

BOARD OF PUBLIC UTILITIES

February 4, 2014

The regular meeting of the Board of Public Utilities held on the 4th day of February, 2014, was called to order at 4:26 p.m. with CHAIRMAN POCOCK presiding and the following COMMISSIONERS present:

COMMISSIONERS SULLIVAN, MOFFITT, AND SHAW

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

EX ABSNC COMMISSIONER MOFFITT MOVED, SECONDED BY COMMISSIONER
SCHNEIDR SHAW, to grant an excused absence to COMMISSIONERS SCHNEIDER and
& SHAVER SHAVER. Motion carried by the following vote:

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

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

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

APR MINS: None

CORSPNDN: Secretary Sallis acknowledged COMMISSIONER SCHNEIDER's email dated February 3, 2014 whereby he's provided written comments on today's agenda items. A copy was provided to the Board just prior to this meeting.

PBLC APRN: None

UNF BUSNS: Secretary Sallis read COMMISSIONER SCHNEIDER's comments regarding use of electric department funds to demolish the Overland Motel. He suggested getting the undergrounding of the circuit in that area on the drawing board as a priority in the next two years.

USE OF
ELECTRIC
FUNDS FOR
DEMO OF
OVERLND
MOTEL

City Manager Daniels recommended that the request be declined.

CHAIRMAN POCOCK MOVED, SECONDED BY COMMISSIONER MOFFITT, to deny the request for use of electric funds for demolition of the

Overland Motel (located at 712 W Broadway). Motion carried by the following vote:

AYES: CHAIRMAN POCOCK, COMMISSIONERS SULLIVAN,
MOFFITT, AND SHAW

NOES: NONE

ABSENT: COMMISSIONERS SHAVER AND SCHNEIDER

REVIEW OF UTILITY RATE POLICY(IES) W/IN DFRNT ZONES/ AREAS Secretary Sallis read COMMISSIONER SCHNEIDER's comments regarding review of the utility rate policy(ies) to address the cost of providing service(s) within different zones/areas. He suggested looking into this possibility along with a detailed policy for any single service that is more than a set distance from the nearest existing distribution lines so that the property owner shares in the cost of providing the service to their remote location and a corresponding cost of maintenance.

Asst City Manager Brownlee noted staff could do an actuarial over the next couple years to determine the cost to serve those customers outside the city limits and/or customers in outlying areas. Discussion followed on the cost to provide service to these customers and that cost being borne by that customer, not all ratepayers. Upon questioning of an extension policy or policy to provide electric service, Asst City Manager Brownlee agreed to check on any such policies and provide the Board with a copy.

COMMISSIONER SULLIVAN questioned what it would take to charge those outside the city the proper rate to serve them with utilities. Asst City Manager Brownlee responded that staff would have to keep a log of mileage and payroll to determine the cost as we cannot charge more than what it costs to provide services. COMMISSIONER SULLIVAN noted that we know the cost of the BLM right-of-way fees of \$6 per customer (347 customers) and asked if that fee could be implemented now to cover that cost. Asst City Manager Brownlee explained that a rate change for that amount would be a wash on an annual basis as the \$6/customer is an annual cost. CHAIRMAN POCOCK commented that depreciation and wear & tear on equipment that goes to the outlying areas should also be taken into account. Both the system and equipment have an annual depreciable value and all customers should pay their fair share. City Manager Daniels agreed that staff could track actual costs over the next year to see what those costs are. Discussion followed on how to allocate the costs to those outside the city in outlying areas compared to those inside the city which are in closer proximity to each other thus less costly to provide services. COMMISSIONER MOFFITT questioned how other utility companies charge for service outside their service territory. He felt that we should look at that and how they address this.

CHAIRMAN POCOCK spoke on calculating the depreciated value by listing the total assets, x amount for depreciation, and the depreciated value is x. He noted that Supervisor Lindley could estimate that x amount is outside the city and we could run the numbers from there, but in the meantime, staff should keep track of costs to service these areas.

MOT TO
TABLE TO
1st MTG IN
MARCH

COMMISSIONER MOFFITT MOVED, SECONDED BY COMMISSIONER SULLIVAN, to let this issue lie until we get more information and come back at the first meeting in March. Motion carried by the following vote:

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

PROPOSAL
FROM EXP
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MEASURE
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Secretary Sallis read COMMISSIONER SCHNEIDER's comments regarding the proposal from Experienced Engineering Enterprises, LLC to assist the city in developing a rate structure based on equivalent dwelling unit (EDU) for sewer service. He generally supports having this done, but felt the contract should be titled "study of possible rate structures", not developing a rate structure.

CHAIRMAN POCOCK asked for a clarification as to if the plan is to come up with a base structure based on water usage when our rate structure is all flat rate. Asst City Manager Brownlee was not sure but deferred to the consultant, Robert Schulz, Experienced Engineering. We should have a standardized baseline of EDUs and charge.

COMMISSIONER SHAW MOVED to accept the proposal from Experienced Engineering Enterprise, LLC. MOTION DIED FOR LACK OF A SECOND.

