

**SPRINGFIELD UTILITY BOARD**

223 A STREET, SUITE F  
SPRINGFIELD, OR 97477

**MINUTES**

October 10, 2007

The regular session of the Springfield Utility Board was called to order by Chair Adams at 6:45 p.m.

**ATTENDANCE:** Board: Bobbie Adams, Chair; Virginia Lauritsen, Vice Chair; Ken Boyst; Theodore L. Johnson; Joe Mathieu. Staff: Bob Linahan; Jeff Nelson; Chuck Arrera; Ray Meduna; Judy Berra; Matt Cox, Attorney for the Board. Others: Ken Vogeney.

**MINUTES:** \* Joe Mathieu motioned, and Ted Johnson seconded, to accept the regular Board minutes for September 12, as presented. This motion **CARRIED** unanimously.

**ACCOUNTS PAID:** \* Virginia Lauritsen motioned, and Ken Boyst seconded, to approve the accounts paid listing, as presented. This motion **CARRIED** unanimously.

**BUSINESS FROM THE AUDIENCE:** None.

**BUSINESS FROM THE BOARD:**

Public Hearing on the Proposed Dark Fiber Rate Increase

Chair Adams opened the public hearing at 6:52 p.m. and invited SUB's Director of Resource Management, Jeff Nelson, to give a presentation on the proposed Dark Fiber rate increase.

Jeff Nelson noted the employees who worked on the Dark Fiber System—he and Marc lePine handled the work on the contract and Tamara Johnson and Tony Talbot handled the engineering and construction.

Referring to his overheads (Exhibit A), Mr. Nelson said that SUB's Dark Fiber System had an installed cost of about \$1.4 million in 1997. At that time we had 1,274 fiber-pair miles. This year that amount grew to 1,635 fiber-pair miles. This system is installed, operated and maintained by the Electric Utility.

The primary purpose of the Dark Fiber System is to improve utility communications, Mr. Nelson said. Prior to this system, we had a copper-wire network over the local telephone provider that was semi-reliable.

We sell our surplus to third parties and our existing customers under our Dark Fiber System include NOANet, ATG, the Springfield School District and the City of Springfield, he said.

He explained that dark fiber is a conduit with fiber optics inside. It is a very secure network that we use for our internal communication needs. We have found that there are other folks who light it with their own equipment and they will either offer services to other end users or they will use it internally, like hospitals, for example, that will use it for their internal security networks.

The average revenues are about \$165,000 per year and the benefits include the unbilled fiber that is used by SUB, said Mr. Nelson. The Electric and Water utilities use the dark fiber and we don't charge them, he explained. The dark fiber is interconnected all around our substations and all the substation data gets sent to our SCADA system through the Dark Fiber System. The average annual costs are about \$124,000. Included in those costs are operation and maintenance (O&M) costs and labor costs as well as capital costs to install additional fiber, he said.

Mr. Nelson said that new services and infrastructure costs after 1997 are being recovered through the annual cost and revenue streams. The net benefits of the \$40,000 per year are applied to recover the initial capital investment of the \$1.4 million.

The primary reason we are proposing an increase in the Dark Fiber Rate relates to O&M costs, said Mr. Nelson. The existing rate was established in 2004 and was included in the O&M cost component based on 2003 figures, he explained. In 2003 the Fiber O&M was \$2.87 per fiber-pair mile and in 2006 the cost grew to \$7.22 per fiber-pair mile. He noted that the costs are spread over the "lit" fiber, not the unused fiber; and 37 percent of the system is lit.

Mr. Nelson reviewed a summary of the changes compared between the existing monthly total rate of \$26.50 per fiber-pair mile and the proposed monthly rate of \$31 per fiber-pair mile, for a total increase of 17 percent. The monthly rate includes the capital and O&M components, he said. The rate that was established in 2004 was designed to be implemented in contracts that were signed in and around that time, and since then. Prior to adoption of the rate schedule, we have had contracts in place and those contracts will not be impacted by this particular rate change; although those contracts do have an O&M adjuster, which will be capturing O&M costs as SUB's costs increase.

He referred to his chart on the Dark Fiber Rate Comparison, reflecting the dark fiber rates of EWEB, SUB-current, SUB-proposed, Douglas PUD and Grant PUD (both located in Washington), and Qwest. Even though SUB is not the lowest, our rates are still very competitive, he noted. Only EWEB offers lower rates than SUB in this comparison.

In response to a question from the Board, Mr. Nelson said the Dark Fiber System is not a core business for SUB. We offer it as a service. We have donated fiber to some public agencies (City of Springfield, Willamalane, and the School District), which is not incorporated in the benefit of the system. We have also received interest from the private sector. For example, RiverBend Hospital has requested additional connectivity to their location and we've also discussed dark fiber use by satellite offices around the new hospital. We don't anticipate this being a big revenue stream for SUB, but we are seeing steady interest over time, he said.

Mr. Nelson said that staff recommends the Board adopt Resolution 07-6, approving the increase in the Dark Fiber Rate, as presented.

The Board thanked Mr. Nelson for his presentation.

Chair Adams asked if there was any public comment regarding the proposed Dark Fiber rate increase.

As there was no public comment, Chair Adams closed the public hearing at 7:07 p.m.

Chair Adams asked if the Board would like to have a discussion before taking action on Resolution 07-6, adopting the Dark Fiber Rate.

