in abeyance until conditions improved.

Kurt Thelan supported Mr. Bartel's suggestion that funding for merit increases be reduced. He spoke of his own work experience at KMTR, where he and other management staff had taken a pay cut. He said that if he was good enough to "take it," EWEB should too. He said that EWEB employees should step up and say "hey, we'll forgo pay raises too" and not accept any wage increases. He said he would continue to come to EWEB meetings and speak "on behalf of the people."

There being no further requests to speak, President Anderson closed the public hearing.

WALTERVILLE/LEABURG CONSTRUCTION CONTRACT AWARDS

Commissioner Smith, seconded by Vice President Bartel, moved to approve the staff recommendation on the Walterville/Leaburg construction contract awards. Commissioner Smith said that the Work Session briefing was very informative and did not need further clarification. The motion passed unanimously, 5:0.

POWER RISK MANAGEMENT POLICY REVISION

Mr. Varner provided a PowerPoint presentation on Power Risk Management Policies and reviewed the staff proposal for two changes to the policies.

Proposed Policy 2: *EWEB will manage its portfolio so that firm power supplies under critical water planning criteria are within 25 megawatts of expected sales.*

Proposed Policy 3: *Projected contribution margin when combined with available reserves and borrowing authority will provide funding capabilities to cover other budgeted/projected expenditures at the electric utility.*

Scott Spettel reviewed the rationale for the proposed change to Policy 2.

Vice President Bartel clarified the details of the proposed policies with Mr. Varner.

Vice President Bartel expressed appreciation for the information provided but suggested that such complex items be scheduled earlier on the agenda.

Responding to a question from Vice President Bartel, Mr. Varner said EWEB was looking to its borrowing capability to cover the safety margin, and did not propose an additional rate action to provide that additional margin of safety.

Mr. Spettel recommended that the phrase "under critical water planning criteria" be struck from Policy 2, so that the new Policy reads:

"EWEB will manage its portfolio so that firm power supplies are within 25 megawatts of expected sales."

Vice President Bartel, seconded by Commissioner Lanning, moved to approve Policy 3 as presented and Policy 2 as amended. The motion passed, 5:0.

PROPERTY ACQUISITION APPROVAL

Property Manager Mark Oberle and Director of Facilities Tom Buckhouse joined the Board for the item. Mr. Oberle reminded the Board of its direction to staff in regard to the property: 1) to spread out the payments over time; 2) explore a fixed interest rate versus a variable interest rate; and 3) find out if the seller would agree to a prepayment clause without a penalty. He reported that staff had successfully carried out the Board's direction.

Mr. Oberle reviewed the provisions of the agreement between EWEB and the property owner.

Mr. Buckhouse indicated that there was insufficient funds for purchasing the property and staff would return to the Board with a budget amendment.

Vice President Bartel indicated satisfaction with the agreement.

Commissioner Smith asked where money for the purchase would come from. Mr. Origliosso reported that EWEB had budgeted for the down payment and the agreement spread those payments out.

Vice President Bartel, seconded by Commissioner Smith, moved to give Mr. Berggren authorization to sign the agreement.

Commissioner Lanning asked what the Board's role was in the closing. Mr. Oberle said that an affirmative vote would mean Mr. Berggren would sign the agreement and the needed studies would go forward. If all conditions were met, the Board would approve the actual purchase. Mr. Buckhouse reviewed the process.

Commissioner Bishop asked when the 60-day clock would start. Mr. Berggren said when the agreement was signed, probably at the end of the week.

The motion passed unanimously, 5:0.

ITEMS REMOVED FROM THE CONSENT CALENDAR

Because there was no Consent Calendar, this item was not addressed.

The meeting adjourned at 9:55 p.m.

Assistant Secretary President