

EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
DECEMBER 6, 2011
7:30 P.M.

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

Others Present: General Manager Roger Gray, Debra Smith, Clay Norris, Roger Kline, Mark Freeman, Cathy Bloom, Sheila Crawford, Jason Heuser, Wendi Schultz-Kerns, Dawne Howard, Lance Robertson, Tom Buckhouse, Bill Welch, Susan Eicher, Gail Murray, Quentin Furrow, Cindy McLaren, Flo Hoskinson, Ramie Alkire, Tracy Davis, Cheryl Golbek, Carla Aguilar, Sarah Gorsegner, Jill Hoyenga, Adam Rue, Michelle Martin, Edward Yan, Claire Elliker-Vaagsberg, Taryn Johnson of the EWEB staff; and Vicki Maxon, recorder.

Vice President Simpson convened the Regular Session of the Eugene Water & Electric Board (EWEB) at 7:30 p.m.

AGENDA CHECK

Vice President Simpson noted that the agenda has been revised and item #8, Board Minutes Discussion, has been added. Mr. Simpson reminded the Board that item #12, 2012 Legislative Agenda Approval (Resolution #1145) has been moved up to item #7.5 so that Jason Heuser, Legislative Representative, can return to Salem earlier due to inclement weather.

President Brown suggested that item #12 be moved up to precede item #2, Public Input, so that Mr. Heuser could return to Salem even earlier. The Board agreed.

2012 LEGISLATIVE AGENDA APPROVAL

It was moved by Commissioner Cunningham, seconded by President Brown, to approve the 2012 legislative agenda as presented in tonight's work session. The motion passed unanimously (5-0).

PUBLIC INPUT

Kathy Ging is a member of Families for Safe Meters, a group that is researching an initiative process to terminate or postpone smart metering. She believes that EWEB is not being transparent in bringing forward the real pros and cons that have surfaced in other communities. She wonders how smart meters will save money when people will still prepare to go to work at the same time, and it is hard to avoid peak usage when people can't afford to change their habits. She believes rates will go up and that smart meters aren't necessary for time of day pricing, and that people can learn good habits without the leverage of smart metering. She closed by saying that she believes EWEB is not taking the smart metering pilot program seriously but using it as a

preview of their intentions with no public discussion. She urged EWEB to research the legal challenges being pursued in the California courts and be ready for those before proceeding.

Joe Tyndall is a member of Occupy Eugene. He commented that Occupy Eugene treats the homeless with respect and that they are now serving 500 meals a day because of the generosity of the Eugene community. He hopes EWEB will lend its support to the war against homelessness and help to find some solutions.

John McCahill is the cook for Occupy Eugene. He said that the City of Eugene electrical inspectors have taken down the battery system for the camp kitchen, and he wondered if the encampment could borrow EWEB's solar rover or help out with some lighting for the kitchen area so he doesn't have to cook in the dark.

Steven Baker has served on many other local boards and commissions, has a background in energy and architecture, and has worked at Oregon Department of Energy and on several University of Oregon projects. He is concerned about smart metering and accelerated rates. Though he is in favor of the pilot program, he is also concerned about wireless vs. wired metering. He said he worked on a wireless project in Redmond, Oregon and noted that the Zigby meter was originally low protocol and provides 3-4 times the wattage of a typical laptop computer. He asked EWEB to slow down their wireless consideration.

Commissioner Cassidy asked that the Board discuss Mr. McCahill's request during Items from Board Members. He then told Mr. Baker that he would be happy to see any information he has regarding the various types of smart meters.

Commissioner Ernst thanked the public who commented this evening and said she believes the local community is currently facing some very important issues, and that the Board will have a discussion later in the meeting.

Vice President Simpson said he appreciated the public coming to the meeting during cold weather to testify as part of the public process, and that the Board feels that the public does have a say.

APPROVAL OF CONSENT CALENDAR

MINUTES

- 1a. November 2, 2011– Work Session
- 1b. November 2, 2011 – Regular Session
- 1c. November 8, 2011 – Additional Regular Session

CONTRACTS

2. McFarland Cascade – For the purchase of Douglas Fir wood poles. This action is to correct a typographical error in a previous board consent. Electric Division. \$580,000 (Total \$830,000 over 5 years).
3. Stettler Supply Company – For Hayden Bridge raw water pump and motor re-build. The Raw Water Pump Replacement Project provides the removal, re-build, and re-installation of Raw Water Pump #5 at the Hayden Bridge Intake #2. Water Division. \$33,000.
4. WESCO Distribution – For the periodic purchase of single phase submersible transformers (as needed to replenish stock). Electric Division. \$365,000.

