

EUGENE WATER & ELECTRIC BOARD
WORK SESSION
EWEB BOARD ROOM
500 E. 4TH AVENUE
AUGUST 2, 2011

Commissioners Present: John Brown, President; John Simpson, Vice President; and Rich Cunningham

Others Present: General Manager Roger Gray, Debra Smith, Clay Norris, Bill Welch, Roger Kline, Andrea Mason, Patty Boyle, Felicity Fahy, Mike Logan, Kevin Biersdorff, Kim Morgan, Anne Kah, Mark Freeman, Jennifer Joule, Suzanne Adkins, Eric Hiassen, Sybil Geiselman, Greg Kelleher, Tom Buckhouse, Mel Damewood, Garilyn Johnston, Alan Fraser, Erin Erben, Jason Heuser, John Femal, Cathy Gray, Cathy Bloom, Jim Origliosso, Jeannine Parisi, Lance Robertson, Mark Hankins, Sheila Crawford, Eduard Yan, Adam Rue, Wendi Schultz-Kerns, Claire Elliker-Vaagsberg, Dean Ahlsten, Greg Armstead, Tom Williams, Joe Harwood, Michelle Martin, Steve Mangan, Lisa McLaughlin, Megan Capper, Wally McCullough, Steve Newcomb, Charlie Walker, and Taryn Johnson of the EWEB staff; Vicki Maxon, minutes recorder.

President Brown convened the Work Session of the Eugene Water & Electric Board (EWEB) at 4:30 p.m.

ENERGY EFFICIENCY AND DEMAND RESPONSE STRATEGY FOLLOW-UP

Clay Norris, Director of Power Resources, noted that his presentation is a continuation of his presentation at the last meeting after the Board requested for more time for discussion. He added that he and Bill Welch, Energy Management Department Manager, had debriefed their previous presentation and realized that additional insight and context was necessary. He noted that environmental and social parameters are incremental but that economics is the most variable parameter, so tonight's presentation will be geared more toward economics with a better comparison of the various conservation strategies.

Using overheads, Mr. Welch reviewed a comparison of the four conservation strategies, the projected long-term impact on customer bills, the recommended conservation strategy, the recommended demand response and peak reduction strategy, and the differences between the 2008 and 2011 recommendations for conservation strategies. He noted that the recommended strategy would result in a 63% rate increase over a 20-year period, while implementing no conservation would increase rates about 61% over a 20-year period.

Staff recommended adoption of the five-year conservation and demand response strategy.

Commissioner Cunningham said he appreciates the additional information and that it is worthy of the Board's support. He asked if the Energy Management Department still makes a list of its current energy conservation programs available to customers and what the process is for a walk-in customer to ask questions about conservation. Mr. Welch replied that an energy conservation representative asks the customer questions about their home, what type of heat they have, etc., and pulls the file for their address to see what has already been done and to talk about any other possible conservation measures. He said the process is the same for a commercial customer, and sometimes the energy conservation representative may end up going to the customer's home or business as well.

Commissioner Cunningham also recalled that the Commissioners used to get a looseleaf notebook that listed conservation programs that could take to neighborhood meetings or other meetings that they attend.

Commissioner Simpson asked if there is still a one-stop shop for conservation programs on the EWEB website. Mr. Welch replied that is correct and that there are sections for commercial programs, residential programs, and general energy usage.

Commissioner Cunningham asked if it is possible for the Board to again receive the above-mentioned list of energy conservation programs, and Mr. Welch said he would see that each Board member gets one.

President Brown noted that the Board has a quorum with three members present this evening. He commented that he appreciated the input he had received earlier today regarding the natural gas line and regional issues in California. He wondered if EWEB has all the information regarding conservation opportunities for commercial buildings and that sometimes he feels that staff is more reactive than proactive. He added that many commercial buildings in Eugene have horrible ventilation, and he noted the recent steam conversion in a commercial building that added \$800,000 to its value. He said he supports staff's recommendation and thanked them for their work, and that he feels the Board has no choice but to support conservation. He reminded staff that even though EWEB may go to the ultimate extreme for the region, they can't save the world.

Mr. Welch confirmed that the recommended strategy does represent an increase in acquisition.

Commissioner Simpson commented that he doesn't usually brag about campaign promises, but renewable energy and conservation was at the top of his list. He said with the current constrained economy, he is thrilled with the calculation for acquisition of a 20-year net present value (NPV) and that it's the right way to go to fine tune the amount of conservation to retain value locally. He added that he fully supports the staff recommendation, and hopes that EWEB will remain an industry leader while at the same time not overwhelming customers with rate increases that have little return on value. He thanked Mr. Norris and Welch for their presentation.

