

BOARD OF PUBLIC UTILITIES

January 19, 2016

The adjourned regular meeting of the Board of Public Utilities held on the 19th day of January, 2016, was called to order at 4:00 p.m. with CHAIRMAN POCOCK presiding and the following COMMISSIONERS present:

COMMISSIONERS WRIGHT, MOFFITT, SCHNEIDER AND CAMPBELL

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

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

AYES: CHAIRMAN POCOCK, COMMISSIONERS WRIGHT,
MOFFITT, SCHNEIDER AND CAMPBELL
NOES: NONE
ABSENT: COMMISSIONER SHAVER

APR MINS: COMMISSIONER MOFFITT MOVED, SECONDED BY COMMISSIONER
CAMPBELL, to approve the minutes of the regular meeting held May 5, 2015;
May 5, '15 the minutes of the regular meeting held May 19, 2015; and the minutes of the
May 19, '15 regular meeting held June 16, 2015. Motion carried by the following vote:
June 16, '15

AYES: CHAIRMAN POCOCK, COMMISSIONERS MOFFITT,
SCHNEIDER AND CAMPBELL
NOES: NONE
ABSTAIN: COMMISSIONER WRIGHT
ABSENT: COMMISSIONER SHAVER

CORSPNDN: City Manager Daniels acknowledged a letter he emailed to the Board Members from the Bureau of Reclamation regarding the authority to draw water.

PBLC APRN: None

PRESENTN CHAIRMAN POCOCK noted that Robbert Osterholt was not present at this time so reserved his presentation to later in the meeting in case he shows (Osterholt
OSTERHOLT requested the opportunity to make a presentation on latest developments in electric distribution generation market; Needles Public Utilities' existing distribution generation viability to long term strategy; and marketing in the electric market to expand and prosper.

UNF BUSNS: City Manager Daniels briefly explained the Revised Statement of Policies dated January 2016 which will set a threshold of \$200,000, up or down, that no Power
REVISED Cost Adjustment (PCA) would be applied to any quarter until the cumulative total
STMT OF exceeds that amount and that each quarter's non-applied PCA will be carried
POLICIES forward into the next quarter. Additionally, the CPI index to be used in the

JAN 2016 annual cost-of-living adjust has been clarified to be the U.S. West – Size Class B/C.

COMMISSIONER SHAVER entered the meeting at 4:06 p.m.

COMMISSIONER SCHNEIDER questioned how the funds would be balanced at the end of the year indicating that we need a capital operating account. City Manager Daniels responded that the amount fluctuates and in the worst case, it could go into the rate stabilization fund but we have not reached that. The working capital can cover any shortfall for three months to recover but not for six. Discussion followed on the revised statement of policies and how any positive or negative balance would be handled.

COMMISSIONER CAMPBELL felt that we need to be diligent on the next quarter cost adjustments. He further noted that we are going into a four month contract on power purchases so that gives some flexibility and suggested to be aware of the commodity price of natural gas as that is a brown energy power cost adjustment that is key to the future.

COMMISSIONER MOFFITT MOVED, SECONDED BY COMMISSIONER WRIGHT, to adopt the Revised Statement of Policies dated January 2016 to guide the overall design of electric rates for the future. Motion carried by the following vote:

AYES: CHAIRMAN POCOCK, COMMISSIONERS WRIGHT,
MOFFITT, SHAVER, SCHNEIDER AND CAMPBELL
NOES: NONE
ABSENT: NONE

REVISIT
PRESTNTN Robbert Osterholt appeared before the Board and spoke on his opportunities in Needles with solar as a viable power source. He disagrees with wholesale purchase of excess power as he feels it will not be to the advantage of the NPUA. The Board previously discussed redistribution of costs and he would like to discuss that in more detail at a future date but the ten minute limit is not enough time to go into detail today. CHAIRMAN POCOCK explained that all other customers pay for the grid and solar is being put on and taken off the grid and solar customers need to pay their fair share as well. Mr. Osterholt did not have data to show power going on and being taken off the grid but felt that for the NPUA to remain solvent, it needs to take solar as an opportunity or in 5-10 years the NPUA will not be relevant to large power users. The NPUA needs to invest in the system to take on solar long term and it cannot offer so little reimbursement on the excess that it's not viable for the solar customers.

COMMISSIONER MOFFITT spoke on 75% of the costs to the utility is in the system and those that can afford solar are those with the finances. If fair share costs of the system are not covered by solar customers those costs have to be

passed onto the other customers. Solar also puts on dirtier power and that has to be covered by all customers as well.

An extended discussion followed on the impact of solar on the electric utility and who should pay the costs of the system – the solar producers paying their fair share and all other customers.

COMMISSIONER CAMPBELL explained that we are a public utility and represent all ratepayers and all ratepayers have to share in all costs of operation & maintenance, capital, debt service, etc. All connections to our system have to pay their fair share of costs. We buy at wholesale and sell at retail, we do not have profits and are only allowed to break even.

Mr. Osterholt explained that if he goes off the NPUA system in several years, the costs will continue to increase and the rest of the customers will have to pay so the NPUA needs to look at its viability now. The NPUA should invest today to be able to afford the system in the future and to keep the larger power users like the school and hospital.

COMMISSIONER CAMPBELL explained that he is not against solar but represents all ratepayers and we have to share the costs amongst all. He reiterated that we buy at wholesale and sell at retail and the utility cannot afford to pay Mr. Osterholt retail for power being put on the grid. Mr. Osterholt remarked that he hopes the NPUA over the next five years can use to its advantage to have renewable energy sources.