INTERGOVERNMENTAL AGREEMENTS

5. Lane County Parks – For the routine maintenance of the river access sites on the McKenzie River, in support of the McKenzie Watershed Council's Recreation Action Plan for improving access and maintenance for the McKenzie River. Power Resources Division. \$38,000 (over 3 years).
6. Oregon Department of Environmental Quality (DEQ) – To provide oversight of the Coal Gas Plant site and investigations. Customer & Shared Services Division. \$75,000 (Total \$181,000).

RESOLUTIONS

7. Resolution No. 1143 – 2012 Customer Generation Rates

BUDGET AMENDMENT

8. Budget Amendment #10 – Water Main Relocations for Major Water Capital Projects. Water Division. \$554,000 (Total \$ 4,614,997)

Commissioner Ernst pulled items 1a and 1b. President Brown pulled items 5 and 6.

It was moved by President Brown moved, seconded by Commissioner Cassidy to approve the remainder of the Consent Calendar. The motion passed unanimously (5-0).

Regarding item 1a, the November 2 Work Session minutes, Commissioner Ernst said that she doesn't desire a minutes revision, but wishes to clarify that during the AMI discussion when the Board was talking about the total bottom line (TBL) analysis, the minutes state that she had read the Good Company's (consultant) report and thought it had been written prematurely. She corrected that by saying that her comment was actually that they were useless and premature.

Secondly, regarding item 1b, the November 2 Regular Session minutes, during the discussion about the budget, salaries, pay raises, and non-union types of pay raises, the minutes stated that Commissioner Ernst would be grateful for any concessions that union and non-union people could give to help out economic hard times, and also mentioned that her brother works in public service in California and had audited a city where they had given raises to public employees just because they had stayed within budget. She clarified that she actually had commented that she thought it was ridiculous that they wouldn't give public employees wage increases for staying within their budget, because that was basically their job.

It was then moved by Commissioner Ernst, seconded by Commissioner Cassidy, to let the above minutes stand as printed but to reference the changes in dialogue in tonight's meeting minutes. The motion was approved 4-1 (Cunningham voted no). Vicki Maxon, Minutes Recorder, agreed.

President Brown asked for an explanation of item 5, the Lane County Parks intergovernmental agreement, and wondered why EWEB is supplementing County park maintenance. He noted that the County charges \$145 per ticket at their boat landings, yet now they are charging EWEB to help maintain those areas, and that it seems like EWEB is paying for something twice. Vice President Simpson added that an expense of \$12.6 thousand per year to empty trash and clean restrooms is high.

Mr. Norris replied that this contract is for three years for maintenance of the Leaburg access point, Hayden Bridge, and a new boat landing. Roger Kline, Generation Manager added that EWEB provides security and maintenance for construction but not day-to-day upkeep.

Commissioner Ernst asked what it would cost for EWEB to take over the day-to-day upkeep. Mr. Kline replied that adding one full-time equivalent (FTE) position would cost in excess of \$13,000 per year.

President Brown clarified that the point he is making is that the County already charges an exorbitant fee, and now they're charging it again.

It was moved by President Brown, seconded by Commissioner Cassidy, to approve item 5, the Lane County Parks intergovernmental agreement. The motion passed 4-1 (Cunningham voting no).

Regarding item 6, the Department of Environmental Quality (DEQ) environmental agreement, President Brown asked why EWEB is paying DEQ another \$75,000. Debra Smith, Customer & Shared Services Division Director, replied that EWEB's share of the cost is \$12,500, and that EWEB pays all costs and this amount represents the full amount of the contract, but EWEB has a participation agreement with two other entities, so EWEB charges the majority of that cost back out to them.

President Brown asked if EWEB is getting close to being done with this agreement because that is too much money to spend for paper shuffling. Ms. Smith replied that the end of

the contract is approaching very soon. She added that this cost represents DEQ oversight/monitoring expense from investigation and clean-up of the east end of the EWEB property, and that she hasn't had an opportunity to brief General Manager Gray, but there will be a meeting regarding that in the near future.

It was moved by President Brown, seconded by Commissioner Ernst, to approve item 6, the Department of Environmental Quality (DEQ) environmental agreement. The motion passed unanimously (5-0).

