

EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
McKENZIE FIRE & RESCUE TRAINING CENTER
42870 McKENZIE HIGHWAY
SEPTEMBER 20, 2011

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

Others Present: General Manager Roger Gray, Debra Smith, Patty Boyle, Clay Norris, Roger Kline, Mark Zinniker, Steve Newcomb, Nancy Toth, Lance Robertson, Tom Buckhouse, Kim Morgan, Bob Vigil, Mark Freeman, Jason Heuser, Ken Wedin, Tim O'Dell, Scott Pierce, Cathy Bloom, Susan Fahey, Karl Morgenstern, Megan Capper, Anne Kah and Taryn Johnson of the EWEB staff; Vicki Maxon, minutes recorder.

President Brown convened the Regular Session of the Eugene Water & Electric Board (EWEB) at 6:30 p.m.

AGENDA CHECK

There were no changes.

PUBLIC INPUT

Jim Baker is the president of the Blue River CDC. He has been involved with EWEB for over 40 years regarding river issues, dating back to when Keith Parks was General Manager and geothermal energy was first being considered. He thanked the Board for their interest in river quality and for backing up that interest with not just words, but actions. He said the Board is appreciated by many people who live upriver, and again thanked the Board for all they have done regarding quality of the river.

Commissioner Cunningham acknowledged Mr. Baker's lifetime interest in preserving river quality.

Don Applet lives on Leashore Drive across from the Leaburg landing. He reminded the Board of previous discussions regarding installing a gate at the landing. He said there have been a lot of people using the landing late at night and that is becoming a concern. He asked the Board to consider installing a timer and road spikes at the exit in order to prevent people from entering that area after 8:00 or 9:00 p.m.

Mr. Applet also asked the Board to consider asking the EWEB landscape crew to plant some ground cover on the slope on Leashore Drive, which used to be green, but with all the bark there, is now growing nothing but weeds.

Steve Clark asked for an update on the Board's position regarding Lane County's proposal for a 200-foot setback at the tributary of the Willamette River, which was tabled last fall. He said he recalled that President Brown stated EWEB's position last fall but that he believes it is not a dead issue even though it has been tabled indefinitely.

Vice President Simpson asked Mr. Applet if he lives on the opposite side of the river from Leaburg landing. Mr. Applet replied that is correct. Vice President Simpson recalled that EWEB had received some complaints about the concrete at the landing being particularly bright and that it had been toned down, and he wondered if that revision is satisfactory. Mr. Applet replied that it is satisfactory, but that the green concrete (in the river) that was installed has now turned white, and that EWEB should get their money back from the company that installed it.

Commissioner Cunningham commented that, speaking for himself and not the Board, he believes the 200-foot setback proposal is an unsubstantiated invasion of homeowners' rights, but that County Commissioner Faye Stewart had made it well-known that it will be a dead issue for a while

Mr. Clark replied that he feels fortunate that last fall's election went the right way and that, even though his permanent residence is in the state of Missouri, he made a lot of phone calls and followed the issue closely even though he couldn't attend the public hearing.

Commissioner Cunningham continued, saying that he believes, to a large degree, that at first EWEB took a bum rap because they had a biologist and others looking into the issue at the request of the County, in the event that they could come up with the best scenario to protect the river and EWEB's vision. He added that EWEB has always been flexible on the 200-foot setback issue, and he reiterated that he believes it is a terrible invasion of homeowners' rights.

Mr. Clark replied that, depending on which property one is talking about, there is validity for the amount of setback. He said that he knew EWEB took a bum rap, but he felt that seemed to be rectified by the spokesman who made a public statement in the Register-Guard to correct that position.

Commissioner Cassidy commented that he realizes that 200 feet is considered to be a safe setback, but that he believes an ordinance like that should include an option for residential groups such as Mr. Clark's to evaluate individual pieces of property and make a petition to the County to exempt those pieces. He added that the "one size fits all" theory doesn't really work in this case.

Mr. Clark replied that he respects Commissioner Cassidy's comments but that he doesn't totally agree with them, as he believes that property owners are already over-regulated. He gave the example of having to pay \$175 for a permit to tear down his barn.

Commissioner Ernst commented that since she has been on the Board, EWEB has taken great care of the river as a drinking water source, and she believes EWEB has listened to its upriver customers. She said it is unfortunate that upriver customers don't have an elected Board

representative, but she reminded Mr. Clark and the others that they do have access to the Board. She added that she believes the setback issue is dead at this point, but that will not stop EWEB to continue to move forward to keep the McKenzie River clean, and that General Manager Gray and EWEB staff will continue to come up with programs and work with upriver customers to continue what is a win/win situation.

Vice President Simpson commented that he appreciates Mr. Clark's comments, and that river protection is critical for the entire State of Oregon, not just the McKenzie River valley. He noted that most upriver properties are on septic systems and that EWEB has rolled out a collaborative program that will help septic system users afford the clean-outs. He added that it is very important to realize that the 200-foot setback was driven by the County and not by EWEB, and that he hopes upriver customers have seen that EWEB Board and staff are dedicated to working with them to insure the viability of the river. He said EWEB is dedicated to preserving the river not only for drinking water quality and source protection but also for preservation of wildlife and aquatic species.