It was moved by Commissioner Cunningham, seconded by Vice President Simpson, to support staff's recommendation of the five-year conservation and demand response strategy.

Regarding tonight's budget scenario presentation, Commissioner Cunningham said that he had asked General Manager Gray to check with EWEB legal counsel to be sure there wasn't a potential conflict of interest because of Commissioner Cunningham being a member of the Bethel School Board. General Manager Gray replied that legal counsel had determined that there is neither an actual or potential conflict of interest.

Vice President Simpson noted that he believes the main issue around conflict of interest is the public's perception, and that he appreciates Commissioner Cunningham checking with legal counsel on that issue.

A 15-minute recess for dinner was then taken. Commissioner Ernst arrived at the close of the dinner break.

2012 BUDGET SCENARIO

Debra Smith, Customer & Shared Services Division Director, reiterated the process for three rounds of Board comments regarding the proposed 2012 budget items, with the third round being designated for Board input or direction. She reminded the Board that tonight's presentation is an extension of the July budget work session and that formal approval of the budget will be sought in November and December.

A brief discussion was held regarding options A, B and C for rate smoothing. Ms. Smith noted that these options capture the same dollar amount, but in different ways.

Vice President Simpson asked if the rate increment would be identical for all three rate increase periods. Ms. Smith replied that rate action will be taken in November 2011 and March 2012, or in May 2012. Vice President Simpson then asked what the proposed November rate increase would be. Jim Origliosso replied that with the 2.1% BPA pass-through the total increase would be 5%.

Ms. Smith continued, saying that if the Board feels a budget item doesn't belong on the list, either something can be substituted or a small rate action could be taken for that item, and that there is also the option of funding it from excess contribution margin. She added that there is currently no change recommended for the water/electric reliability budget item, but a small change could still be possible.

Ms. Smith noted two housekeeping items: 1) the parking lot items from the last work session may turn into background material and close out before October 2011, and 2) long-term financial plans are not a part of the discussion because decisions on how to fund those projects have not yet been made, but that those projects will be discussed briefly in tonight's capital improvement discussion and brought back to the Board later.

On the Decision Options list, Commissioner Cunningham asked for confirmation that the highlighted amount of \$1.7 million for low-income programs would be funded out of the excess contribution margin if funded at a higher rate for an additional year. Ms. Smith replied that staff is meeting with a community panel and remaining open until then. She reiterated that she would like the Board to indicate whether or not they are comfortable with any increment above the \$1.7 million funded out of access contribution margin. General Manager Gray confirmed that only funding sources are being adopted this evening.

Ms. Smith began the first of three rounds of Board comments with five minutes allowed for each Commissioner. She introduced Jennifer Joule, Internal Communications Coordinator, who will be charting the Commissioners' comments.

Commissioner Cunningham commented that he is comfortable with the low-income recommendation. Regarding item #3, the grant program, he noted that he wears two hats—one as an EWEB Commissioner and the other as a Bethel School Board member. He said that every school district's budget is tighter than ever before and that they are counting on this grant program funding for their science curriculum, field trips, etc. He said he believes that if there's a cut in the grant program, the school district should receive advanced notice and that it's not fair to cut off funding halfway through the school year. He said he would recommend level funding for this year as he believes it is in the best interest of education. He added that if funding must be cut, he would rather see it cut from perhaps LCC (as tuition dollars cover their programs) or the Springfield or McKenzie School Districts because the majority of EWEB's customers are in Eugene.

President Brown commented that he is comfortable with the low-income recommendation and also with the grant program (if it is funded out of excess contribution margin). He asked for an explanation of several items, listed below:

Item #2, Information Services. Ms. Smith replied that this amount represents continuing implementation of technology and two new staff positions.

Item #4, Contribution in Lieu of Tax (CILT) Renegotiation. Jim Origliosso, EWEB's Financial Advisor, replied that this amount represents an "insurance policy" and is not actual revenue coming in from wholesale sales but proceeds from the insurance policy, and would be clarified with the City of Eugene. Regarding a question about the Springfield CILT, Mr. Origliosso replied that this is a voluntary payment for retail sales at the International Paper facility.

President Brown asked for further discussion in round 2 regarding items a and b under item #4, CILT Renegotiation.