ITEMS FROM BOARD MEMBERS

Commissioner Cunningham wondered if the Walmart on West 11th Avenue could somehow be recognized for constructing a charging station for electric vehicles.

Regarding tonight's public comment about AMI, he clarified that the only way to have an election is for the Board to go to a referendum by seeking public bonds or to approve revenue-sharing bonds, and then, by initiative, move forward with a petition to get a vote. He said he would like to see the Eugene community move toward center and not be so spread apart, and that he doesn't want to see the AMI program stymied like the Seneca biomass project was.

President Brown said that he had received a gift from the Northwest Public Power Association (NWPPA) that exceeds the \$25 limit, so he will pass it along to General Manager Gray.

President Brown commented that since EWEB is again having discussions with upriver residents regarding the chevrons in the river, he would like to be put on the contact list. He said he is frustrated to continue to pay for advice that never works and now that has happened again, and boaters can't get their drift boats through when rocks are being put into the river again, and that is also very frustrating. He asked staff to keep him apprised of the situation.

He then noted that tonight's meeting is the last meeting of 2011 and that election of officers will take place at the first of the New Year. He suggested that the Board discuss that process and how they want to go from here, as there a lot of ways to do it but he wants to make sure every Commissioner has their say.

Commissioner Ernst asked if the chevrons have anything to do with fish passage. President Brown replied that above Walterville Canal there are jetties, and the river backs up to Walterville, thereby making the river faster, then rocks are put in, and more chevrons are built, then the bottom of the river is scoured again, and then more chevrons are built. He requested that the Board meet with the boating community at the Leaburg Fire Station in order to explain what EWEB is doing, because it's dangerous, and he wondered why EWEB is paying engineers lots of money to keep moving rocks around in the river. He wondered when the engineers are going to figure out Mother Nature, and when EWEB will quit paying so much money to do this over and over again.

Commissioner Ernst reiterated that her concern is how much money is spent for fish passage, and that the Board had asked to be kept informed, and that if this issue ties into fish passage, she would like to see a backgrounder in order to make a decision. She thanked President Brown for bringing up this issue.

Regarding Occupy Eugene, Commissioner Ernst commented that she has taken an interest in the homeless people who go there and that she has volunteered at the Egan Warming Center, which helps save lives on cold winter nights. She believes Occupy Eugene has turned out to be a wonderful project and a model facility for people who don't have the benefit of shelter. She thanked those who live there for working together to make it work. She said she believed the request for lighting is necessary for safety as well as for cooking, and clarified that a previous problem with someone tapping into an EWEB box was not just an Occupy Eugene problem, but a general EWEB problem that has happened all over town. She requested that some assistance be lumped together but that Occupy Eugene be kept separate from the Egan Warming Center, as St. Vincent DePaul does not want Occupy Eugene to represent Egan Warming Center in any way. She wondered if EWEB could offer electricity and/or lighting assistance.

Regarding AMI, Commissioner Ernst noted that there are a lot of educated people in Eugene who have a lot of experience with the utility in general, and utility items in particular. She recalled that she had been on board with AMI from the beginning, had done an internship using it, and that it is a good tool, but after listening to public comment regarding AMI, she has come up with different conclusions and has asked about alternatives.

She stated that she has found out that EWEB already has about 7,000 AMR systems that only read in one direction, and that those have probably been requested by customers who have dogs or some other meter reading barrier. She has also learned that there are other types of meters that don't have to be read with wi-fi, and that one can even read hourly time of usage. She requested that when the Board gets the business model for AMI in March 2012, it be delayed, as she would like to see an alternative model for using different methods to achieve the same things an AMI system can, without using wi-fi. For example, possibly using meters that are more like AMR that don't have to travel as far, and meter readers can read them by walking by or even from their truck; and also instead of wi-fi on water heaters, similar to thermostats for ceiling heat, putting timers on water heaters instead of hooking up to an AMI controlled by EWEB. She said she is not so sure that EWEB needs an AMI system to achieve the things they want to achieve.

Commissioner Ernst continued, saying that she had just realized that as part of the pilot study, in order to look at electric usage, a customer has to have an internet connection. She noted that many people do not have an internet connection, and that the only reason she does is because EWEB pays for it for her, as a Commissioner.

She said she would like to propose an alternative business model to go with the AMI model, and in the meantime would like a backgrounder by February 2012 to address alternatives to AMI--not why it won't work, but how it could be comparable, and after receiving the

backgrounder, a decision could then be made on a dual business model. She offered that the backgrounder could describe alternatives to what AMI can achieve, and reiterated that she wants to see alternatives that don't require wi-fi hookup of a smart meter in the way that EWEB is proposing AMI.