COMMISSIONER SULLIVAN asked that the consultant come up with the EDUs for Needles and apply those EDUs. Asst City Manager Brownlee felt there is a misunderstanding and explained how we're not properly charging for business types. The definition of EDU is simple but allocation is not so.

COMMISSIONER MOFFITT questioned the actual motion on the \$3 asset replacement fund and how that \$3 was applied to the customers. CHAIRMAN POCOCK explained that he thinks the consultant is making a new rate structure and that takes costs, an asset replacement amount, and a look at the customer base. The asset replacement revenue needs to be what was originally voted on and approved. He felt that we're now trying to justify the mistake on how we've collected the \$3 for the sewer asset replacement fund by doing a study. CHAIRMAN POCOCK suggesting giving the different brackets for asset replacement so the consultant can figure that in.

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RATE STR

COMMISSIONER SULLIVAN MOVED, SECONDED BY COMMISSIONER MOFFITT, to accept a proposal for a "study of possible rate structures" from Experienced Engineering Enterprise, LLC at a cost not to exceed \$5,000. Motion carried by the following vote:

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

OVERCHG Secretary Sallis read COMMISSIONER SCHNEIDER's comments regarding
OF UUT & refunding of overcharges of the UUT for April through Sept 2013, and the winter
WNTR RATE hydro rate charges for March through Sept 2013; and application of the approved
& RVW OF water and wastewater rate changes from 2011 to 2013. He supports CHAIRMAN
APLCTN OF POCOCK's methodology in determining the overcharges and feels that our
RATE CHGS billings must be accurate and when they are not, the ratepayers should be made
whole for our mistakes.

Supervisor Mitchell referenced the 1700 page report prepared by the former business office supervisor that shows the UUT per customer and what was charged between April and September 2013. She has gone through a couple of the customers and the total was what was charged so it appears the report is accurate. She contacted Sungard as requested by CHAIRMAN POCOCK at the last meeting and their proposal, which is included in the packet, is \$12,000. She acknowledged that staff can input the adjustment entries to the bills over the next couple months. CHAIRMAN POCOCK asked about hiring a temporary person to assist with inputting the credits. Discussion followed on how the report was generated, where the information came from, and how we have an integrated software system to do the city's work and then the utility side as well. Supervisor Mitchell explained that she contacted a company today, after doing an Internet search, that is familiar with Sungard and they will be providing her with some information on their utility software. COMMISSIONER SULLIVAN explained he is very familiar with computer systems and if we are looking into costs, we need to consider what types of systems are available, web-based, DOS, etc. CHAIRMAN POCOCK commented that if we're checking for proposals, ask if the company can do any data conversion to include data from our existing system - ask if there's an add-on cost to do the data conversion as far back as possible. COMMISSIONER SULLIVAN noted that he's done software conversions several times in his current job and he's found that sometimes all-inclusive on one system is not always the best. COMMISSIONER MOFFITT felt another issue is the ability to pay utility bills on-line and encouraged staff to pursue looking at different options in utility software.

Discussion ensued on using current personnel to input the credit refunds and whether that can be done during regular work hours. COMMISSIONER SULLIVAN asked if city staff was still on furlough time and indicated that he would be agreeable to temporarily extending their hours to a 40 hour work week to get the inputting done. CHAIRMAN POCOCK requested that staff do a test to see how long it will take to input each customer so that we have an estimate of how long it might take to input all customers.

Tom Darcy, councilman, addressed the Board explaining that he's disturbed about Sacramento's declaration of a drought in California. We should consider the possibility that we may need to purchase water and that will be at a cost. If the Board is looking at giving back \$102,000 to the customers, he suggested postponing the refund to keep those funds available if we need additional water. COMMISSIONER MOFFITT responded that we owe the ratepayers the money back and if there are changes made to the water situation, we can react then and

adjust the rates accordingly. Discussion followed on the drought declaration by the California governor and the possibility of increased costs if we're not reducing water usage.

After further discussion on estimated time to input the credit refunds, Supervisor Mitchell indicated it would probably take 2-3 minutes per customer and with the additional two hours per week for three clerks (additional six work hours per week), they could get it done within two months. COMMISSIONER MOFFITT clarified that it would not be at overtime, just a temporary release of the two hour per week furlough time.

After some discussion, CHAIRMAN POCOCK explained that staff needs to take each customer on the generated report (total of approx 1,700 pages) and their total amount of UUT charges from April to September 2013 and add \$32.77 because of an error in not changing from winter to summer electric rates for March through September 2013 and apply that total credit as a miscellaneous credit the same way a payment is applied and that the city agree to reimburse the utility 4% of the total of the UUT overcharge of \$102,505.32 as they've taken revenue now not due them. He further commented that if a customer is no longer a utility customer and they left without owing a balance on their account, staff should mail a refund to their last known address, if one's on file; however, if they left owing a balance on their account, any refund due should be applied to the outstanding balance.

