

EUGENE WATER & ELECTRIC BOARD
WORK SESSION
EWEB BOARD ROOM
500 EAST 4TH AVENUE
APRIL 19, 2011

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

Others Present: Roger Gray, Debra Smith, Clay Norris, Patty Boyle, Mel Damewood, Dean Ahlsten, Gail Murray, Cathy Bloom, Lisa McLaughlin, Richard Jeffryes and Taryn Johnson of the EWEB staff; Wade Hicks, minutes recorder.

President Brown convened the work session of the Eugene Water & Electric Board (EWEB) to order at 5:30 p.m.

Engineering, Land Surveying and Related Services Contract

Debra Smith, Director of Customer & Shared Services Division, introduced Gail Murray, Purchasing Manager. Ms. Smith said there will be no formal presentation tonight, but that she and Ms. Murray are here to answer questions. She reminded them that staff had looked at existing Board policy on procurement as well as State law, and that they are looking to identify a process that will streamline procurements related to engineering and related services. Ms. Smith said the memo the Board received is self-explanatory, but she noted that there are 49 contracts that have been negotiated, and with Board approval they can move forward with a job mode or task order approach rather than doing individual procurements. She added that it would save time for Board and staff.

Commissioner Ernst agreed that it will save time and money in the long run.

Vice President Simpson thanked Ms. Smith and staff for their work. He agreed it will save a lot of money. He asked for confirmation that this is a five-year cycle and that staff would come back just before the five years expires.

Cathy Bloom, Financial Services Manager, answered that it would be an annual process in January and the Board would approve the possible consultants, and that process would include information on what was actually spent on the contracts. Ms. Smith added that they would indeed be five-year contracts, but staff would bring an update to the Board annually. Ms. Murray added that staff will be asked to review the process and give feedback, i.e., a performance audit.

Vice President Simpson asked for confirmation that this is a policy change to adjust the approval threshold from \$20,000 to \$75,000, and in the same vein would reduce the number of consent calendar items and lessen the burden on staff to prepare the budget proposals, and lessen the time to read through them. He said he was hoping the Board would have the same kind of annual or buy-in report, as he wouldn't want to lose the visibility. He asked how staff imagines this change in threshold to tie in to this.

Ms. Smith answered that it shouldn't affect these contracts because they're already exempted. She said there is policy and there is practice, and the two are not always the same. She said staff has done solicitations for procurement when they aren't required to do so, but felt it was in the Board's best interest to encourage competition. She added that once these contracts are in place, the limit is \$150,000, so if there is a particularly large piece of work over that \$150,000, a regular solicitation would be done specifically for that piece of work, and it would be separate. She noted that this was not a budget, per se, but that the numbers were set high enough so that staff wouldn't have to return for Board approval, and that they are set each year as part of the annual budget cycle so there is sufficient room to do the work.

Vice President Simpson asked how staff insures that the work is evenly distributed among equally qualified vendors. Ms. Murray said all vendors come through the Purchasing Department and staff writes reports and researches data, and if there is a trend toward one particular contractor, staff will check with other places. She added that there will be an internet page and all contracts will be listed, and people can go on line and see information about the contractors who are used and do comparisons if they wish. She noted that some firms may be used more than others because some of the bigger firms qualify for more categories.

Ms. Smith added that just because the Board is not involved in the process doesn't mean that there is not an internal process. For instance, most staff can approve requisitions for services that don't exceed \$20,000, so directors are going to be signing those requisitions, and there are some rituals in place for that.

President Brown asked how staff ensures that there is a competitive work product, and how they know whether they're getting the best bang for the buck if the contract is awarded to a vendor without a competitive bid process. Ms. Murray answered that the first step is a formal competitive process with request for qualifications and experience, etc. Clay Norris, Director of Power Resources, added that as far as the task order, staff would issue that and then go to the people who are qualified for the actual work. He said there are two kinds of competition—the one is the obvious qualification initially, and the second is a proposal for how the work is done, cost and hours, etc. Ms. Murray added that there are also other items—specific deliverables, hours spent, things that can be quantified. Ms. Smith gave some examples of how one vendor could be rated against another.

General Manager, Roger Gray noted that the term "distributed equally" between contractors might be better described as "distributed equitably."

Commissioner Cunningham asked what percentages of the contractors are local and what percentage are from out of town. Ms. Murray said she believes the majority of them are in Oregon but did not have the exact number, and that a number of them are in Eugene, Salem and Portland.

The Board and staff then discussed how the process works and what safeguards will be used to insure proper that it is done equitably, and how local contractors may be affected.

Ms. Smith said that this process was opened up to everyone so that local contractors are able to provide these services, and that staff hopes that they will bid on jobs and be on the list, and she suspects they will. She added that staff can provide more specific information to the Board when they report on actual usage.

Commissioner Cassidy said he is supportive of the process but does not want to show favoritism toward any vendor.

