

BOARD OF PUBLIC UTILITIES

June 3, 2014

The regular meeting of the Board of Public Utilities held on the 3rd day of June, 2014, was called to order at 4:00 p.m. with CHAIRMAN POCOCK presiding and the following COMMISSIONERS present:

COMMISSIONERS SULLIVAN, MOFFITT, SHAVER, SHAW AND SCHNEIDER

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

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

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

APR MINS: COMMISSIONER MOFFITT MOVED, SECONDED BY COMMISSIONER
SULLIVAN, to approve the minutes of the regular meeting held May 6, 2014.
May 6, '14 Motion carried by the following vote:

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

CORSPNDN: City Manager Daniels referenced a press release that has been issued regarding an announcement by the Environmental Protection Agency on cutting emissions from coal-fired plants. He wanted to keep the Board informed as this moves along. Jack Lindley, electric line foreman, felt that this will raise power purchase costs and predicted it will raise electric by \$250 - \$300 per household per year.

PBLC APRN: None

UNF BUSNS: City Manager Daniels reviewed the changes to the Needles Public Utility Authority (NPUA) operating and capital improvement budgets for the 2014-2015 fiscal year that have evolved over the last six weeks or so. We have moved from a negative to a positive of \$92,000 for next fiscal year. Any further cuts will cause dramatic impacts and he's hopeful that that the Board will raise electric rates by 1¢ today but defer any further actions until the rate studies are completed. City Manager Daniels recommended that the budget be forwarded to the NPUA as the budget for the upcoming year.

OPERATNG
& CAPITAL
IMPR BDGT
2014-15 FY

Review and discussion followed on the operating and capital improvement budgets as presented; personnel needs in water and electric; and the franchise fee and how it's calculated.

CHAIRMAN POCOCK MOVED, SECONDED BY COMMISSIONER SULLIVAN, to approve the Needles Public Utility Authority operating and capital improvement budgets for the fiscal year ending June 30, 2015. Motion carried by the following vote:

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

PCA FOR
QTR END
MAR 31 '14

COMMISSIONER SCHNEIDER distributed revised calculations based on the previous four quarters based on the billing error versus power costs. \$88,872 of the amount over-refunded is attributed to the actual cost of power and if that is divided by the next three quarters, we'd need to add \$.0069 to the electric rate, at a minimum, to cover the power purchases. \$198,502 is attributed to billing error and to pay that back over six months would add a little over 1¢. To do both would add 1.7¢ for three months ending October 1 and then drop \$.0069 and continue with the 1¢ for an additional three months.

City Manager Daniels noted that later on the agenda will be a discussion of the rate stabilization fund. This is a restricted fund that cannot be declared excess cash. Any unobligated cash should be put on the books in the rate stabilization fund so that it's not available cash.

CHAIRMAN POCOCK felt that the statement of policies allows carrying forward any balance and the proper time to bill for the over-refund would be between June and August as that is a comparable time for actual customer usage. He recommended adding a 2¢ charge for July, August and September 2014 and then adding the cost-of-living adjustment as of October 1 which should then leave a zero balance in the power cost adjustment (PCA).

MOT RE
PCA AS OF
JULY '14

CHAIRMAN POCOCK MOVED, SECONDED BY COMMISSIONER MOFFITT, to add a two cent (2¢) power cost adjustment (PCA) starting the first of July, 2014 and ending September 30, 2014 on the electric over-hydro usage only.

AMND MOT

CHAIRMAN POCOCK AMENDED his motion that the revenue be put for power purchase only and that it cannot be declared as excess revenue. COMMISSIONER MOFFITT SO AMENDED his second.

City Manager Daniels recommended adding the revenue to the rate stabilization fund as a restricted fund. Discussion followed on the negative balance in the PCA and if it was absorbed at fiscal year end; and use of cash reserves for the remaining days of the current fiscal year.

