

BOARD OF PUBLIC UTILITIES

September 2, 2014

The regular meeting of the Board of Public Utilities held on the 2nd day of September, 2014, was called to order at 4:07 p.m. with CHAIRMAN POCOCK presiding and the following COMMISSIONERS present:

COMMISSIONERS SULLIVAN, MOFFITT, SHAVER 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 SCHNEIDER SHAW, to grant an excused absence to COMMISSIONER SCHNEIDER.
Motion carried by the following vote:

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

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

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

APR MINS: COMMISSIONER SULLIVAN MOVED, SECONDED BY COMMISSIONER
SHAW, to approve the minutes of the regular meeting held August 5, 2014.
Aug 5, '14 Motion carried by the following vote:

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

CORSPNDN: None

PBLC APRN: Jack Lindley, electric line foreman, advised the Board that he will be sending a letter of thanks to the Aha Macav Power Service (AMPS) for their assistance after the severe weather event on August 12. The city lost in excess of 50 power poles and AMPS had no damage so they sent their crews over to assist our crews. They did a great job and will not be billing the city for their time and services. CHAIRMAN POCOCK asked if we will be recycling the downed wire as there is still a lot of it along the golf course. Foreman Lindley responded that it depends

on the wire and we will not be recycling that on the golf course but will do so in other areas. Discussion followed on recycling and/or the scrap value of the wire that is down and being replaced. CHAIRMAN POCOCK suggested that the city's public works scoop up the wire and store it in the city yard to avoid theft for its scrap value.

UNF BUSNS: City Manager Daniels explained that at the last meeting, the Board appointed an ad hoc committee to work with staff and the consulting firm (EES Consulting) performing the cost of service studies and rate analysis for the electric, water and wastewater utilities. The ad hoc committee was made up of this Board and the DESGNT NPUA/CTY AS AD HOC COMME RE RATE STDY & BRD AS ADVISORS Needles Public Utility Authority (NPUA)/City Council. The city attorney has advised that the combination of the bodies sitting on the committee creates a Brown Act committee requiring the posting of agendas, recording of minutes, etc. so we are looking instead at the ad hoc committee being made up of the three NPUA/Council members and the three Members of this Board serving in an advisory capacity. This will avoid staff costs and time of a Brown Act committee. This Board's Members and staff will be meeting with the ad hoc committee to provide input on the cost of service studies and rate analysis in an advisory capacity only.

CHAIRMAN POCOCK MOVED, SECONDED BY COMMISSIONER MOFFITT, to designate the Needles Public Utility Authority/City Council to act as the Ad Hoc Rate Study Committee and reaffirm CHAIRMAN POCOCK, COMMISSIONERS SULLIVAN AND SCHNEIDER to participate on an advisory body to observe and assist in working with staff and the consulting firm performing the cost of service studies and rate analysis for the electric, water and wastewater utilities. Motion carried by the following vote:

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

IMPACTS OF AB 32 ON ELECT EXPENDS Asst City Manager Brownlee explained that this agenda item is giving recognition that AB 32 (greenhouse gas allowances) are real costs to the utility, will be ongoing for some time, and should be included in the rate policy. EES Consulting should be advised to include these costs in the rate study.

CHAIRMAN POCOCK felt the AB 32 costs should be included as part of the power cost adjustment (PCA) using prior year costs and then they could be adjusted as needed. COMMISSIONER SULLIVAN agreed that the renewal portfolio standards (RPS) are part of the costs and asked what has been done to look at building our own renewable energy sources. Asst City Manager outlined what has been done over the past few years on solar energy noting that if solar power is bought, it would push out our hydropower which is 72% of our power during the summer.

Terry Campbell, councilman, spoke on the past solar proposals and those solar projects built in the area. His concern is putting the cost of solar on the rate-payers.

COMMISSIONER MOFFITT MOVED, SECONDED BY CHAIRMAN POCOCK, to acknowledge the impact of AB 32 on the electric utility expenditures and include the costs in the electric rate structure as part of the PCA component.

Discussion followed on the electric rates and how they are calculated including use of budgeted numbers.