Vice President Simpson asked for confirmation of the \$15 million estimated over five years and if staff is going to try to stay within \$3 million in any given year or if that will flex. Ms. Smith said the \$15 million is almost a worst case scenario, and that \$3 million seemed to be the average, and added that the Board would see the figures in staff's annual report. Ms. Smith added that staff will treat this list of professionals in the same way that the Board approves consultants, attorneys and auditors. She said it will be a far more efficient way to get the work done.

President Brown thanked Ms. Smith and staff for their presentation.

Revised 2011-15 Electric Utility Capital Improvement Plan & Capital Budget - Amendments 1 and 2

Dean Ahlsten, Systems Engineering & Substation Reliability Manager, briefly summarized amendments 1 and 2 as presented in the Board packet.

President Brown asked why all the money is being kept in the carryover fund. Ms. Smith answered that she believes the issue is that the chevrons are not working the way they are supposed to, and that the concern is if the study goes forward now and then modifications are made that affect fish passage, the study may need to be redone, therefore the money has been set aside.

A brief discussion ensued regarding the chevrons and their efficiency.

Commissioner Cunningham expressed concern about the annual roll-up that affects rates, and the fact that EWEB won't need that money until 2012. Ms. Smith explained the reallocation process and where the money can best be used. She said it wasn't that it wasn't needed, but that it was needed in different ways than anticipated almost nine months ago.

Commissioner Cunningham wondered if the Board can take a step back and ask if they really need to raise rates or if other things can be done. General Manager Gray said he believes that this situation is a true-up, rather than marching blindly toward a point and have something unexpected come up, but instead anticipating it ahead of time. He used the example of the downtown network fire.

A brief discussion ensued regarding budget items and taking a closer look at rates. Commissioner Cunningham reiterated that he would like the Board to take a pause occasionally around whether there is a need to raise rates within the current economy.

Ms. Smith noted that staff does that more diligently now than in the past because of zero-based budgeting, which causes staff to step back and look at different scenarios. She briefly explained how the capital budget operates and what will happen if certain items are pulled back.

Commissioner Ernst said she didn't want to micromanage but wants to look at the big picture as far as strategic planning, and stay in the loop with what's going on at Walterville with the fish passage and the changes that might happen now and in the future. Ms. Smith replied that staff could provide the Board with a memo regarding updates.

General Manager Gray noted that the 2012 plan will come to the Board in the next few months, and it will be a status quo baseline with rate implications and budgeting for O&M and capital costs.

On an unrelated note, Commissioner Cassidy said it is his understanding that EWEB paid for one-third of the EmX cost and wondered if the Board should be thinking about this ahead of time when considering what projects are coming up in the next five years. President Brown asked that this be placed on a future agenda, as it is an important item for discussion.

Commissioner Ernst asked if the Seneca project is a type II bond project. Mr. Ahlsten said that it is.

Commissioner Ernst asked if in the future it is possible to look at a model program for renewable energy, and how that would fit into the capital improvement plan for the downtown network in light of pulling money away from that fund. Mr. Ahlsten replied that money is not really being taken away at this point, but instead scaling back for the year 2011, and that the design concept is still consistent with the memo that the Board received last year.

Mr. Ahlsten then showed an aerial view of the proposed new Seneca-Bertelsen 115kV transmission line. President Brown asked if it will stay within the existing right of way on West 1st Avenue. He said he has a concern that the City may have an easement for roadway purposes but not for public utilities and that it may not allow multiple use, and he wants to make sure that is a budget consideration.

Commissioner Ernst asked if the project cost will be close to the estimate.

Richard Jeffryes, Senior Engineer further explained the easement for this area and said he is confident that actual cost will be close to the estimate.

In answer to a question from Vice President Simpson, Mr. Jeffryes further explained distribution circuits and their installation.

Mr. Ahlsten then briefly explained Amendment #2, the expenditures, and the reserves for 2011.

Commissioner Ernst asked if the Seneca project is part of a previous bond process or if it will be a new one. Mr. Ahlsten said it is in process and that new projects were included in that request.

2011 Five-Year Water Capital Improvement Adjustments, and Amendments 3 and 4

Mel Damewood, Water Engineering Manager, briefly summarized Amendments 3 and 4 as presented in the Board packet, and said his presentation and the budget amounts would be very similar to Mr. Ahlsten's presentation for the electric side.

In response to a question from Vice President Simpson, Mr. Damewood briefly explained the plant improvements that will assist with maintaining pH at a low level. He also briefly explained the major water line replacement project on Coburg Road.

Commissioner Cunningham asked if the filtration plant improvements will be closer to the river. Mr. Damewood replied that those will include changing out ancient pumps, reconfiguring piping, and some structural improvements.

President Brown adjourned the work session at 7:13 p.m.

Assistant Secretary

President