COMMISSIONER SCHNEIDER does not see where expenses have drastically increased in the last couple years to throw the utilities into a negative. He acknowledged there have been a couple large expenses but questioned what else has occurred to increase the negative balance. City Manager Daniels noted that the city will not be asking for a prepayment this year as there are no excess funds in the utilities and that is a prerequisite for a prepayment.

Terry Campbell, councilman, explained that Needles has the lowest rates in California back to 2006 and the city has subsidized due to the cost of power. We do not have a capital improvement fund but do have a capital asset replacement fund. There are no funds to improve the electric, water and wastewater systems. COMMISSIONER SCHNEIDER responded that we would have to add \$.0069 to recover that but there is nothing in the policy to recover a billing error from the ratepayers.

COMMISSIONER SHAVER felt that if the revenue was put in the rate stabilization fund, it could be taken out if needed by action of this Board and the NPUA so long as we maintain the \$700,000 minimum required.

MOTION
FURTHER
AMENDED

CHAIRMAN POCOCK FURTHER AMENDED his motion to strike that the revenue be put for power purchase only and add that the revenue will go to the rate stabilization fund. COMMISSIONER MOFFITT FURTHER AMENDED his second. Motion and amendments carried by the following vote:

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

IMPLMNT
EDU STUDY
ON SEWER

Asst City Manager Brownlee explained that the Board did not feel that the \$3 sewer asset replacement fee was allocated properly to the end users so retained a consultant, Experienced Engineering Enterprises Inc., to prepare an equivalent dwelling unit (EDU) study.

Discussion was held on the proposed EDU rates; implementation as it applies to the asset replacement fund; waiting for the completion of rate studies for the utilities; and the need to establish a policy to monitor those customers that could routinely change from one rate to another.

COMMISSIONER SCHNEIDER questioned if the city provides sewer services to the Fort Mojave Indian Village. Robert Benoit, wastewater department, responded that the city accepts their sewage for treatment but we are not responsible for the lift station. Jerry Porter, water department supervisor, explained that he believes the tribe is paying sewer charges based on water usage after backing out the irrigation use and they get one bill. He also spoke on the churches that have installed irrigation metering which need to be figured in as there are about 5 or 6 of those. CHAIRMAN POCOCK felt that the tribe should

be charged the residential rate for their residences and not a commercial rate for the entire village. Mr. Benoit spoke on the history of the tribe taking over the lift station serving the village which was done at their request. After they assumed responsibility, the tribe alleged that the city was overcharging them so an individual agreement was made for their sewer charges. He noted that there are several lift stations around town that are not owned by the city but by the property owner.

CHAIRMAN POCOCK explained that if there is a contractual arrangement with the tribe setting a separate fee for them and there is nothing in the EDU study to provide for that fee that would have to be backed out. We need to identify and quantify these types of anomalies. He would like to do our own rate calculations. Asst City Manager Brownlee explained he's reached out to twelve companies to do the rate studies for all three utilities. Discussion followed on the need for another rate study in addition to the EDU study provided.

City Manager Daniels explained we could move forward with the asset replacement fund based on the EDU study and could start the Prop 218 process for such. If the Board wants to adopt the EDU study, let staff work on both asset replacement and operating costs to work into the rates. COMMISSIONER SULLIVAN pointed out based on \$1.5 million including all costs to run wastewater would equal \$32.81 per EDU.

COMMISSIONER SHAVER reminded the Board that the matter before them is not establishment of rates but whether to use the EDU study as a basis.

City Manager Daniels revised his recommendation and agreed that the EDU study should be used for all rate matters in wastewater.

COMMISSIONER SHAVER MOVED, SECONDED BY COMMISSIONER SHAW, that the equivalent dwelling unit (EDU) study on sewer as prepared by Experienced Engineering Enterprises, Inc. be used for all rate matters in wastewater.