President Brown stated that he believes the above is a process question and he believes it is too long for an agenda item, and that he does not believe one Commissioner should be able to totally change the direction of staff movement, change things that have already been scheduled, and/or create additional staff work.

Vice President Simpson replied that this would require the will of the entire Board. He asked for three head nods for staff to prepare a backgrounder on AMI alternatives.

Commissioner Cassidy said he would be interested in seeing this. President Brown reiterated that he would like staff to make a presentation and if it's not adequate, then he will ask for more, but that he doesn't want to ask for more right now. He added that he would first have to be educated on the options in order to make the decision, and that he is not going to tell staff what to do.

There were three head nods for, and two against, Commissioner Ernst's request for a backgrounder on AMI alternatives.

Commissioner Cassidy said he believed Occupy Eugene's request to borrow the solar rover would be a good way to educate and work with the City Council in order to assist with that request.

Regarding a discussion at a previous meeting regarding the Board's position regarding partial removal of the Snake River dam, Commissioner Cassidy said he believes the Board has an obligation to come up with a position, unanimous or not, so that particularly the Northwest Energy Coalition (NWECC) knows what the Board thinks about it. He proposed that staff recommend wording on a position the Board can take on that, as he thinks this is important for EWEB.

Vice President Simpson deferred to General Manager Gray.

General Manager Gray recalled that this subject had been discussed at the September 2011 upriver Board meeting, and that he believed that he had provided unclear direction because a resolution was brought forth. He said he thought the Board decided not to take a specific resolution regarding Snake River Dam removal, but point to the TBL that would apply to all resources. As far as direction, he stated that staff looks at all resources, new, existing or old, as opposed to taking a frequency position on biomass, the Snake River dam, or Carmen-Smith.

Vice President Simpson asked if the Board had passed a resolution overriding the 1999 resolution. General Manager Gray replied that the Board had not passed a resolution, but had

established a position that TBL be used for all resources, and that he was concerned that someone would say that EWEB was taking an anti-Snake River position.

Vice President Simpson recalled that a resolution was passed by the majority of the Board.

Commissioner Cassidy recalled that the Board did not take a clear position regarding Snake River dam removal at the September upriver Board meeting, and noted that it had been a very confusing discussion.

Vice President Simpson asked Taryn Johnson, Executive Assistant to the General Manager, to e-mail the above-mentioned resolution to the Board within three business days, thereby allowing Board review and an opportunity to raise it as a future agenda item, as he wants the entire Board to be refreshed regarding what was approved at that meeting.

Commissioner Cunningham asked for a show of hands regarding the Board's feelings on this issue in order to close the issue tonight. President Brown asked for a discussion at the January 3 Board meeting as there was a 1-1/2 hour time slot available.

General Manager Gray asked if there are three head nods to put this item on the January 3, 2012 agenda. Vice President Simpson said there are not, and that the Board will start by re-reviewing the resolution and then revisit it at a later time.

Regarding Occupy Eugene's request for more lighting for their encampment, Vice President Simpson asked what it would cost for a temporary electric service to serve their load, including not only the normal cost charged but also whether or not the site meets the criteria to be eligible for temporary service similar to what a new construction site is required to meet. He added that he wanted everyone present tonight to know that he will not tolerate energy theft, as it is illegal, dangerous, and rips off other customers who pay for their service honestly, and that it is unacceptable no matter who the customer is. He reiterated that energy theft will not be tolerated and that EWEB will assess penalty fees and a large number of other measures if this occurs.

Vice President Simpson commented that he attended the 30th anniversary of the NWECC in Seattle, Washington last Thursday thru Saturday, which included the executive board meeting and presentations. At that meeting, he advocated on behalf of EWEB for the latest revisions to the biomass paper, and an environmentalist who was present demanded an evaluation of the existence of a quorum, which stated that 12 members had to be present and at least 10 had to be non-utility members. A quorum existed, but one gentleman stood up, left the room, and poisoned the quorum, so no vote took place and the biomass paper was deferred for another six months. He noted that the current revision is 10.5 and that revision 10 had a lot of changes, but that he was comfortable with all of them.

He continued, saying that the NWECC gives out annual eagle and turkey awards, and that he is happy to announce that EWEB fell on the eagle side, and was given official recognition for

the \$5.1 million low-income energy assistance program, and that he assumes they will receive some type of certificate for that.