Mr. Clark said he appreciates Mr. Simpson's comments.

President Brown said he will ask EWEB staff to get in touch with the Friends of Leaburg Lake, as the Leaburg landing gate and highway access issues, including what would happen if someone has to back up their boat and trailer onto the highway, have indeed been discussed. He added that even though it seems that issue is a Catch-22, the Board understands and is aware of the problem and, if it becomes a bigger problem, the Board will address it, along with the vegetation and guard rail installation issues. He thanked Mr. Clark for calling the Board's attention to the above issues.

Mr. Clark commented that his group's official position has not changed and that they're through with the process. He noted that his group will collaborate and insure stewardship on both ends for everyone. He added that he is not questioning EWEB's position but that he wants to keep this issue in the forefront, as there is a newspaper reporter present.

President Brown asked that, because 60% of the EWEB Board will change in the next 18 months, Mr. Clark keep the issue in the forefront.

President Brown recognized Lane County Commissioner Rob Handy as being present at tonight's meeting.

APPROVAL OF CONSENT CALENDAR

Commissioner Cunningham pulled Resolution 1137, authorization for extension of the 2001-2006 Hynix power services agreement from the original termination date – September 30 – October 31, 2011.

It was moved by Commissioner Ernst, seconded by Vice President Simpson, to approve the remainder of the Consent Calendar except for Resolution 1137. The motion passed unanimously (5-0).

ITEM REMOVED FROM CONSENT CALENDAR

Vice President Simpson told the audience that because of the short notice the Board received for Resolution 1137, he is legally required to read it aloud. He then read the resolution aloud.

It was moved by Commissioner Cassidy, seconded by Vice President Simpson, to approve the above resolution.

Commissioner Cunningham explained that he will be voting against this resolution because when Hynix first came to Eugene, they were given years and years of tax credits and low incentives in order to locate here, but when the recession hit, they were the first to pull the plug and lay off hundreds and hundreds of employees. For that reason, he said he can't in good conscience vote to "give them a deal."

President Brown commented that the Board needs to approve this because of contractual obligation. The motion passed 4-0 (Commissioner Cunningham abstained).

ITEMS FROM BOARD MEMBERS

Commissioner Ernst commented that she had talked to a journalist from the economic center, who wanted to pass on their appreciation to General Manager Gray and staff for EWEB's assistance during the cold winter months.

Commissioner Cunningham commented that a senior citizen at tonight's meeting had asked him where fixed income senior citizens who live upriver can go to get assistance with their electric bills. He said that he talked to Mark Freeman, Customer Service Manager, before the meeting started, and Mr. Freeman will look into the possibility of someone from Catholic Community Services coming to an upriver location to assist eligible residents, hopefully in October or November.

Vice President Simpson noted that last week was Recycled Glass Week, and that EWEB was presented the Green Window Award from St. Vincent DePaul for their assistance in helping residents in need of housing get back on their feet, and also for their efforts in energy conservation. Mr. Simpson then presented the award to General Manager Gray and asked that it be placed in the EWEB trophy case.

President Brown acknowledged the leadership of General Manager Gray, who was at the helm of EWEB's recent involvement in providing housing for veterans by assisting with the remodel of two rental houses which will be rented at a very low rate for the first two years of

residence. He said it was a very noble thing for EWEB to be part of this community effort, and he thanked Mr. Gray on behalf of the entire Board.

CORRESPONDENCE

Commissioner Cassidy said he would like further discussion regarding the 2012 administrative budget cuts and asked if 20-30 minutes could be put on a future agenda in order to do so, since there is not time at this evening's meeting. The rest of the Board and General Manager Gray agreed to delay this item until the next Board meeting.

General Manager Gray gave a brief overview of the two memos included in the Board packet, one of which includes follow-up on the previous question regarding proposed items to be cut that affect Board-related issues.

Mr. Gray noted that Lance Robertson, Public Affairs Manager, will be sending out the annual customer service survey, which was brought back this year (one was not done in 2010). He said it contains a series of questions that can be benchmarked against history but also includes some new questions, including some related to AMI. The results of this survey are expected in mid October.

Mr. Gray then noted that October 2-8 is Public Power Week, which recognizes the benefit of publicly owned utilities. EWEB will be some conducting customer events, including greeters and refreshments in the lobby, handing out fluorescent light bulbs, and a possible op ed piece, which will be discussed with the Board.

BOARD AGENDA & CALENDAR

General Manager Gray noted that Commissioner Cassidy's suggestion regarding discussion of the proposed 2012 administrative budget cuts at a future meeting will be added to the calendar, but that the other items remain the same and are on target. He added that he is still working on converting the Board calendar to electronic format, but that other projects have taken priority.