REFUND
OVERCHG
OF UUT &
WNTR/SMR
ELECTRIC
CHARGES

COMMISSIONER SULLIVAN MOVED, SECONDED BY COMMISSIONER MOFFITT, to approve staff working up to forty (40) hours per week (regular work schedule - not overtime) over the next two (2) months to make the adjustments necessary to apply credits to all customers that are due credits by crediting each customer from the generated report their total amount of utility user tax (UUT) charges from April to September 2013 and adding \$32.77 because of an error in not changing from winter to summer electric rates for the period of March through September 2013 and that total credit being applied as a miscellaneous credit the same way a payment is applied and the city will agree to reimburse the utility 4% of the total of the UUT overcharge of \$102,505.32. Motion carried by the following vote:

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

COMMISSIONER SULLIVAN requested staff come back with a report and/or bids on new software at the first meeting in March.

INCNSTNCY
IN \$3 ASSET
REPLACMT
FEE & APLC
OF APPVD

CHAIRMAN POCOCK explained that there have been inconsistencies in the way the \$3 sewer asset replacement fee has been applied. The original intent on the revenue to be generated was based on a per customer fee but more revenue was collected and that additional revenue needs to be refunded. He voted for a per customer charge and motels are being charged per room; schools are charged one

WTR & WW \$3 fee, not per student; and the hospital is charged per bed and for more beds than
RATE CHGS they have. When the sewer asset replacement fee was implemented, the Board agreed to collect a certain amount of revenue and that has been over-collected.

CHAIRMAN POCOCK further explained that mistakes have also been made in implementing the water and sewer rates between 2011 and 2013 and spoke on his calculations of the rates for that period. COMMISSIONER SULLIVAN agreed that if mistakes have been made, we need to correct those mistakes but if staff implemented the rates that were approved, the correction should be made going forward. Supervisor Mitchell acknowledged that there is between 8¢ and 11¢ difference, higher and lower, in the monthly service charge between the current rates and those of CHAIRMAN POCOCK.

MOT RE CHAIRMAN POCOCK MOVED, SECONDED BY COMMISSIONER
RESOL TO MOFFITT, to prepare a resolution for Board consideration to adopt revised water
ADPT REV rates according to his (Chairman Pocock's) schedule with the December 1, 2013
RATES date.

Secretary Sallis noted that there is a public hearing already scheduled for March 11, as required by Prop 218, on the additional \$3 water asset replacement fee and it's unknown if revised water rates will also trigger a Prop 218 public hearing and protest process. Discussion followed on the current water and sewer rates, revising those rates and what that might take. The Board requested a copy of the current rates since they were not included in the packet for this meeting.

W/DRAW CHAIRMAN POCOCK WITHDREW his motion and COMMISSIONER
MOTION MOFFITT WITHDREW his second.

MOT TO COMMISSIONER SHAW MOVED, SECONDED B COMMISSIONER
TABLE MOFFITT, to table these matters until the next meeting for more information.
Motion carried by the following vote:

AYES: CHAIRMAN POCOCK, COMMISSIONERS SULLIVAN,
MOFFITT, AND SHAW

NOES: NONE

ABSENT: COMMISSIONERS SHAVER AND SCHNEIDER

CHAIRMAN POCOCK noted that the same miscalculations have been done on the sewer rates and he requested that sewer rates also be brought back to the Board at the next meeting.

CHAIRMAN POCOCK spoke on the sewer rate categories for the implementation of the \$3 asset replacement fee noting that the group most affected were the hotels as they are being charged per room, not as one customer. It is his belief that each customer was to be billed \$3 to get the asset replacement fund started and not that it would be based on equivalent dwelling unit (EDU - i.e. per room). All customers were to be charged one \$3 fee per month to collect the revenue

anticipated by staff. City staff did not even realize the over-collection and transferred out only the \$3 per customer leaving the balance sitting in the utilities.

After discussion, the Board requested that staff bring this back with the original Board action/minutes implementing the \$3 sewer asset replacement charge.

NEW BUSN: Secretary Sallis read COMMISSIONER SCHNEIDER's comments regarding the power cost adjustment (PCA) for the quarter ending December 31, 2013. He supports holding off on the PCA adjustment for another quarter but feels we need to get a handle on the billings to prevent over-rebates of this magnitude in the future.

PCA END
DEC 31 '13

CHAIRMAN POCOCK requested staff go back and look at the PCA rebate and when it ended last year, go back the prior three months before that and see how much would have to be charged to fund \$243,000 if the kwh usage was identical. He would like to apply the PCA charge during the same period as the over-rebate and asked that this be brought back to the Board at the next meeting.

BRD ROSTS: COMMISSIONER SULLIVAN explained that he would like to spend some time in the near future at the city offices learning about our systems and operations. City Manager Daniels agreed to arrange that once COMMISSIONER SULLIVAN is ready.

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

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

CHAIRMAN POCOCK declared the regular meeting of the Board of Public Utilities held on the 4th day of February, 2014, adjourned at 6:40 p.m.

ATTEST: _____
Chairman

Secretary