He then noted that there were two fairly big power outages in the south Eugene area about 3-4 weeks ago due to a windstorm, and that there was also an outage caused by a dig-in in west Eugene which had affected some large businesses. He said he had heard that the dig-in occurred because the locate company had not marked the area accurately enough, and fortunately no one got hurt, but this could have been very serious.

Following staff's recommendation, he asked to queue up a status report on the coal gasification situation at the far east end of the EWEB property, in executive session with a backgrounder previous to the executive session. He recalled that he had received four head nods for a public report and then to queue up an executive session to discuss measures that relate to litigation.

He also asked for a general backgrounder on the status of the river, with special emphasis on the chevron issue.

He reiterated his request for an understanding of what it would take to set up a temporary electrical service for the Occupy Eugene encampment, and what the costs would be for setup, what the metering rate would be, and whether or not temporary service would be suitable for that site. Commissioner Cassidy added a request for more information regarding the encampment borrowing the solar rover.

Commissioner Cunningham wondered how EWEB will determine whether the requested lighting is truly necessary, and he wondered if the solar rover could serve the necessary load.

Commissioner Cassidy noted that it is not a good time of year to rely on solar power, even though it was a good idea, and that it wouldn't provide much electricity.

A representative of Occupy Eugene noted that the solar rover generates about a 1 KW peak during the summer, and he estimated that the equivalent of about 1.5 KW a day could be generated, which would be enough to run some emergency lights in the evening.

President Brown noted that this need did not just occur, and that the occupiers have been homeless the entire time. He wondered where it will stop if EWEB starts granting requests such as these. He added that EWEB is not a social service agency, though they support the Egan Warming Center, and that there is a high probability that the City Council will not approve Occupy Eugene's request for a time extension for their encampment.

Commissioner Cassidy commented that he didn't have a "flood gate mentality" and that if the temporary electric service can't be granted, EWEB will just say no. He added that this problem is unique and the entire community is concerned about it, and that the homeless issue has become very visible now, so it is a matter of cooperating.

Vice President Simpson said that he doesn't believe the solar rover will work and that he isn't sure that EWEB can grant this request, even by statute.

Commissioner Ernst said she doesn't believe that the solar rover won't work and that she would be happy to okay it, and then see what a temporary electric service would cost.

It was moved by Commissioner Ernst, seconded by Commissioner Cassidy, to allow the Occupy Eugene kitchen to use the solar rover for a period up to December 15, 2011, to be re-negotiated after the City Council's decision regarding the length of the Occupy Eugene encampment.

Commissioner Cunningham noted that there has been an exemption granted to an ordinance that is allowing the Occupy Eugene encampment to remain, and he wondered why the Occupy Eugene campers are so much different than the homeless who live on the riverbank, and what allows Occupy Eugene to get a temporary electric service when other homeless in Eugene can't get it.

President Brown voiced concern regarding liability, property damage, and whether or not granting this request would establish a precedent. Vice President Simpson agreed, saying that he believes it is a terrible liability and that there is huge potential for property damage and very high risk.

The previous motion to allow the Occupy Eugene kitchen to use the solar rover for a period up to December 15, 2011, to be re-negotiated after the City Council's decision regarding the length of the Occupy Eugene encampment, failed 3-2 (Brown, Simpson and Cunningham voted no).

Vice President Simpson asked if staff could explore the expense of providing standard temporary service, not only the cost, but also looking into the facts, for example, a temporary service can't be set up in the middle of a lake, as it has to be safe. He asked General Manager Gray if staff could assess that. General Manager Gray replied that building codes would have to be examined, but the City of Eugene would have to issue the permit for either temporary or permanent service, and that the City Building and Parks & Recreation Department would also be involved because the encampment is in a city park. He added that EWEB is obligated to attempt to provide all customer requests, but that even an unusual service has to be permitted by the City of Eugene.

Vice President Simpson then asked if the installation fee and other charges can be waived if the Board so desires. General Manager Gray replied that this would probably depend on existing tariffs and that if those are used, there may be options, but if they aren't, the Board can approve any tariff it desires.

It was moved by Vice President Simpson, seconded by Commissioner Cassidy, to direct staff to being to investigate if this can be done within one week.

President Brown wondered why EWEB staff would look into this when the City of Eugene could have done this on their own, and the Occupy Eugene group could have gone to the City directly. He wondered why the Occupy Eugene group didn't just come to EWEB headquarters during regular business hours to ask for the temporary electric service. He said he is against having a special Board meeting to discuss this request, is frustrated about the process, and is ready to end the discussion.