Commissioner Ernst asked why the October 18 Special Board meeting is starting at 4:30 p.m. She reiterated that she had previously stated that she would like Board meetings to start at 5:00 so she doesn't have to get off work early, and she reminded the Board that she had brought this up at a previous Board meeting. General Manager Gray said he will meet with staff to discuss changing the start time to 5:00 p.m.

Commissioner Ernst then reiterated that she would like discussion at a future meeting regarding energy conservation program policies and program costs per kWhr. She recalled that the Board was given a backgrounder on what the conservation programs are and what traditional vs. current costs of the programs are, and that the chart showed that residential conservation may now go as high as \$90/kWhr. She said that in order to meet the recently approved conservation goals, the Board should look to General Manager Gray and staff regarding what they believe

should be spent on conservation programs, and then make sure that Energy Management Services comes forward to cover not just commercial but also residential programs.

Vice President Simpson asked if this has been on the Board's "radar screen."

General Manager Gray recalled that he interprets this issue as a gap between what the Board approved and what Commissioner Ernest is describing, and reiterated that the Board approved a 2012 conservation target of 2.65 aMW and \$41/Kwhr, but that he believes Commissioner Ernst is seeking a more long-term perspective.

Clay Norris, Power Resources Division Director, confirmed that what the Board approved was the 2012 conservation budget and a KWhr goal which, if the math is done, would be around \$40-41/Kwhr.

Commissioner Ernst replied that she believes the Board would be interested in seeing what types of programs are going to be offered for that 2.65 aMW, and that an additional memo would be sufficient.

General Manager Gray said he believes it would be appropriate for staff to describe the 2012 conservation programs but that staff is not quite ready to do so. He recalled that at the last Board meeting a conservation program for rentals was part of the presentation, and that he believes staff can present a description and also highlight some areas of follow-up research.

Commissioner Ernst replied that if the Board has that information, she believes they can move forward on a decision.

Vice President Simpson asked the Board to note the section of the Board calendar which lists outstanding items for staff that may result in Board action. He said that he had requested the PPC vs. WPC value differences item but that, depending on the outcome of the administrative cost adjustments, he is giving notice that he may choose to pull this item as a moot point.

Regarding Commissioner Ernst's request for a future discussion regarding energy conservation programs and cost/KWhr, Commissioner Cunningham recalled that the majority of the Board felt that the policy recommendation should come from Mr. Norris' department through General Manager Gray, and that the Integrated Energy Resource Plan would play a role in that for 2012. In light of the fact that the 2012 conservation goals will be implemented during his last year on the Board, Commissioner Cunningham said he would like to see staff bring the recommendation to the Board for later discussion.

Mr. Norris asked for confirmation on what information Commissioner Cunningham is looking for. Commissioner Cunningham replied that he is looking for program costs and where the emphasis is being placed.

General Manager Gray commented that early conservation elements (the 2.65 aMW) and total dollars have been identified, but what the Board doesn't have is a specific description of programs and potential changes, i.e., the rental program research being done currently. He added that many conservation programs remain steady from year to year, and that the programs for 2012 will most likely be similar to the 2011 programs with the possible addition of a focus on rentals.

Commissioner Cunningham replied that he believes the Board should leave this type of information to the experts and that the Board shouldn't be getting into the business of writing policy.

President Brown said that this item will be put on the agenda for the next Board meeting and that the discussion will continue at that time. Commissioner Ernst said it is her understanding that the Board will first get a backgrounder regarding what the programs look like, and that the discussion will be put on a future agenda following that.

Vice President Simpson agreed to the backgrounder, as he wants to see how at one point the cost was referred to as \$40/Kwhr, yet Commissioner Ernst quoted \$90/Kwhr, and he wants to see where the two numbers meet.

After some discussion, General Manager Gray asked for clarification on the Board's direction. Commissioner Ernst reiterated that she agrees it is not the Board's responsibility to dictate to the staff and General Manager what programs should move forward, but that she would like a backgrounder regarding the conservation programs that are recommended for 2012. She added that the Board might want to take it one step further after that, but for now she is just asking for an overview of the 2012 programs based on the approved conservation goals and the money the Board has designated to be spent.

McKENZIE CLEAR WATER COALITION PRESENTATION

Will Rutherford, Chairperson of the Clear Water Coalition, acknowledged EWEB's previous efforts regarding water quality. With the use of overheads and graphs, he listed the members of the coalition, what they have achieved so far, and reviewed in detail the results of a study the coalition conducted regarding water quality, which was done with data obtained from EWEB. His presentation also included suggestions from the coalition regarding the path forward.

Regarding overhead #4, Commissioner Cunningham commented that there are many entities claiming stewardship and that each organization listed has a special interest in the river. He said he hopes the Coalition is asking to become an equal partner and wondered if that is their goal. Mr. Rutherford replied that he didn't know about the "equal partner" reference but that the coalition is made up of residents and leaseholders of the drainage basin. He said the Coalition's intent is to understand what is needed in order to act responsibly in any situation, and that it is possible that they have an issue with the Watershed Council, which would be debated on their

turf. He added that the Coalition is not looking for recognition, per se, but the Coalition exists and will be attending EWEB Board meetings.

