

BOARD OF PUBLIC UTILITIES

October 7, 2014

The regular meeting of the Board of Public Utilities held on the 7th day of October, 2014, was called to order at 4:05 p.m. with CHAIRMAN POCOCK presiding and the following COMMISSIONERS present:

COMMISSIONERS SULLIVAN, MOFFITT, SHAW AND SCHNEIDER

Also Present: SECRETARY SALLIS, CITY MANAGER DANIELS, AND OTHER KEY STAFF

EX ABSNC COMMISSIONER MOFFITT MOVED, SECONDED BY COMMISSIONER
SHAVER SULLIVAN, to grant an excused absence to COMMISSIONER SHAVER.
Motion carried by the following vote:

AYES: CHAIRMAN POCOCK, COMMISSIONERS SULLIVAN,
MOFFITT, SHAW AND SCHNEIDER
NOES: NONE
ABSENT: COMMISSIONER SHAVER

APPROVAL COMMISSIONER SHAW MOVED, SECONDED BY COMMISSIONER
AGENDA SULLIVAN, to approve the agenda. Motion carried by the following vote:

AYES: CHAIRMAN POCOCK, COMMISSIONERS SULLIVAN,
MOFFITT, SHAW AND SCHNEIDER
NOES: NONE
ABSENT: COMMISSIONER SHAVER

APR MINS: COMMISSIONER MOFFITT MOVED, SECONDED BY COMMISSIONER
Sept 16, '14 SHAW, to approve the minutes of the regular meeting held September 16, 2014.
Motion carried by the following vote:

AYES: CHAIRMAN POCOCK, COMMISSIONERS SULLIVAN,
MOFFITT, SHAW AND SCHNEIDER
NOES: NONE
ABSENT: COMMISSIONER SHAVER

CORSPNDN: None

PBLC APRN: None

UNF BUSNS: None

NEW BUSN: CHAIRMAN POCOCK explained that the theory on the automatic cost-of-living
2.1% COLA (COLA) is that each year there are increased costs incurred to provide the services
and that is estimated by the cost-of-living in the consumer price index (CPI).

INCRS IN
ELECT AS
OF NOV 1

We use the Western Region CPI for our purposes and the last month released ended August 2014 which was annualized at 2.1%. The water and wastewater COLA is added each year based on the CPI as per adopted resolutions. Electric is done by calculations according to the statement of policies revised in July 2010. CHAIRMAN POCOCK spoke on how the calculations are done to arrive at the electric rates, hydropower allotments, and the basic service charge. Based on the 2.1% increase, rates effective as of November 1, 2014, will be: Basic Service Charge of \$27.58; Winter Hydro (Oct – Feb) \$0.0843 with a 370 kwh allotment; Summer Hydro (Mar – Sept) of \$0.0804 with a 697 kwh allotment; Over-hydro of \$0.1123; California Energy Efficiency Program of \$0.0039; and Utility Users Tax (UUT) at 2.5% on all of the above.

COMMISSIONER SCHNEIDER spoke on one big issue being the line loss number with the last couple of years being really high. The last three year average is almost 19% in line loss. He understands there have been issues with the meters but hopes that percentage will come down. The anomaly could be the amount of power we're purchasing and if we do not sell all that power, we're not collecting the revenue. He spoke on the numbers provided by Western Area Power Administration at the end of each year and the need to correlate the actual costs. Discussion followed on the cost of purchasing power and the calculations of the new electric rate effective as of November 1.

COMMISSIONER SULLIVAN explained that the Board recently passed the budget for the fiscal year that is supposedly balanced and will generate enough revenues to cover expenses at the current rates. We passed a balanced budgeted and are now increasing revenues by 2¢ per kwh so he questioned why the budget was adopted for the current fiscal year. City Manager Daniels responded that the budget is developed in April and May for the fiscal year beginning July 1 and there are cost increases during that lag. He suggested the Board might consider looking at the COLA increase in April so the new rates/revenues coincide with the fiscal year.

Discussion ensued on the adopted budget numbers and how those numbers are arrived at; and the affect of the COLA/CPI increase on the adopted numbers. COMMISSIONER SULLIVAN commented that the Board told the community that we adopted a balanced budget based on current rates and now we're anticipating costs to increase so we need to increase the rates. This does not seem right to him. CHAIRMAN POCOCK pointed out that this model has been used for several years but we are in the process of doing a rate study so the model might change depending on the outcome of that study. COMMISSIONER SCHNEIDER explained that we use either last year's actual numbers plus COLA or the budget numbers to do the calculations for the new rates.

COMMISSIONER SULLIVAN agreed that there needs to be an increase as we are in a cash poor state but he felt we need to make sure the process is being done properly and that it's an open and transparent process.

Terry Campbell, councilman, explained that we have a rate policy that may be adjusted with the rate study but the policy has a formula based on the August CPI and what is currently before the Board is according to the rate policy.

Jack Lindley, electric line foreman, remarked that one thing affecting the budget in electric is weather events/monsoon season so we should know in November whether electric is within the budget. He will be asking for an electric increase at midyear as 80% of personnel time was to be charged out to the metering project and now with the required storm repairs, they'll be lucky to get 15% of the meters done. Materials for the storm damage will be \$360,000 to \$380,000 and until we know what is insurance reimbursable, electric will be over-budget.

More discussion was held on the calculations used for rate setting and what numbers and percentages are used in the process. COMMISSIONER SCHNEIDER explained that one big difference between last year's rates and this year is that last year's rates were predicated on selling 58 million kilowatts and we sold less than 52 million. The rate should have been based on a number much lower but the line loss number used was 12-1/2% when it should have been about 18%.