Commissioner Cassidy reiterated that the solar rover is exposed to all kinds of liability when sitting in the EWEB parking lot, and that he feels it is important to consider this option.

Commissioner Cunningham noted the probability of the encampment generating sewer discharge that will require pumping, and thus generate a fee that the City of Eugene is required to charge EWEB.

Vice President Simpson clarified that he is not suggesting that the temporary service be provided for free, but rather is asking what the cost would be.

Commissioner Ernst asked for the decision to be made by Monday, December 12, as it shouldn't take a week to research the possibility. General Manager Gray replied that that may be possible, but that staff will have to drop some other project in order to do this. Commissioner Cunningham wondered if the dropped project would be something that is necessary for paying customers.

The above motion for staff investigation of the possibilities for the Occupy Eugene request was repeated, with an added deadline of Monday, December 12. The motion passed 3-2 (Simpson, Cassidy and Ernst voted yes).

President Brown asked for confirmation of what charges staff will be looking into and whether or not it will be 110/220, three-phase, grounded, pole, etc. He noted that City code has a whole different set of criteria when a commercial venture is being considered.

Vice President Simpson clarified that staff will simply be researching the cost of 110 split phase, 20-amp duplex output with a GFCI sitting on a wooden pole, with some kind of overhead, and that it will have to comply with City code, and that if code says it can't be done, EWEB is out of the loop. He added that a special Board meeting may be required after the Board hears back from staff.

CORRESPONDENCE

Correspondence was not reviewed, as nothing has been added to the Board packet.

BOARD AGENDA AND CALENDAR

General Manager Gray noted that the Board had received an invitation to the Pacific Northwest Utilities Coordinating Council (PNUCC) annual meeting. He explained that PNUCC

is an organization that EWEB has belonged to for years, and is probably the most diverse in terms of independently owned utilities (IOUs) and public utilities, and that they also deal with natural gas issues, exclusively for publics. He added that Commissioner Cunningham may be interested in attending some of their regular monthly meetings.

EWEB BOARD MINUTES DISCUSSION

This item was deferred until the end of the meeting.

2012 ELECTRIC, WATER AND STEAM PROPOSED BUDGETS

With the use of overheads, Ms. Smith and Susan Fahey, Fiscal Services Supervisor reviewed the proposed budgets. Ms. Fahey noted that she had made only a few revisions since the previous presentation and public hearing.

Commissioner Ernst asked Ms. Fahey to go over only the items that had been revised.

Ms. Smith reviewed the previous road map and reminded the Board that there will be no rate action taken tonight, and that the rate action will be subsequent, and separate.

Ms. Fahey then reviewed the budget summaries.

President Brown asked what will happen if the Board isn't ready to adopt the rate increase. Ms. Smith replied that the budget can still be approved, and then staff could go back and attempt to make some revisions.

General Manager Gray added that because of balancing the budget policies, he would be worried if the Board is concerned about the rate increase that this budget is built upon, and that staff would be playing catch-up for the balance of the year and would start to hedge immediately from an operational standpoint. He added that if the Board has concerns, he would need to know that on January 1, 2012, so that catch-up won't be required.

Commissioner Ernst stated that she respects General Manager Gray's and staff's position on this, and while she isn't considering voting against a rate increase at this time, she would like to reserve the option to question it in January, while looking at what the economy does until then.

Vice President Simpson commented that a 5% rate increase in a soft economy is a big, chalky pill to swallow, and that while the Board doesn't want to do it, it's about keeping the lights on and the water flowing. He noted that the overall budget for 2012 represents only a .7% increase compared to last year, which is an amazing accomplishment given the cost of labor increases and materials increases, and that this represents a success story with staff finding ways to save money and enhance austerity measures without undue rate increases. He reminded everyone that what is driving this is a whole new regional landscape of electric supply passed down from BPA, but that this is something EWEB has known about for a decade that just

happens to be hitting this year with nasty timing because of an economic downturn. He said though it hurts him to take rate action, he is in favor of it, but he does want to hear public input, as there has been no public input that has been in favor of raising rates.