COMMISSIONER SCHNEIDER felt that if we go to an outside company for the rate study they need to use the EDUs approved by this Board. COMMISSIONER SULLIVAN was concerned that an outside consultant would want to verify our numbers as correct and accurate which would hold up the legal proceedings for new rates. COMMISSIONER SCHNEIDER suggested that Experienced Engineering Enterprises Inc. be asked to finish the study and give us a rate study and if the numbers come back different then we need to ask why. City Manager Daniels clarified that the proposed motion before the Board is not to set the rates but the EDUs will be used to look at the rates.

Motion carried by the following vote:

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

RESOL NO
6-3-14 BPU
RE REHAB
300 LINEAR
FT OF SWR
PIPE @
'L' ST

City Manager Daniels explained that the law requires that when public funds are used it must be at prevailing wages. Staff approached two vendors independently to do the rehabilitation of 300 linear feet of sewer pipe at 'L' Street that crosses under the railroad tracks at prevailing wages and Jonovich Companies, Inc is still the low bidder.

CHAIRMAN POCOCK questioned if the city is liable for any major issues that might come up in this project, i.e. sewer line explodes during expansion. Mr. Benoit spoke on the process to be used noting that any damages would be covered by the contractor's insurance/bonding.

COMMISSIONER MOFFITT MOVED, SECONDED BY COMMISSIONER SHAW, to waive the reading and adopt Resolution No. 6-3-14 BPU rescinding Resolution No. 5-20-14 BPU and waiving the sealed bid process and accepting a combined proposal from Jonovich Companies, Inc. and Simon Sewer Maintenance, a division of Simon Family Enterprises, Inc., to rehabilitate 300 linear feet of sewer pipe at 'L' Street that crosses under the BNSF Railway Company's track bed.

CHAIRMAN POCOCK asked if a 12" sewer line is needed. Mr. Benoit spoke on appropriate size of the line noting that the next manhole to tie into is 12". We are not doing this work to improve the flow but because the current pipe is cracked and eroding.

COMMISSIONER SULLIVAN explained that when this was first approved the expense was to come out of asset replacement - is that still the case? Mr. Benoit responded no, there are funds in three line items to cover the cost in the 2013-14 budget. COMMISSIONER SULLIVAN felt that it should come out of asset replacement as just because it's in the budget doesn't mean the department will break even.

Motion to adopt Resolution No. 6-3-14 BPU carried by the following vote:

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

NEW BUSN: City Manager Daniels recommended retaining Vasquez & Company, LLC for the 2014 audit but that next year a request for proposals be issued for this service.

RETAIN
NPUA

COMMISSIONER SHAVER MOVED, SECONDED BY COMMISSIONER

AUDITORS MOFFITT, to authorize retaining the accounting firm of Vasquez & Company, LLC for the audit of the Needles Public Utility Authority for the fiscal year ending June 30, 2014. Motion carried by the following vote:

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

RPT BY AD COMMISSIONER MOFFITT explained that the ad-hoc committee looked at
HOC COMM three different companies for a new financial system and all three do basically the
RE NEW same functions. One issue was back up and no longer being supported by IBM.
FIN SYSTM Another issue was Naviline which crashed and was never restored and the use of
the “green screen”.

COMMISSIONER SULLIVAN explained that he liked that all reports could be put in an Excel format which will make them easier to read and understand. He felt that the initial cost to purchase could be funded out of the utilities and paid back by the city over 3-5 years so the current fees and charges would not change.

COMMISSIONER MOFFITT expressed concern with all data being “on cloud”. COMMISSIONER SULLIVAN spoke on Black Mountain being on the Amazon cloud which is the most secure cloud out there. He felt that our data would be secure and safe and would eliminate staff having to be experts with the computer. A new system would also force staff to learn policies and procedures and make sure all components are being used. COMMISSIONER MOFFITT noted that a new system has a two year learning curve and will be met with some resistance by staff.

COMMISSIONER SULLIVAN explained that certain reports will be available to this Board and the NPUA/city council to access any time. City Manager Daniels responded no, there will not be a breach in the system and there will be no home access to the city/utility system.