President Brown then asked for an explanation of item #6, Admin & Board Support Costs. Andrea Mason, Senior Business Analyst replied that this represents a reduction in the frequency of Board meetings from twice a month to once a month, eliminating the cost for production of Board minutes and instead posting an audio recording of Board meetings on the

EWEB website, membership fees for various organizations, travel reduction, and consideration of some administrative positions. She noted that the bulk of this amount represents Board-related items, not labor costs.

President Brown asked what impact the Carmen-Smith upgrade will have on rates. Mr. Origliosso explained that this would be part of the 5% increase rate and if \$30 million were added, that would bump the rate increase an additional 1%. Ms. Smith clarified that this 1% bump would only be for a partial year and that the bulk of the rate impact would be in 2013 or 2014.

Regarding, item #9 and #10, MAPT and IBEW Labor Costs, President Brown said he believes that a deal is a deal and that EWEB signed a contract and shouldn't go back on it.

Regarding item #11, Water Source Protection, Ms. Smith confirmed that this item is for a specific program, one staff person and some additional funding. President Brown replied that he would prefer the moderate increase option, and deferred this to the round 2 discussion.

Vice President Simpson made the following comments. Where agreement is indicated, it represents agreement with the recommended (highlighted) funding option on the Decision Options list.

Item #1, Low-Income - agree with funding from the excess contribution margin but leaning toward returning to the pre-2008 funding level, with community input.

Item #2, Information Services - agree with mild increase.

Item #3, Grant Program – agree with level funding for 2012 and recalibrate in next budget cycle.

Item #4, CILT – agree but lean toward sparing LCC and reducing payments to Springfield with possible discussion in the next round.

Item #5, Facilities Support - agree

Item #6, Admin & Board Support Costs – agree with reduction in this area but could live with it or meld it.

Item #7, Trading Floor – agree

Item #8, Carmen-Smith Debt – agree

Item #9, MAPT Labor Costs – agree with no 2% COLA for 2012 with a move to merit-based pay.

Item #10, IBEW – disagree with the 1% decrease. Could live with it if Board majority leans that way but agree with President Brown that a deal is a deal. Would like to retain existing 4% funding level for remainder of the contract period.

Item #11 – Water Source Protection – agree

Item #12 – Electric & Water Reliability – agree

Item #13 – Energy Management – support an increase which maximizes a 20-year NPV

Commissioner Ernst apologized for arriving late, as she didn't realize the work session started at 4:30 p.m. Ms. Smith reiterated the comment process regarding the above decision options. Commissioner Ernst made the following comments.

Item #1, Low-Income – agree, but make sure we fund at least another \$1 million out of excess contribution margin.

Item #2, Information Services - agree

Item #3, Grant Program – somewhat in agreement. Pet project would be the LCC energy management program. If grant programs were reduced, would not be in favor of reducing the LCC program. Have received letters from LCC and others regarding the impact of decreased funding. Probably should stay status quo.

Item #4, CILT – agree

Item #5, Facilities Support – agree

Item #6, Admin & Board Support Costs – would like to know in advance what which organizations that Board members belong to are being cut.

Item #7, Trading Floor – have spent a lot of money on software and security in the last few years – would like further discussion based on level of conservation

Item #8, Carmen-Smith Debt – agree

Item #9 and #10, MAPT and IBEW Labor Costs – support unions, but these are tough times. If union is willing to take a decrease, would be in favor, but don't want to force it. I believe this is General Manager Gray's decision and I will support him.

Item #11 – Water Source Protection – agree

Item #12 – Electric & Water Reliability – in favor of slight reduction to save money. Even with a reduction, EWEB is still at a higher level than many other cities.

Item #13 – Energy Management – my level of support would be closer to 2.7 or 3 aMW.

Round 2 of Comments:

Commissioner Cunningham agreed with the listed recommendations with the following additions:

Item #1, Low-Income – agree, but set aside \$1 million out of excess contribution margin

Item #4, CILT – agree, but would like more discussion in final round

Item #7, Trading Floor – needs to operate at most efficient level. Will go with the General Manager's recommendation as it could be a big money-maker.

Items #9 and #10 – As others have indicated, a deal is a deal, but I feel we should ask what they would be willing to do. EWEB employees should get whatever IBEW is going to get.

President Brown reiterated his previous comments with the following additions:

Item #8, Carmen-Smith Debt – agree, with the caveat of knowing where the \$30 million will come from.

Items #9 and #10, MAPT and IBEW Labor Costs – agree, but if we're going to give one a raise, we need to give the rest a raise. I feel that is their call, not ours.