Motion carried by the following vote:

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

IMPACTS
OF BAD
DEBT ON
UTILITY
EXPENDS

Asst City Manager Brownlee explained that bad debt is a fact in the utilities and needs to be acknowledged in the rates. \$385,000 in bad debt was written off in April 2014 bringing the 55% in January down to 19% in August. Discussion ensued on the April write-off that went back to bad debts incurred since 2006 and the bad debt allowance provided for by the auditors each year.

COMMISSIONER SULLIVAN noted that there is a big difference between the \$175,000 bad debt allowance of the auditors and \$385,000 incurred for eight years which is significantly less than \$175,000 per year. Discussion on the bad debts of the utilities, the percentage of total annual revenues, and why the auditors are writing off so much compared to actual.

COMMISSIONER SCHNEIDER entered the meeting at 4:36 p.m.

COMMISSIONER SULLIVAN agreed that the bad debts need to be included in the rate structures of the water, wastewater and electric utilities but we need to quantify an accurate amount.

With no action needed, City Manager Daniels confirmed that the Board agrees to include bad debt but we need to firm up that number and make sure it stays current with actual amounts.

NEW BUSN: None

REPORTS: City Manager Daniels noted that he talked at the last meeting about providing a report on where we get our water, the two primary sources. Asst City Manager Brownlee explained that the report provided as part of the Board packet is very broad and he is open to any questions.
NDLS WTR
SUPPLY -
PRIMARY

& SECNDRY SOURCES A general review and discussion was held on the report on the Needles water supply - primary and secondary sources of water; and potential for use of reclaimed water (wastewater) for irrigation at the golf course. City Manager Daniels will bring some numbers to the next meeting on the estimated cost to run a "purple pipe" (reclaimed wastewater) from the wastewater plant to the golf course.

BRD RQSTS: COMMISSIONER SULLIVAN asked for an update on the following items: 1) collapsing sewer pipe under the Interstate 40 roadbed (in the area of Market, California Avenue, and 'P' Street) (Secretary's Note: this matter will be addressed once a new city engineer is in place and will be a priority project); 2) when it's all done and together, recent storm damage costs, insurance coverage, and out-of-pocket expenses; 3) since California has passed water conservation, he'd like the monthly water usage cumulative to the same months in 2013 for tracking purposes; and 4) status of the utility audit reports. Sylvia Miledi, finance director, explained that the NPUA auditors will be starting on September 15th. COMMISSIONER SULLIVAN questioned the 90 days after the close of the fiscal year to complete the audit which is up September 30 and if we'd be required to extend the deadline. City Manager Daniels agreed to bring some fiscal year end close preliminary numbers to the next meeting.

CHAIRMAN POCOCK felt that the audit deadline should be extended if it's going to be past the 90 days after the close of the fiscal year and that Vazquez needs to acknowledge that they are late in providing it. City Manager Daniels will provide the Board with a schedule for completion of the NPUA audit.

WTR LEAK CHAIRMAN POCOCK reported that water is leaking up through the asphalt across from 214 Fairway.

FINANCL COMMISSIONER SCHNEIDER made reference to the monthly financial reports for the month of June 2014 which are actuals as of June 30, 2014. The NPUA has a total loss of \$270,000 and he inquired as to where that \$270,000 will be coming from. COMMISSIONER SULLIVAN pointed out that \$385,000 was written off all in one year for bad debt for the last eight years (2006-2013). City Manager Daniels explained that the numbers will show up in a due to/due from and will come out of cash reserves. Discussion followed on the NPUA loss, revenue being less than expenditures, for the 2013-2014 fiscal year. City Manager Daniels reiterated that, at the next meeting, he'll provide preliminary closing numbers for last fiscal year. CHAIRMAN POCOCK also reminded the Board that the PCA was over-refunded by \$280,000.

COMMISSIONER SCHNEIDER explained it's common sense that someone has to cover the \$270,000 shortfall in revenues and he's concerned that the city already says the utilities owe \$800,000 without adding that additional amount.

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

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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 2nd day of September, 2014, adjourned at 5:14 p.m.

ATTEST: _____

Chairman

Secretary