Commissioner Cunningham replied that the Watershed Council has developed representation from a lot of different people, as he experienced when he had occasion to represent President Brown at one of their meetings. He said they seem to attempt to arrive at consensus at each meeting and he hoped the Coalition will too.

Referring to an overhead regarding the use of EWEB data to support Lane County's ordinance proposal, Commissioner Cunningham commented that he believes at best this statement is misleading, but that he realizes the statement is not meant to be a shot at EWEB, even though it may sound like it is. He added that he believes the ordinance process itself was misleading.

Mr. Rutherford agreed, saying that the suggestion that some of the water samples near septic tanks at one point in time implied that the river is becoming increasingly polluted is, in the Coalition's opinion, outside of reality. He said the test data EWEB had was okay and that the Coalition had no issue with it, but rather their issue was the way the data was used in the ordinance process, as that was misleading to the majority of the citizenry. He noted that several letters to the editor were written to the Register-Guard for confirmation, as people were led to believe that the river was sliding downhill fast.

Referring to the section of the report stating that E. coli by year has trended down and that the total coliform summary is flat, Vice President Simpson said he doesn't see references to the EPA limits so, while he can expect that data is trending down properly, he wondered if they were horribly high or low to begin with.

Richard Eide, Lead Technical Team Member for Clear Water Coalition, replied that he couldn't obtain the EPA standardized regulated numbers to compare E. coli columns. Regarding what the ordinance pointed to, in 2007 EWEB did a septic analysis report and the level was about 20, but how that year compared with levels across the country, he does not know. He added that as he is not a scientist, he did a bean count on what EWEB had records for over a 10-year period, and he tried to find E. coli measurements on various EPA websites but was not successful at finding the regulation for that.

Vice President Simpson commented that since most data points to annual averages, he wondered if EWEB took a level say, once a month, and then took the total and divided it.

Mr. Eide replied that E. coli and total coliform measurements are taken daily and that EWEB provided those averages. Mr. Rutherford added that he believes that is covered in the appendix of their report.

President Brown clarified that EWEB funded \$50,000 to include a public process and that it was the beginning of the end when the public process did not go forward. He added that the decision not to do a public process was made out of EWEB's jurisdiction, and that the primary

reason EWEB pulled out was because of that decision. He said that septic tanks aren't going to last forever and that there is no inspection system, and he wondered what will be done when they fail. He asked what the Coalition's response will be, collaborative or otherwise.

Mr. Rutherford replied that the Coalition appreciates EWEB's involvement and that the reality is that a certain percentage of septic tanks will fail over time. As a preventive measure, the existing septic tanks will be corrected and, if confirmation cannot be made that the river is being adversely affected, then perhaps continuation of that sort of program is appropriate. He also wondered what a septic tank in the year 2030 will look like—pipes or electronic. He confirmed that the partnership with EWEB regarding septic tanks remains very audible.

Commissioner Ernst thanked Mr. Rutherford and the coalition for their work on the study, and said she agrees that the County should begin by enforcing the current ordinance before moving forward on another ordinance. She has been an environmental chemist for 20 years and she knows that averaging numbers and putting them on charts is a simplified method. She has spent time with EWEB staff, and they really are experts in their scientific methodology and their opinions on what the real picture of the McKenzie River is. She emphasized that the main thing EWEB wants to do is to continue to go forward with its preventive program and hope for no river contamination, as that would be a nightmare to fix. She added that some things that were not included in the study were the anomaly of Cougar Dam sending contamination into the river which causes high and low trends, and that the river is a different animal depending on which season it is.

Mr. Rutherford replied that the Coalition advocates prevention of problems as they occur, but that they believe a lot more dialogue is necessary before proposals are made. He added that standard deviation arrangements were not included with the data sheets and that they tried to keep them simple in order to easily communicate the information.

Commissioner Ernst said that EWEB has the study on their website and that, in her opinion, EWEB will not move forward with any ordinances without involving the land owners and/or the public.

Vice President Simpson seconded Commissioner Ernst's statement and said he will not support EWEB backing any type of ordinance without reasonable scientific basis, but that all good things start with a first step. He told Mr. Rutherford that he is impressed with their data compilation and with "fixing the EWEB data (so to speak)." He added that he is sorry to hear that the format of EWEB's data was difficult to use and that hearing that doesn't set well with him, either. He echoed Commissioner Ernst's comment regarding Cougar Dam releases, and that each data point should be normalized against a background of the environment at that time. He wondered if the next cycle might be using the Coalition's report and re vetting EWEB's reports in order to validate those data points, and perhaps weigh each one that is mutually agreed upon depending on what is going on with the environment at that time. He said he is not trying to say that the trend is going up, but that he would like to get science to the point that all parties can agree and live with it, and that is an example of the mutual involvement he would like to see.