Vice President Simpson reiterated his previous comments with the following additions:

Items #9 and #10, MAPT and IBEW Labor Costs – change to a 0% rate option because of the equality factor. Agree that a deal is a deal, but I give General Manager Gray the freedom for the possibility of a rate decrease. The contract will be up for renewal eventually.

Commissioner Ernst reiterated her previous comments:

Regarding Item #13, Energy Management, she reminded the Board that in 2008 the Board approved an energy conservation resource strategy recommendation for 2.5 aMW in 2008 and 2.7 aMW in 2009-2011, but that they also said they were in favor of 3.5 aMW and that they felt that was do-able. She said when she compares the cost for KWhr, it is pretty similar to the latest report that Mr. Welch presented, and that the only difference is that the residential cost is a bit higher/KWhr. She said she believes the 2.65 aMW recommendation is a bit low, and that she has also heard this from constituents and also some members of the Integrated Energy Resource Plan Advisory Committee. She added that she had attended the City Club meeting on Friday and had heard discussion for net reduction through conservation, possibly by using Tier 1, and that this would not result in a large rate increase (approximately \$10 per month). She said that because of the economy, she would like to see the level bumped to 2.7 aMW with review again next year.

Item #3, Grant Program – agree with reduction but back it up with excess contribution margin. Not sure how this feeds into pet programs and not sure where the reductions come from.

Ms. Smith explained that staff is taking a more surgical approach than a peanut butter approach, for example, the Partners in Education program for nonprofit water and energy education outside of the school system could be eliminated. She added that staff will be looking at where EWEB gets the most bang for their buck. Commissioner Ernst said she would be interested in hearing more about that conversation.

It was moved by Commissioner Cunningham, seconded by Commissioner Ernst to add an additional 15 minutes for further discussion. The motion passed 3:1.

After further discussion regarding Item #9, MAPT Labor Costs, Ms. Smith said that EWEB has not granted cost of living increases for quite a while. She said pay raises have been merit-based and have depended on where an employee is relative to the midpoint in their position and also based their on job performance. She added that when General Manager Gray was hired, the performance evaluation system was tweaked and only 3-4% was budgeted due to the economy, a 1.6% increase was given, and then opportunities were created through cost-saving measures to earn back the difference on the MAPT side. She said a process similar to that is being considered for next year, again with a possible chance to earn back the difference.

Commissioner Cunningham reiterated that he will support General Manager Gray's decision and that he feels this isn't something the Board should decide.

President Brown noted that Lennie Ellis from IBEW is in the audience tonight and asked the other Commissioners if they would like Mr. Ellis to speak. The Commissioners agreed.

Mr. Ellis said he appreciated the ongoing dialogue with EWEB, and that this issue will be discussed at the labor management meeting on Wednesday, August 3 and then discussed with the entire group on Thursday, August 4. President Brown told Mr. Ellis that the Board is open to communication and that they respect the union's expertise, but that they also have to consider rate impact and act responsibly. Mr. Ellis noted that the decision will be made by the membership group, and not just the IBEW Board and staff.

Commissioner Cunningham commented that he respects the job that the union does but that other contracts also need to be considered.

General Manager Gray thanked Mr. Ellis for attending tonight's Board meeting. He said that EWEB has been transparent with IBEW and with all employees and that it is a tough issue. He told Mr. Ellis that he appreciated him taking this issue to his membership and asking what protocol needs to be followed.

Mr. Ellis thanked the Board for the opportunity to speak.

Round 3 of Comments:

The Commissioners reiterated their previous comments and had a brief discussion regarding several items. Their final decisions were recorded on a chart viewed on the overhead projector.

Ms. Smith said she hears clearly that the Board desires a funding level of \$1.7 million for Item #1, Low-Income Program, and that staff will return to the Board to discuss what portion of that will be taken out of the excess contribution margin.

Regarding Item #2, Grant Program, Ms. Smith said she hears a desire for level funding in 2012. She added that she will have a discussion with John Femal, Energy Education Manager, about the school district budget year and the assumption that some of that amount can come out of the excess contribution margin.

Ms. Smith asked the Board if they would like staff to look at modeling something for a slight decrease in water/electric reliability to help offset a possible 4% increase (tick-up of \$400,000 or so) for item #9, MAPT Labor Costs.

Vice President Simpson commented that he recalled General Manager Gray saying that it isn't easy to quickly dial up or dial down reliability. Mr. Gray said that he believes that EWEB's benchmark indicates that there is reliability on the electric side but that improvements in reliability have been recommended for the water side. He added that dollars will be instantaneous but the impacts will not be, and that it will take a similar amount of time to recover if the result is not satisfactory.