Commissioner Cunningham recalled that he has been consistent regarding the budget and rate increases this year, and he wants to feel confident that the economic climate will take an upturn and the river flows will be good heading into spring. He noted that he is unlikely to vote for a rate increase (and if so, only a 3% increase and no higher) because of the unemployment rate and other factors, and that he believes there's other things that can be done. He added that he was not in favor of the rate increase that was just passed and that he is only in favor of the BPA pass-through percentage of the rate increase. He said he will be voting no on any rate increase above 3%, both now and in the spring, but that he will vote for the water increase based on the negative condition of the water mains throughout the system, as that is necessary. He closed by saying that even though someone had accused him of voting this way for political reasons, that is not true.

Commissioner Cassidy commented that he fully intends to vote for this rate increase and that EWEB needs to run a good utility. He said he is not comfortable with pulling \$6 million out of reserves, but that the Board has made that decision. He realizes these are bad times for a lot of people but EWEB is not the cause, and recalled that \$4 a month on customers' bills is not a big increase.

SECOND PUBLIC HEARING ON 2012 ELECTRIC AND WATER BUDGETS

There was no public comment.

2012 ELECTRIC, WATER AND STEAM BUDGET APPROVAL – RESOLUTION #1144

It was moved by Commissioner Cunningham, seconded by Commissioner Ernst, to approve the 2012 electric, water and steam budget. The motion passed unanimously (5-0).

SINGLE PHASE POLE-MOUNTED TRANSFORMER CONTRACT APPROVAL

Tom Buckhouse, Electric, Water & Steam Division Director, recalled the Board backgrounder regarding the purchase of single phase transformers for expansion in a neighborhood or to replace defective or aged ones.

Vice President Simpson asked if transformers are rewound in order to use them again. Mr. Buckhouse replied that the transformers who are reparable are returned to service.

It was moved by Commissioner Cunningham, seconded by Commissioner Cassidy, to approve the contract to purchase single phase pole-mounted transformers. The motion passed unanimously (5-0).

THIRD QUARTER 2011 GENERAL MANAGER GOALS

General Manager Gray reviewed that there is one exception to the 2011 General Manager goals that the Board has previously received, and that EWEB is getting what they're spending money on with a couple of notes.

Regarding Goal 2.5, Financial Ratios, General Manager Gray stated that the goal has been $\frac{3}{4}$ met on the electric side and $\frac{2}{3}$ on the water side. He noted that there is no need to panic, but this needs to be watched carefully, and that after the audit the ratios and status should probably be reviewed.

Vice President Simpson asked how the Board will know what the targets are and how they were established. General Manager Gray replied that the targets predate his employment, but they are not uncommon and are a combination of benchmarking, financial advice, and maintenance and enhancement of bond ratings. He noted that a different strategy would be to relax the financial standards but, given the Carmen-Smith debt, EWEB would pay more, and it is a delicate balance to maintain. He added that the critical thing that a rate increase will affect is the support of those ratios, and the track record has been very good.

Commissioner Cunningham commented that he believes the customers are getting what they pay for, and that General Manager Gray is doing a great job and wants to see that continue.

General Manager Gray continued, saying that the Safety area is continuing a positive trend, and that there are a couple of goals in the TBD category that he is confident the organization will deliver with a few exceptions.

Regarding Goal 1.1, General Manager Gray noted that this is not a separate customer service survey and that staff already has the benchmark survey results, which show that EWEB is getting record results.

Commissioner Cunningham thanked General Manager Gray for bringing the EWEB Board up to the highest level of any elected Board in the City of Eugene.

Regarding Goal 7.1, Fuel Reduction, General Manager Gray noted that with the move to the Roosevelt Operations Center (ROC), trip miles have increased, and that he isn't sure how to deal with that other than making a radical change in the culture and the use of 4/10 work weeks.

Mr. Buckhouse noted that there have been many water outages because of cast iron water pipe breaks in the last several weeks due to the cold weather, and that goal targets for 4.1 and 4.2 will not be met because of that. General Manager Gray added that this further reinforces the water main replacement program.

Regarding Goal 7.1, Fuel Reduction, Commissioner Ernest asked if that item includes only service fleet or if it also includes employees who make trips from headquarters to the ROC and back. General Manager Gray replied that fleet fuel is tracked for EWEB vehicles only and

not personal vehicles, and that staff is trying several things to mitigate this, such as conference calls instead of face-to-face meetings, and instituting a culture change.

Commissioner Ernst then asked if trucks leave their engines running while they are sitting at a job site. General Manager Gray replied that, for example, a line truck is required to idle while at a work site because the equipment needs to run.