CHAIRMAN POCOCK recommended finishing out this rate increase as it's been done according to the adopted policy and then we can look at the process concurrently with the rate study being done. He pointed out the budget is a guideline and this is a better guideline for setting electric rates. COMMISSIONER SULLIVAN questioned why we do a budget if it's not done right and we say it's only a guideline. City Manager Daniels responded that the budget is within 90% in most areas but there are some fluctuations that come up that have to be dealt with as noted with the storm damages. He defended the budget process as it has the best information we have available.

COMMISSIONER SULLIVAN expressed his frustration as it appears that we keep trying to fix inefficiencies and that we are not fully prepared for the budget year. At his work, he is accountable to stay within the adopted budget.

MOT TO APPROVE

COMMISSIONER SCHNEIDER MOVED, SECONDED BY COMMISSIONER SHAW, to approve a 2.1% cost-of-living (COLA) increase in electric rates as of November 1, 2014; and approve the methodology to calculate the annual electric base rate and the power cost adjustment rate based on the spreadsheets prepared by Chairman Pockock and Commissioner Schneider.

CHAIRMAN POCOCK requested the motion be amended to add the new power cost base will be effective November 1, 2014 and the new base power cost for the upcoming year will be \$0.0358 per kwh. This is the power supply total averaged per kilowatt on which these rates are based.

MOT AMND

COMMISSIONER SCHNEIDER SO AMENDED his motion to add that the new power cost base will be effective November 1, 2014 and the new base power cost

for the upcoming year will be \$0.0358 per kwh. COMMISSIONER SHAW SO AMENDED his second. Motion and amendment carried by the following vote:

AYES: CHAIRMAN POCOCK, COMMISSIONERS SULLIVAN,
MOFFITT, SHAW AND SCHNEIDER
NOES: NONE
ABSENT: COMMISSIONER SHAVER

2.1% COLA
INCRS IN
WTR & WW
NOV 1

CHAIRMAN POCOCK noted that the 2.1% COLA in water and wastewater was covered under the previous agenda item. He pointed out that in the water rates, there are two different \$3 fees per customer (total of \$6) for asset replacement which have been added and the second \$3 was added less than one year ago so it was not subject to the CPI increase.

COMMISSIONER MOFFITT MOVED, SECONDED BY COMMISSIONER SCHNEIDER, to approve a 2.1% cost-of-living increase in water and wastewater rates as of November 1, 2014. Motion carried by the following vote:

AYES: CHAIRMAN POCOCK, COMMISSIONERS SULLIVAN,
MOFFITT, SHAW AND SCHNEIDER
NOES: NONE
ABSENT: COMMISSIONER SHAVER

REPORTS:
BAD DEBT

City Manager Daniels explained that the question was asked at the last meeting about the bad debt processes of the utility business office and the NPUA so a written report is being provided to the Board.

An extended discussion was held on the process of sending red letter notices of disconnect; how long the customer has to pay their utility bill before getting a red letter; how often red letters go out; some customers having more time to pay than others as red letters are currently only mailed out once a month but there are sixteen routes/billing cycles with different due dates; and whether red letter notices should be mailed when the account becomes delinquent and not just once a month. City Manager Daniels agreed that staff will research this issue and come back with a solution to solve the issues raised by the Board on timing of mailing red letter notices.

Further review of the bad debt receivables and the percentage that is over 30 days which is about 22% as of September 30, 2014.

STORM
DAMAGE
EST COSTS

Secretary Sallis briefly explained the estimated costs of the damages from the two recent storms which combined total about \$540,000. The city's insurance adjusters (through which the utilities are also covered) visited after both incidents and, based on the information provided by the affected department supervisors, have reserved \$110,000 for the July 8 storm and \$430,000 for the August 12 storm. All costs associated with these storms should be recovered through insurance including personnel overtime, materials and equipment excluding the \$5,000 deductible per incident.

COMMISSIONER SCHNEIDER questioned where the revenues would go when reimbursement is received. City Manager Daniels responded that staff will bring this back to the Board at that time as the costs are an operating expense and the reimbursement is additional revenue back into the utilities. COMMISSIONER SCHNEIDER requested it be agendaized when the revenue is received so that it can be explained.

NEW FIN SYSTEM

City Manager Daniels spoke briefly on the ad-hoc committee that was set up to look into a new financial system for the city/utilities and needing a system that meets the needs of both. Staff is required to issue a request for proposals so we will write minimum specifications for the new system and issue the request. The timing will be set to implement a new financial system in spring 2015 for next year's budget.

SW GAS FRANCH FEES

CHAIRMAN POCOCK acknowledged the informational item of the 2% franchise fee paid by Southwest Gas Corp which is in response to previous questions raised by the Board. The 2% franchise fee is what's permitted by the Franchise Act of 1937.

FIN RPTS AUG '14

City Manager Daniels acknowledged the monthly financial reports for August 2014 which are included in the Board packet.

ACTVY RPT AUG '14

COMMISSIONER SULLIVAN noted that the water usage for August 2014 is up 12% and he felt that we need to keep water usage in mind. He suggested sending out a flyer with utility bills reminding customers of water conservation and tips to conserve. A brief review of water usage and consumption followed.

BRD RQSTS: None

ADJOURN: COMMISSIONER SHAW MOVED, SECONDED BY COMMISSIONER SCHNEIDER, to adjourn. Motion carried by the following vote:

AYES: CHAIRMAN POCOCK, COMMISSIONERS SULLIVAN,
MOFFITT, SHAW AND SCHNEIDER
NOES: NONE
ABSENT: COMMISSIONER SHAVER

CHAIRMAN POCOCK declared the regular meeting of the Board of Public Utilities held on the 7th day of October, 2014, adjourned at 5:35 p.m.

ATTEST: _____
Chairman

Secretary