Mr. Rutherford agreed, saying he believes that is also what the Coalition is looking for.

President Brown thanked Mr. Rutherford and said the Board appreciates what the Coalition has done, and that the Board is looking forward to a collaborative relationship. Vice President Simpson also thanked Mr. Rutherford for the excellent presentation.

Mr. Rutherford replied that he had very little hand in assembling this spectacular report, and he thanked his study team and the members of the coalition for their assistance.

McKENZIE WATERSHED COUNCIL PRESENTATION

Using overheads, Larry Six, Coordinator of the McKenzie Watershed Council and Executive Director of the McKenzie Watershed Alliance, gave an overview of the mission of the McKenzie Watershed Council. A brief outline of the presentation includes:

- 23 Council partners/three staff
- 2010 revenue sources
- Local matches and grants
- Goals
- What the Council does
- List and maps of current priority areas
- List of restoration projects
- Lower McKenzie Fish Habitat Enhancement 2005-2010
 - (mitigation for Leaburg-Waltermville hydro project)
 - Conservation Easement Zones
 - Berggren Watershed Conservation Area
 - Demonstration farm
 - Flood plain forest/riparian zone (work just beginning)
 - Middle McKenzie Side Channel Enhancement
 - Cedar Creek (work just beginning)
 - Fresh Water Trust (subcontractor)
- A list of education projects
- Includes teachers from McKenzie, Springfield and Mohawk school districts
 - Kids do field surveys – insects, habitat, restoration, data analysis
 - Involves 60-90 middle school and high school students
- Outreach projects
- Annual River Clean-Up (July)
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Lastly, Mr. Six told the audience how interested people can get involved in the McKenzie Watershed Council and McKenzie Watershed Alliance.

Vice President Simpson asked how far the restoration is from the river's edge. Mr. Six replied that this is negotiated with each individual land owner in order to design a program that fits their needs, as each individual has different desires, i.e, a view of the river or certain vegetation, etc.

Commissioner Ernst said she appreciates all of Mr. Six's hard work and that she realizes that dollars are stretched as far as they can go.

Vice President Simpson said he is amazed at how much Mr. Six has done with only one half-time and two full-time employees.

President Brown thanked Mr. Six for his presentation, and then called for a five-minute break.

EWEB EMERGENCY PREPAREDNESS & RESPONSE PLAN PRESENTATION

Mr. Norris told the Board that this presentation is for information only and that no action is required. He introduced Mark Zinniker, AIC Generation Engineering Supervisor. Using overheads, Mr. Zinniker presented the emergency preparedness and response plans for Leaburg-Waltonville and Carmen-Smith.

Commissioner Cunningham asked if there is a procedure in place for water supply in the event of a terrorist attack. Mr. Zinniker replied that there is a security plan for Leaburg-Waltonville and Carmen-Smith with a number of protection measures in place, including fencing and security cameras. Improvements will also be made to the communication backbone to Carmen-Smith with more video surveillance added, and EWEB has implemented the recommended 9/11 security assessments, which are now being designed for Carmen-Smith.

Karl Morgenstern, Drinking Water Source Protection Coordinator, then briefed the Board on EWEB's hazardous material spill/watershed emergency response plan.

President Brown asked why the Lane County Sheriff's office didn't notify EWEB about the airplane crash that occurred right above the water intake plant. Mr. Morgenstern replied that staff continues to try to drum the message in to local authorities that they need to notify EWEB when any event occurs near any of EWEB's hydroelectric facilities, but so far it appears that the message has not been received. He added that the Lane County Sheriff's office said that because there were only eight gallons of fuel in the airplane, there was no fuel sheen on the water so it "wasn't a big deal," but that staff had told the Sheriff's office that it indeed was a big deal. He said that staff is currently trying to inform 911 dispatchers of the request to notify EWEB immediately, as they are the first line of contact.

Vice President Simpson asked if any drill training has been done at night. Mr. Morgenstern replied that there has been none, but that last year the Environmental Protection Agency (EPA) gave EWEB \$25,000 to perform three days of drills. He added that real time drills using leaves and bark to simulate an oil spill are being planned. Vice President Simpson recommended the night drill training.

President Brown reminded Mr. Morgenstern to ask the Board for funding if additional training or anything else is necessary.

SNAKE RIVER DAM REMOVAL ISSUE

General Manager Gray reminded the Board that occasionally he asks for clear policy guidance in order to either join or exit certain organizations. He said that the Snake River Dam represents 15% of EWEB's energy resource portfolio and that is a significant amount, but that it also has CO2 and rate impacts. He added that the solution is not as simple as replacing that 15% overnight with conservation and the smart grid, and that the most probable option would be continued opportunities for fossil fuel such as coal or gas-fired plants. He referred the Board to his recent memo and said he believes one resolution would be to look at all resources and apply the triple bottom line (TBL) respective to each.