There was no further Board comment.

Consideration of  
Resolution 07-6, Adopting  
the Dark Fiber Rate Increase

- \* Virginia Lauritsen motioned, and Joe Mathieu seconded, that the Board adopt Resolution 07-6 (Exhibit B), approving the Dark Fiber rate increase, as presented. This motion **CARRIED** unanimously.

Bobbie Adams extended a warm thank-you to all the Board for the thoughtful gift certificate they sent to her and her husband, Bob, in celebration of their recent 60<sup>th</sup> wedding anniversary.

BUSINESS FROM THE  
GENERAL MANAGER:

Springfield School District  
Grant

Mr. Linahan said the Board has a Grant Agreement with the Springfield School District that began in 1997. The Board elected at that time to go with a Grant Agreement instead of the in-lieu-of-taxes. In the last ten years, the original cost of the grant, \$113,000, has not changed, but the cost of running the science programs, electricity and water have increased, he said. The School District has requested that the Board consider making a two percent adjustment for each year of the 5-year contract. Mr. Linahan noted that at the end of five years, the contract would be reviewed again and brought back to the Board.

Mr. Linahan noted that Stuart Perlmeter was scheduled to give a presentation on the water curriculum that he teaches through the School District, however, he was called out of town unexpectedly due to a family illness.

Mr. Linahan said if the Board would like to wait until the November meeting to decide on the Grant Agreement, then he will reschedule Mr. Perlmeter to come speak at that time.

The Board's consensus was to wait until November to hear Mr. Perlmeter's presentation and to take action on the Grant Agreement at that time.

Schedule Interviews for  
Budget Committee  
Applicants

Mr. Linahan said that since one of the applicants for the vacancy on the Budget Committee is out of town, he recommended the Board conduct its interviews just prior to the November Board meeting.

Following a brief discussion, Board consensus was to conduct all the interviews just prior to the November Board meeting.

Water Conferences Report

Mr. Linahan said that he and Chuck Arrera recently attended two water conferences and they wanted to give the Board a brief overview of what they learned.

Chuck Arrera said that he attended a conference in Chicago on September 27-28 on water membrane filtration, which is one of the things we are considering for SUB's future water treatment plants. We have developed groundwater capabilities, and now we have to look at surface water treatment from the McKenzie and Willamette rivers, he said.

Membrane filtration, sometimes called microfiltration, has been around since the 1990s and is a relatively new technology, primarily for municipal use, Mr. Arrera said. It is an offshoot of reverse osmosis that's used for seawater desalination, using a high-pressure process. Membrane filtration is the same technique, but uses a low-pressure process

There are three technologies available for water treatment—slow-sand filtration like we use now, high-rate filtration like EWEB uses, and membrane technology, he explained. Membrane technology is relatively new. Practically every

plant being built now is built with membrane technology, he said. However, they it does have its drawbacks, such as fiber breakage. The fiber used in this process looks like broom straw and is hollow in the center and has precisely-sized holes. He passed around a sample of the fiber straw so the Board could see what it looked like. The problem that has recently developed is that when the straws break, it causes bad water to get into the good water. So there are some challenges with this technology, Mr. Arrera said.

Although he believes this is a viable technology, after the conference he did not feel he was sold on it, said Mr. Arrera. He thinks the conventional treatment that we have used for a long time is a more viable candidate at this time. The primary reasons membrane technology has become popular is that the regulators like it because it's supposed to be simpler, and it has a much smaller footprint, he said.

Mr. Arrera showed the Board a photo (Exhibit C) of a portion of a treatment plant in Aberdeen, Washington, that uses membrane technology, and a close-up photo of a bundle of the fiber.

He said there will be a tour of a water membrane filtration facility in Cottage Grove sometime next March and Board members are welcome to attend.

Mr. Arrera said he felt the membrane filtration class was very worthwhile and that this technology is something to consider as we look at our future water plans.

Mr. Linahan said that he attended a water distribution system symposium in Cleveland, Ohio, because of his interest in asset management. He did a lot of networking at the conference. Most all the conference topics were related to asset management, he said. The conference demonstrated the importance of utilities looking at their systems to see what they have and to look at how they can do a better job of managing their system.

There was a lot of discussion on water loss, Mr. Linahan said. AWWA has put a free water audit program on the Internet,

and we plan to get a copy so we can do a water audit in the near future.

Mr. Linahan said his main reason for attending the conference was to learn what other utilities are doing about their assets, dealing with leaky pipes and how they feel about their revenue meters. He learned how important it is to determine how we feel about how we're handling our O&M operations and assess what we have. A big issue for him at this time is dealing with our water losses, he said.

Mr. Linahan said the conference was very worthwhile and it gave him a lot to think about.

Change of December  
Board Meeting Date

Mr. Linahan said that the Public Power Council's Annual Members' Meeting is scheduled on Thursday, December 13, in Portland. A number of Board members like to attend this meeting each year. Therefore, he asked if the Board would like to reschedule the December Board meeting from the 12<sup>th</sup> to Tuesday the 11<sup>th</sup> to allow time for Board members to travel to Portland for the Annual PPC Members' Meeting.

Board consensus was to reschedule the December Board meeting to Tuesday, December 11.

ADJOURNMENT:

The meeting was adjourned by consensus at 7:50 p.m.

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Bobbie Adams, Board Chair

ATTEST:

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Robert C. Linahan, Board Secretary