City Manager Daniels commended the Board for the work done and noted that the city does not have the finances at this time. He referenced the implementation of ObamaCare over the past few years and the major issues they’ve encountered with the computer system. We need to be very cautious when moving into this as it will require six months of parallel systems to make sure all components are working.

Discussion ensued on the cost of local hosting concurrently with on the cloud. COMMISSIONER MOFFITT explained he did reference checks on Black Mountain and none had more than a 20 minute wait when they had issues. Most California users were on the utility side. COMMISSIONERS MOFFITT AND SULLIVAN spoke on the pros and cons of the systems looked at both independently and compared to one another.

COMMISSIONER SHAW questioned how the city felt about this purchase and if they are willing to take on this debt. City Manager Daniels explained the operators of the system (city employees) do not want to make the change as they've built decades of comfort with the current system and it will take probably two years to get that comfort on a new system. The current system costs \$1,500 more per month than a new system but the downside is switching to a new system and putting the data at risk. He's seen many new systems that do not work as intended. But ultimately the city cannot afford to make a change at this time. COMMISSIONER SULLIVAN suggested that the utilities pick up the cost and the city only pay what it's currently paying. Discussion followed on the need for a new computer system, cost, staff training, and lack of IBM support on the current system.

Sylvia Miledi, finance director, spoke on the operating system being the only part of the current system that will not be supported as of September 2014 and the "box" being good for another year. She noted that historical data will not be carried forward, only balances, so we'll have no historical data. COMMISSIONER SULLIVAN remarked that he clarified that and the vendor can go back two years with historical data. Finance Director Miledi continued that our current computer technician does not recommend going into the cloud as we lose control over the data and it goes down more frequently. We can upgrade the system now and the "box" next year. These will be upgrades, not migration.

Tom Darcy, councilman, explained that he's never had issues with paying his bills for the last 22 years but he cannot auto pay with the utilities. He had to go to the credit union to set up payments and because the payment date changes, he received two late charges. He would like to be able to auto pay and make credit card payments. As a council member, he would like to see the city/utilities come into the 21st century. Finance Director Miledi responded that the credit union may not have on-line banking and most of the utility payments are in cash.

COMMISSIONER SCHNEIDER explained he appreciates the work done by the ad-hoc committee and Black Mountain might be the best for us but if the Board makes a decision to go with them we will be micromanaging. If staff comes to the Board with a recommendation for a new system, that would be different but this is not coming from staff.

City Manager Daniels questioned the total outlay to Black Mountain to which COMMISSIONER MOFFITT responded \$92,515 plus the addition of two years of data.

CHAIRMAN POCOCK agreed with COMMISSIONER SCHNEIDER that the Board might be pushing for something that is not support or needed by staff.

City Manager Daniels agreed that a lot of information has been provided and asked for a couple weeks to review and come back.

ALLOWBL
USE OF
RATE STBL
FUND

City Manager Daniels spoke on the process of setting up the 1997 utility bonds and the rate stabilization fund. We already have one year of payments to protect the bondholders so this fund would be a second line of defense. He feels the rate stabilization fund could be used to soften the rates as we move forward. He could find no justification for \$700,000 and it's never been used so he suggested using it as a place to put and draw money to stabilize rates. The answer is that this fund could be used but the funds would have to be replaced.

City Manager Daniels recommended that the Board accept his report as information and know that the fund is there and could be used.

Discussion ensued on the rate stabilization funds, what they could be used for, and the need for a policy on the use of the funds and for what purpose.

COMMISSIONER SCHNEIDER asked staff to formulate a policy to bring back to the Board. The policy should also formalize the PCA rate structure to go into this fund. City Manager Daniels agreed that staff will work on this and it should also be attached to the rate policy.