Commissioner Cunningham asked Mr. Gray if he is referred to the Northwest Energy Coalition (NVEC), who has passed a resolution to remove Snake River Dam. Mr. Gray replied that there are several organizations that are for or against the dam, but NVEC is one who has taken an anti-Snake River Dam position. He said that Vice President Simpson is a member of the NVEC Board, and that their position is a surprise to staff, and that they are the only organization to which EWEB belongs that continues to surprise staff with some of the positions they take, another one being their position on the biomass issue.

Commissioner Cunningham said his concern is that they have reversed their position, when previously they stated they would inform the Board prior to taking a position on either the Snake River Dam or the biomass issue. He added that he considers it a slap in the face to EWEB in light of the fact that EWEB's yearly donation to NVEC is \$13,000. He said it seems to him that their members who donate \$500 and \$1,000 receive more credence than EWEB is given, and that they seem to put EWEB on equal footing with people who pay far less for their membership than EWEB does.

It was then moved by Commissioner Cunningham, seconded by President Brown (for purposes of discussion) that EWEB terminate its membership in the NVEC.

Vice President Simpson urged the Board to separate this issue from the rest of the NVEC, as it really has nothing to do with the NVEC organization itself.

Commissioner Cassidy commented that he wouldn't mind taking a position regarding removal of the dam, but that he does not like using that position to talk about discontinuing membership in the NVEC. He said he would like to continue this discussion when the Board discusses the proposed administrative budget cuts, as EWEB membership in not only this organization but others is being considered for cuts. He added that he would also like to see something more definite about the position NVEC has taken regarding the Snake River Dam. He reiterated that he is not in favor of discontinuing EWEB's membership in the NVEC.

Commissioner Ernst agreed with Commissioner Cassidy. She said she is surprised that staff is surprised at the position that NVEC has taken, as they have taken this position for at least 12 years, regarding removing the dam either partially or in full. As far as replacing the dam with renewables or conservation, there was a Bright Future paper done, and Commissioner Ernst

believes the author has a good handle on what that loss of power generation would mean, though she isn't necessarily saying he is right. She agreed that the Snake River Dam issue should be separated from the benefits EWEB receives from its membership in the NWECA, as they are the only organization EWEB is involved with that pushes renewables and fish legislation and spends time on energy credits.

Commissioner Cunningham repeated his previous motion, and then asked Mr. Gray if he believes the NWECA knows what they are doing. Mr. Gray replied that he believes the Board needs to consider the clear position that NWECA has articulated and that their historical decision was not a surprise, but rather it was the matter in which it was re-conveyed. He reminded the Board that the NWECA membership is one of the three organization memberships that is being recommended for discontinuation, and the two others are Pacific Northwest Utilities Conference Committee (PNUCC) and the River Partners. He explained that those recommendations are not based solely on a position that has been taken, but on cost reductions that have the least amount of impact on EWEB. He said that in his judgment, if EWEB stays in the NWECA, that is an endorsement for removal of the Snake River Dam, and that he believes the Board needs to realize that it will appear that they are endorsing that position unless they ask for a specific footnote that says they are not endorsing it.

Commissioner Cunningham replied that in his opinion, if EWEB continues its membership in NWECA, it shows that the Board supports higher rates and fewer dams, when in reality it is lower rates that he supports.

Vice President Simpson commented that he plans on voting no on the motion in order to retain EWEB's relationship with NWECA, with the full understanding that this issue will be reviewed again soon at a future Board meeting as part of the proposed administrative cost reductions, and that he may vote yes at that time. He added that he feels discussing the Snake River Dam is off topic and not a part of EWEB's relationship with NWECA, and that he is not prepared to discuss that topic at this time.

Commissioner Ernst agreed with Vice President Simpson, saying she believes this goes back to a discussion regarding the Public Power Council (PPC), who has taken an anti-dam removal stance, and that if EWEB maintains its association with them, EWEB sends a message that they are not in favor of removing the dam. She added that she will be voting against discontinuing EWEB's membership from the NWECA, and that she would like to get back to the Snake River Dam Removal topic.

Commissioner Cassidy commented that he would like documentation regarding NWECA's position regarding removal of the Snake River Dam, as he has not seen any.

President Brown reiterated what he had heard at the NWPPC meeting, which was that the heads of every agency attending the meeting were dismayed at NWECA's position on the Snake River Dam removal, and at Congressman DeFazio's adamant position on removal. He said that to him it is beyond belief that the Board would profess that they have the expertise to help make a \$1 million decision which would end up quadrupling EWEB rates.

Commissioner Ernst stated that she is not an expert on dam removal, but that she agrees with General Manager Gray that the Board should remain neutral regarding removal of Snake River Dam, and that since EWEB is a member of the NWECC, the Board should make a statement regarding TBL analysis and leave it at that.

Vice President Simpson concurred with Commissioner Ernst.

It was moved by Commissioner Cunningham that the Board go on record to oppose the removal of Snake River Dam. There was no second of the motion.