Commissioner Cunningham moved, seconded by Commissioner Ernst, to extend the discussion for an additional five minutes. The motion passed unanimously, 5-0.

Ms. Smith continued review of the decision options the Board had recommended. General Manager Gray clarified that when considering rate impact, the items up for not being reduced are items #9 and #10, MAPT and IBEW Labor Costs. He noted that the worst case scenario would be that if IBEW doesn't agree with the 1% decrease and the MAPT is matched, it would result in an approximately \$1 million expenditure.

Vice President Simpson asked how much excess contribution margin there is to draw from. Ms. Smith replied that salaries are cumulative, and once salaries have increased, the floor has increased, so funding should be done with ongoing revenue stream.

Commissioner Cunningham commented that he agrees with funding from an ongoing revenue source but that he is hopeful that IBEW will see what others in Eugene and Lane County have done and will agree with the 1% decrease and, if so, at that point he would support funding from excess contribution margin.

Commissioner Ernst commented that she will support General Manager Gray's decision, and that she is definitely not in favor of using contribution margin funds to make up the difference. She added that she would like to see some options to offset that and, if not, she would like to see it funded through rates.

President Brown commented that he is against using reliability for funding. He said he believes that EWEB ratepayers will draw the line at a 2% rate increase for salaries and that he wants to take it out of rates and not use the excess contribution margin for funding.

Commissioner Ernst asked what the cost would be to bump the conservation level to 2.7 aMW. General Manager Gray replied that based on a cost of \$4.4 million for an additional 4.5 MWhr, he estimates it would be several hundred thousand dollars.

President Brown reiterated that he supports the staff recommendation to increase the conservation level to 2.65 aMW.

Ms. Smith asked if the Board is comfortable with moving forward with a November rate increase (ahead of approval of the budget) of 5% and then actual rate impacts of direction with a balance into March vs. May.

Regarding the rate smoothing table, Vice President Simpson said he can't live with rate option A. He asked what the down side is for Option C. Ms. Smith replied that Option C is a more accelerated process but it can be done. She explained that there has traditionally been a longer period of time between the high winter heating months and a rate increase, and that the difference between a 4% and a 5% increase is a 20% reduction of the impact on a customer's bill.

Commissioner Ernst said that she is more in favor of Option B, the traditional rate increase in the month of November and then one in May.

Vice President Simpson then changed his decision to favor an equal step increase.

Ms. Smith further explained the use of excess contribution margin vs. other funding mechanisms.

Commissioner Cunningham questioned if it is right to raise rates more than is necessary at a specific time. He wondered if November is the right time for a rate increase since it is right before the Christmas season, and ratepayers' money could instead be used to boost retail sales, which in turn would create an economic boon.

Ms. Smith further explained that the timing doesn't work to mitigate a spring rate action. Further discussion ensued regarding the timing of a rate increase and its impact on the community.

Commissioner Ernst said that she believes EWEB has a history of reducing rates and giving money back, and of doing what is best for the ratepayers. She added that she appreciates that General Manager Gray and staff has given the Board the opportunity to comment on decision options and that she isn't concerned about staff doing the right thing.

Commissioner Cunningham voiced his support for Option B.

President Brown voiced his support for Option C. He noted that there will be an election in May 2012 and that he doesn't want this to become political, and that he supports cutting 1% off the increase by bumping it up 60 days. He reminded the Board that EWEB has debt from unfunded liability, two upcoming projects, PERS liability, clean-up liability, etc. and that the spending has to stop.

Commissioner Ernst said she is not in favor of future rate increases occurring in March because they would occur before customers could get through the high bill/winter heating season.

Ms. Smith thanked the Commissioners for their input.

2012-2021 ELECTRIC UTILITY CAPITAL INVESTMENT PLAN (CIP)

Using overheads, Tom Buckhouse, Electric, Water & Steam Division Director, and Dean Ahlsten, Systems Engineering & Substation Reliability Manager, presented the CIP as outlined in their previous memo to the Board. Mr. Ahlsten noted that no Board action is requested this evening and that after receiving Board feedback; staff will finalize the CIP and return to the September 6 Board meeting for approval.