Commissioner Cassidy reiterated his previous request to see total assets and how much debt EWEB is incurring, and what EWEB's debt limits are. General Manager Gray replied that staff will provide a backgrounder due to the Carmen-Smith upgrade and some potential water issues coming up. Ms. Smith apologized for not communicating that clearly in the past.

Vice President Simpson stated that he strongly believes in the paradigm shift toward bills, not rates, as it is well-known that utilities who invest heavily in energy conservation have higher rates, but lower bills. He said he looks forward to more emphasis on this in 2012, and that if General Manager Gray needs the Board to establish that as formal goal, he should let them know.

General Manager Gray replied that he believes the Board has already established that as a formal goal, and that rate comparisons are easy but bill comparisons are difficult. He noted that it took years for the California utilities to develop this paradigm shift, and that in some cases staff has to prove that point regarding conservation.

Vice President Simpson congratulated General Manager Gray and staff on system reliability, and said he believes that dedication to replacement of infrastructure and a top notch distribution system pays off with minimal outages and minimal restoration time.

EWEB BOARD MINUTES DISCUSSION

General Manager Gray recalled that Board minutes production was included in a list of cost-cutting measures for 2012 and that one suggestion had been to change to results-oriented minutes vs. the current summary of dialogue (but not verbatim) minutes. He explained that the minutes are produced through Lane Council of Governments (LCOG) and that the Board had approved a change to result-oriented minutes, which is all that is required, and had also discussed only posting an audio recording of the meeting to the EWEB website. He asked the Board for their input.

President Brown commented that he wants to save money, but that with only posting an audio recording on the EWEB website, the listener would not know who was saying what, as the recording would not identify the individual Board or staff member who is talking. He prefers to keep the minutes the way they are.

Commissioner Ernst countered that people could identify themselves when they spoke, and that she believed an audio only posting could be done if people thought about their comments more carefully.

General Manager Gray clarified that the concept of saving \$18,000 per year on Board minutes was to go to simple minutes only with basically just a written record of the motion and the vote for each agenda item, and if there was ever a question about an item or a discussion, Ms. Johnson could listen to the recording in order to clarify.

Commissioner Ernst asked if the audio recordings would be open to public disclosure. General Manager Gray replied that they would.

Vice President Simpson asked for clarification that EWEB is obligated to retain the audio recording of meetings for one year. General Manager Gray said that is true.

Commissioner Cunningham commented that he would like to continue doing the minutes the way they are, as that is the simplest way.

Vice President Simpson asked General Manager Gray what would happen if the Board takes no action and wondered if the same process will be done next year.

General Manager Gray replied that there would be a potential conflict with that, as the Board has approved a budget that reflects cost cuts and other things, and \$60,000 of cuts have already been put back into the budget, so an additional \$18,000 would now be put back in unless cuts can be made somewhere else.

General Manager Gray reiterated that the change would be to go to action-based minutes, and that though he proposes an audio recording, it's irrelevant whether or not it is posted to the EWEB website, as he agrees with President Brown that there is potential for confusion, as it would be only conversation with no names identified.

President Brown noted that the Board has been criticized in the past for not having open meetings and that the Board would be the only public body who would be changing the way they provide minutes. He added that in his opinion, this would just further lack of trust, with not having a public record, and that he doesn't think that would bode well for keeping the public's trust.

Commissioner Cassidy said that he is satisfied with the minutes the way they are, but that he could go either way.

Vice President Simpson commented that he has studied past Board minutes at least 20 times to recall how various Boards have voted on various subjects, and that he has never wanted to eliminate or change the minutes from how they are currently done. He added that he wasn't sure how his original suggestion to simply add an audio recording of the meetings to the EWEB website morphed into eliminating the minutes completely. He closed by saying he believes that for \$18,000 a year, it is extremely valuable to have a record of what the Board has done. He recommended that the minutes should be left as they are until at least March 1, 2012.

It was moved by Vice President Simpson, seconded by Commissioner Cassidy, to produce the Board minutes status quo from now until March 1, 2012.

General Manager Gray noted that EWEB's legal counsel has clarified that the Board is only required to produce simple minutes and an audio recording, and that the recording of the proceedings is the more important issue, and then the essence of the discussion. He said he is comfortable with inserting the \$18,000 back into the budget for one year, and will figure out how to balance the budget.

Vice President Simpson revised his previous motion, to produce the Board minutes status quo through December 31, 2012, and to revisit them at that time if necessary. The motion passed unanimously (5-0).

Vice President Simpson adjourned the Regular Session at 9:50 p.m.

Assistant Secretary

President