Commissioner Cassidy stated that he believes the Board should make it clear to NWECC that it does not support removal of the dam, but that he also believes that EWEB's membership in the NWECC should be handled as a separate issue, and that he would like to delay his vote until further discussion can occur.

Vice President Simpson agreed with staff that fish management applied to these over the last decade has restored fish populations in these facilities, not to pre-dam levels but in a tradeoff between what society needs to power itself and the impact that it has on the environment. He said his personal opinion is that dams should be closed but that as a Commissioner he has to think in a balanced manner, so he also hopes there will be electric power in order for traffic lights to work and light fixtures to work for Board meetings. He also does not want to impose a 15/20/25 instant rate impact on the citizens of Eugene because his constituents tell him constantly not to raise rates. He added that he leans toward maintaining and keeping the dams in place but without pegging the meter all the way over to that side, and he is a centrist.

President Brown stated that he is 100% for keeping the dams, and that he wouldn't be so inclined to discontinue EWEB's membership in the NWECC had the Board not had this discussion with them earlier about them doing this exact kind of thing, and now they've done it again and made everyone mad. He reminded the Board that issues such as this create more work for EWEB staff and reap more burden than benefit, and that if the NWECC can't adhere to EWEB's rules regarding their membership, he doesn't want to belong to that organization, but he realizes that he doesn't have the votes tonight to discontinue that membership.

Further discussion ensued regarding how discontinuing membership in the NWECC would affect rates and other issues. Commissioner Ernst reiterated that General Manager Gray has advised the Board to take a neutral stand regarding the Snake River Dam removal, and she agrees with that.

Commissioner Cunningham stated that if a dam is removed, it will quadruple rates, and that it would seem that the Board would want to take whatever action is necessary to prevent that from happening. He added that at the very least the Board should send a letter to NWECC, advising them that the Board does not support NWECC's position to remove the Snake River Dam, but that he also realizes that he won't have the votes tonight to make that motion.

President Brown reiterated that there will be further discussion regarding the above at a future meeting.

Regarding the approval of Resolution Going back to Commissioner Ernst reiterated that if the Board recalls resolution 1023 regarding making decisions by taking the TBL into account and not just economics or cost, she is not in favor of raising rates, but that the McKenzie River, power generation and air quality are precious resources and they need to be respected, and that is why she is in favor of maintaining the previous resolution to use the TBL in decision-making.

Commissioner Cunningham stated that he thinks the Board will live to regret using the words "triple bottom line."

Commissioner Cunningham read the resolution, and then commented in his mind, the Board is either for or against a rate increase.

General Manager Gray clarified that the rate impact mentioned in the backgrounder memo is 15-30%, and that rather, it was Congressman DeFazio and President Brown who had referred to the rate increase as "quadruple," when actually that multiplier applies to the cost of removing the dam.

Commissioner Cassidy reiterated that he wants to qualify the motion as the wording in the resolution is too long and the meaning is still unclear, and that he will be voting no.

The motion was then amended by Commissioner Ernst, seconded by Vice President Simpson, for the Board to agree with General Manager Gray to remain neutral on this issue and send a letter to the various organizations who are pro or con, stating that EWEB is neutral and sticking to a TBL analysis.

Commissioner Cunningham asked Mr. Gray if that is what he indeed is recommending.

Mr. Gray replied that his primary recommendation is that the Board adopt Resolution 1023 as a primary stance, and that he will honor the Board's comments that membership in any organization will not be dropped until a recommendation to do so is brought forward for each organization that is being considered. He added that if this issue passes, EWEB will remain neutral, but then will come back and say that an organization has spoken for EWEB. He added that he will amend the backgrounder memo to state that if EWEB remains a member of the NWECA, it will cost the organization additional staff resources, and those costs will be identified in the near future.

The motion to approve Resolution 1023 passed 4-1 (Commissioner Cunningham voted no).

An additional motion was then made to approve General Manager Gray's recommendation to consider the TBL and not just cost when making decisions. The motion passed 4-1 (Commissioner Cunningham voted no).

CARMEN-SMITH LICENSE IMPLEMENTATION PROJECT FINANCIAL UPDATE

Using overheads, Mr. Norris provided a financial update on the Carmen-Smith license implantation project.

Vice President Simpson asked if the drawdown extends through November 2015. Mr. Norris said it does not, and that there will be a lesser drawdown in 2014 and then it will be partially refilled.

Using overheads, Patty Boyle, Principal Project Manager, gave an overview of the updates to the financial model and a summary of the cost/benefit ratio.

Commissioner Ernst asked what effect the price of carbon tax will have on this project. Ms. Boyle replied that the tax doesn't really ramp up or have an impact until about 2020, and that it adds about \$3 to the gas level price and \$22-24 to the power price. She added that this is expected to happen at approximately the same time the project is completed.

Vice President Simpson asked how having a carbon tax implemented will raise the benefit ratio. Ms. Boyle replied that it raises the entire market price and then EWEB sells the power in the wholesale market. Mr. Norris added that the low and high power prices are tails on the probability curve and if it is believed there will never be any carbon cost over a 50-year license, it's break-even.