President Brown asked why \$620,000 is listed for vacation of the EWEB riverfront property. Ms. Smith replied that this amount doesn't necessarily represent Riverfront Master Plan dollars. General Manager Gray noted that tonight's agenda item #12 will provide the Board further information regarding the Riverfront Master Plan. Ms. Smith continued, saying that \$500,000 of that figure was a set-aside and that staff is projecting a \$350,000 expenditure at best for this year, so in essence, part of the \$620,000 will be paid for by some of the set-aside. Mr. Buckhouse added that even if staff knows that the work will not get done, it is still shown in the budget but there will be surplus dollars at year-end.

President Brown said that he looks at this as a mindset for carryover funds, and that rates could be raised unnecessarily due to cost overruns. Mr. Buckhouse replied that that will come out in the budget process itself but not in capital planning. President Brown reiterated that cumulatively it is just not a good feeling.

General Manager Gray asked for confirmation that headquarters and Roosevelt Operation Center (ROC) improvements to capital buildings remaining in utility use will show up in the General Plan. Mr. Buckhouse said that is correct. Mr. Gray then noted that this item should be considered a riverfront/non-utility improvement going forward, and not a headquarters

improvement, and that he would like to break it out as a separate line item because he doesn't like co-mingling it with headquarters improvements.

President Brown replied that his point is that \$1 million at a time is being spent in trying to sell real estate. General Manager Gray replied that in actuality the Board has only approved the transfer of \$500,000 and that he would be comfortable with changing that amount to zero at this point.

Further discussion ensued regarding funding sources for this item. Ms. Smith noted that there is no rate impact built in from the budgeted funds at this time, and that they carry their own funding source that is not funded from rates. She added that she wanted to be clear that staff has not assumed a rate action to fund an item that they are not sure will actually be funded at a later time. General Manager Gray noted that funding for the Carmen-Smith update is already built into the rate schedule, consistent with what the Board has already reviewed.

President Brown thanked Ms. Smith for the explanation.

2012 DRAFT WATER DIVISION 10-YEAR CAPITAL INVESTMENT PLAN

Mr. Buckhouse and Mel Damewood, Water Engineering Manager, noted that they will be presenting essentially the same information, in the same format, for the water side as for the electric side. Mr. Damewood reviewed the revisions that have taken place since last year's review with the Board. He noted that staff is not making a recommendation and that no Board action is required this evening.

Commissioner Cunningham asked what role EWEB plays in the Veneta Connection. Mr. Damewood replied that the area from Terry Street to Greenhill Road is within EWEB's urban growth boundary and that the rest of the connection is the City of Veneta's responsibility. Commissioner Cunningham then asked when this project will be completed. Mr. Damewood replied he believes it will go on line in the summer of 2013.

Mr. Damewood thanked Wally McCullough for his assistance with tonight's presentation.

Commissioner Ernst recalled that in an earlier budget discussion regarding reliability, she heard comments that the electric system wasn't as reliable as the water system, yet this evening she heard General Manager Gray say that the electric system was very reliable but that the water system needed some work.

Mr. Buckhouse replied that staff tracks the number of customers whose water service is interrupted and also the number of water line breaks. He said that when compared to utilities of EWEB's size around the United States, EWEB is about average in water line breaks but behind the average for water service interruptions, and under the average in short interruptions and a little over average in longer interruptions. He added that the overall strategy is designed to improve that level over time but that it may take 20 years to get to that point.

Mr. Damewood added that EWEB's water line leakage rate is only 7-8% water loss, which is excellent, as the standard is 10%, but he noted that that is not an indicator of reliability. Mr. Buckhouse added that that figure represents accounted-for water and that some water produces revenue and some doesn't.

President Brown asked if the proposed 400-acre Willamette Water Company site has been discussed in relation to its effect on the CIP. Mr. Damewood replied that it has not been discussed yet but definitely will be because that site will be tapped for heavy industrial use. He added that some of that amount will represent development dollars as far as demand, because contributions from developers aren't included in the CIP as they are too variable, but that the load would hit the water operations and maintenance side because of having to maintain more plant if that acreage is developed.

President Brown also mentioned two big projects of approximately 1,000 acres in the Russell Creek area that will also impact EWEB's water supply.

It was moved by Vice President Simpson, seconded by Commissioner Cunningham, to extend this discussion for an additional five minutes. The motion passed unanimously, 4-0.

Commissioner Cunningham thanked Messrs. Buckhouse and Damewood for an excellent presentation and commended the Water Division for the great work on the Coburg Road water main replacement and also the improvements at Hayden Bridge Filtration Plant.

President Brown adjourned the Work Session at 7:35 p.m.

Assistant Secretary

President