ELCT MTR
RPLCMNT
TO INCL
MANPWR
& COME
OUT OF
ASSET RPL

Foreman Lindley spoke on the aggressive meter update program and the Board's previous approval to purchase a meter test bench. He would like to take two employees and move them into the replacement program as it will take changing out one commercial and 14-16 residential meters per day to complete the change out in twelve months. This change out program will provide significant increase in revenues so he'd like to dedicate 80 hours per week for one year to sunset next year at which time we can reevaluate the personnel needs in the electric department. This is one time program with no intent to carry it after twelve months. \$140,000 will be taken from the regular operating budget and moved into this program.

When questioned about the staff layoffs, City Manager Daniels explained that this project requires the skills of a lineman so we cannot shift those affected in the general fund. He felt the expenses could be paid out of regular operations & maintenance or asset replacement as it meets the requirements for asset replacement. COMMISSIONER SULLIVAN would like to see a replenishment of funds back into the asset replacement with increased revenues at some point. City Manager Daniels pointed out that a percentage of the increase will go into asset replacement.

COMMISSIONER SCHNEIDER commented that there is a 15-1/2% line loss from 2008 to current and he would like to see that down to 10%. COMMISSIONER SULLIVAN asked what other critical projects will be put on hold while this work is done. Foreman Lindley responded none that are critical other than keeping the power on.

COMMISSIONER SCHNEIDER MOVED, SECONDED BY COMMISSIONER MOFFITT, that this Board recommends that the city council and Needles Public Utility Authority approve the electric metering quality assurance and measure-

ment project to be re-characterized to include manpower with a completion date within twelve months with funding coming out of the electric asset replacement fund.

It was the general consensus of the Board Members that they want a report on this project the first month it starts and then quarterly thereafter.

Motion carried by the following vote:

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

NOES: NONE

ABSENT: NONE

REPORTS: City Manager Daniels reported that staff is within \$49,000 of having a balanced budget on the city side and will be going to the city council at the next meeting with a balanced budget. There will be no general fund subsidy going to the golf course which must stand on its own.

BUDGET

NET MTRNG City Manager Daniels explained that COMMISSIONER SCHNEIDER requested information on the electric net metering for 2013-2014 so this information has been shared with all Board Members. Foreman Lindley is to provide quarterly reports on reading.

PARK
MOABI
LINE

COMMISSIONER MOFFITT commented that one of the electric projects is to rebuild the line out to Park Moabi and he questioned if they should not be paying for that. Foreman Lindley explained that Park Moabi is not willing to pay so we will not be doing that project. There is a moratorium on growth out to that area until they rebuild the line.

BRD ROSTS: COMMISSIONER SULLIVAN requested that on the next agenda there be an update on the asset replacement accounting including balance in the accounts for each department.

RFP RATE
STUDIES COMMISSIONER MOFFITT inquired if the request for proposals has been issued for the utility rate studies. City Manager Daniels answered yes, we should have responses in about a month.

STMT OF
POLICIES CHAIRMAN POCOCK spoke on the statement of policies for setting of electric rates and the need to determine how to book the carbon costs as operation & maintenance or power cost which would then be captured through the PCA.

2¢ INCR COMMISSIONER SCHNEIDER noted that the city picked up an extra \$21,000 in utility users tax and franchise fee on the 2¢ increase just approved.

TRIBAL
CONTRCTS COMMISSIONER SCHNEIDER asked staff to pull the contracts with the tribe for water and wastewater to make sure that they get pulled into the rates as they are resale.

PERSONNL Supervisor Porter explained that last year he asked for an extra employee for the water department to help take care of deficiencies. The Board authorized the position but it was never filled. With cutting another position this year, there may be safety issues within the department. There are fire hydrant issues and other areas that will not be taken care of including the meter change out program with the cutting of another position.

Supervisor Porter also reported that he hears we will be losing the tribe as a customer as they are asking for an easement to bring water from across the river to the local village.

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

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

CHAIRMAN POCOCK declared the regular meeting of the Board of Public Utilities held on the 3rd day of June, 2014, adjourned at 7:14 p.m.

ATTEST: _____
Chairman

Secretary