President Brown wondered, if the government continues the way it has, where EWEB will get the money to offset the carbon tax and, since it is federally mandated and if it doesn't happen, EWEB is making a 100% loan.

Mr. Norris replied that it is a break-even under the assumptions that staff has made for that scenario, and he referred back to his earlier statement that he believes the modeling needs to be refined, as he believes it is extremely conservative.

President Brown asked what the probability is that the cost will come in substantially less because of the current state of the construction industry. Mr. Norris replied that he is optimistic that the project will come in under estimate, and that Mike McCann, Hydro License Implementation Manager, and his team are already looking at value engineering and identifying areas where costs can be cut.

Commissioner Cunningham commented that when he sees a project go up by \$20 million, he wonders at what point it becomes a realistic Board duty to say, "do we really want to do this?" Secondly, he wondered how that \$20 million will affect ratepayers if it's funded somehow by additional rate increases.

Mr. Norris explained that staff needs to bring to the Board a realistic assessment of what the alternative is, and that is part of the conservatism. He explained that staff had to guess at the

decommissioning costs and added those to the tail end of the 50-year license, but that they have not assumed the decommissioning costs up front if the relicensing is not done, and that is obviously a big difference in costs. He added that he is not prepared to give the Board a satisfactory answer tonight but that it is a good question, as staff is at the point where they need to commit dollars. He said the \$20 million would be financed and would impact debt service costs, and necessitates a rate increase of ½-1%.

Further discussion ensued regarding the cost of relicensing vs. the cost of decommissioning, with Ms. Boyle providing further explanation. Commissioner Cassidy requested a one-on-one discussion with Ms. Boyle in order to better understand the financial impacts.

Commissioner Ernst stated that the way she sees it, EWEB wants power costs to be low while the project is being built so power can be bought at a lower rate to replace the power that is lost, then once the project is completed, EWEB wants power costs to skyrocket so power can be sold. She wondered if there would be an advantage to try to move the project forward at a faster rate.

Mr. Norris said that is a good question, and he explained that EWEB has to wait for FERC in order to get the license and that he doesn't believe that the schedule can be accelerated, but that engineering and construction estimates can still be done. He added that a delay has been considered, but then power costs will be a guessing game and construction costs will go up.

Vice President Simpson asked if all the net present value (NPV) calculations take into account the entire sum of all debt payments. Mr. Norris said not exactly, but capital costs in their entirety and discounted future benefits are based on possible money when not putting debt service into the model, and that internal rate return and/or cash flows are looked at.

President Brown asked Ms. Boyle for help with the math—that he hears EWEB is going to raise rates 10% in the next six months, and then that dollar goes to \$1.10, and then is exponentially raised. He asked Ms. Boyle to tell him what the real rate increase is going to be in today's dollars if rates are raised and this plan is implemented, and that it seems to him that it will be more like 20%.

Ms. Boyle further explained the financial scenario. President Brown commented that the dollar amount will then be so high that it will be unaffordable.

Debra Smith, Customer & Shared Services Director, said that President Brown raises some very good points, and that staff will be coming to the Board on October 18 with a higher-level presentation that she believes will make the financial scenario more clear. She added that the presentation will include the projected rate increase over a certain period of time and also the newest and best information from the project itself, along with some financial information regarding what the average bill for the average residential customer will be. President Brown thanked Ms. Smith.

Further discussion ensued regarding the financial and rate implications of the Carmen-Smith license implementation project, the project's history, its original cost vs. present day cost, etc. In reference to some specific questions from Vice President Simpson, Ms. Smith said she would meet with him to compare present day cost to original investment cost, etc.

Commissioner Ernst commented that the cost of hydroelectric power is going up and the question is, is it better to keep the production of power local in EWEB's own system, or throw it all out to the Columbia River system.

Commissioner Cassidy commented that he believes it comes down to \$130 million over a 30-year period paid for with inflated dollars, and that this project is being built with the community's future power needs in mind. He compared it to EWEB investing \$5 million in the Customer Care program, and said he considers both of those good investments.

RESOLUTION #1132 AND #1133 AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A POWER SALES AGREEMENT AND JOINT AGREEMENT WITH INTERNATIONAL PAPER

Mr. Norris gave the Board a brief overview of the above resolutions.

APPROVAL OF NEW POWER SALES AGREEMENT BETWEEN EWEB AND INTERNATIONAL PAPER – Resolution #1132

It was moved by Commissioner Cunningham, seconded by Commissioner Cunningham, to approve the above resolution. The motion passed unanimously (5-0).

APPROVAL OF NEW JOINT OPERATING AGREEMENT BETWEEN EWEB AND INTERNATIONAL PAPER – Resolution #1133

It was moved by Commissioner Ernst, seconded by Vice President Simpson, to approve the above resolution. The motion passed unanimously (5-0).

President Brown adjourned the Regular Session at 10:10 p.m.

Assistant Secretary

President