NEW BUSN: COMMISSIONER MOFFITT MOVED, SECONDED BY COMMISSIONER CAMPBELL, to retain CHAIRMAN POCOCK as Chair for 2016. Motion carried by the following vote:

CHAIR &
V CHAIR

AYES: CHAIRMAN POCOCK, COMMISSIONERS WRIGHT, MOFFITT, SHAVER, SCHNEIDER AND CAMPBELL

NOES: NONE

ABSENT: NONE

COMMISSIONER SCHNEIDER encouraged the Board to consider someone else better suited as Vice Chairman due to his current work schedule.

COMMISSIONER MOFFITT MOVED, SECONDED BY COMMISSIONER SHAVER, to appoint COMMISSIONER CAMPBELL as Vice Chairman for 2016. Motion carried by the following vote:

AYES: CHAIRMAN POCOCK, COMMISSIONERS WRIGHT, MOFFITT, SHAVER, SCHNEIDER AND CAMPBELL

NOES: NONE

ABSENT: NONE

RESOL NO Jack Lindley, electric line crew supervisor, briefly explained the need to increase
1-19-16BPU the monthly usage rate on co-gen meters and the justification of costs associated
INCR IN MO with such meters, including meter costs, crew time, and business office to
USAGE calculate. Cost not included in this new rate is lockout/tag out. A visual lockout/
RATE CO- tag out is required per CAL OSHA and none of the existing solar installations
GEN MTR have lockout/tag out provisions. Discussion was held on the lockout/tag out
requirements, annual inspections, and what must be done in an emergency to lock
out the solar installations.

CHAIRMAN POCOCK noted that AB594 prohibits fees to solar generators and suggested that all fees be made on an actual occurrence of event so if the meter has to be replaced because of a failure, the customer pays for that meter. He acknowledged the difference in costs with a co-gen meter and anytime a meter is replaced, the customer be charged at that time. COMMISSIONER MOFFITT explained the additional costs to the office staff, service calls, etc. City Manager Daniels agreed that we could put together a service cost but staff has tried to bundle them.

COMMISSIONER CAMPBELL would like to get a legal opinion that we can charge additional fees as we are exempt from the California Public Utilities Commission (PUC) regulations. City Manager Daniels responded that we are only wanting to recover special costs that are related to solar. COMMISSIONER MOFFITT felt that a fee for event basis for service would be actual cost.

City Manager Daniels agreed to put the lockout/tag out matter on the next agenda. CHAIRMAN POCOCK requested a fee for that as well. COMMISSIONER CAMPBELL explained we need to resolve the liability issues dealing with annual testing. City Manager Daniels clarified that the Board would like an incident based, rather than a monthly based, fee and an opinion from the city attorney that we are within the requirements of the law.

COMMISSIONER SCHNEIDER pointed out that we cannot just pick on solar as there are other generators that do not have lockout/tag out and could feed back into our system. CHAIRMAN POCOCK explained that the regulations continually refer to compensation to alternate generators for power produced and if we separate billing the infrastructure and power costs, could we charge them for infrastructure costs? Anyone taking power off the grid needs to pay for the infrastructure.

RESOL NO Supervisor Lindley explained this is a backflow device as power runs in both
1-19-16-1 directions but they can stick closed and back feed into our system if the power
BPU REQ goes out. He is recommending an annual inspection fee for co-generator meters
ANNL INSP and that they be checked at least annually. City Manager Daniels pointed out that
FOR CO- 3/4 of an hour of a fully loaded utility worker is \$80.25, not \$75 as referenced in
GEN MTRS the resolution.

COMMISSIONER SCHNEIDER suggested that we come up with a sticker or some other tag so electric knows when the inspection is done. He also requested that staff look at the cost of having a contractor do the inspections. He further suggested that we go to each of the 17 co-gen customers and install, at our cost, a disconnect with an annual inspection. This would be of benefit to both the utility and the customers. COMMISSIONER CAMPBELL agreed noting that asset replacement funds could be used. CHAIRMAN POCOCK recommended that the customers be notified in advance of the planned inspection so they are aware they will be out of service for a short time.

City Manager Daniels explained that there are individuals today going to the school and hospital trying to get them off the city's electric services and on to solar.

COMMISSIONER SHAVER MOVED, SECONDED BY COMMISSIONER WRIGHT, to waive the reading and adopt Resolution No. 1-19-16-1 BPU requiring an annual inspection for all co-gen meters and passing the costs associated with the inspection to the customer with a correction in the Resolution increasing the fee to \$80.25. Motion carried by the following vote:

AYES: CHAIRMAN POCOCK, COMMISSIONERS WRIGHT,
MOFFITT, SHAVER, SCHNEIDER AND CAMPBELL
NOES: NONE
ABSENT: NONE

REPORTS: City Manager Daniels pointed out that the water conservation hit a 29% reduction as the final number. COMMISSIONER SCHNEIDER referenced the first sheet of the monthly activity report for November 2015 noting that electric revenue was up by 11% for the year and costs down by 12% on power purchases.

MO ACTVY

EUSI RPT
FOR NOV &
DEC '15

CHAIRMAN POCOCK acknowledged the EUSI, LLC operational support services relating to the wastewater treatment facility and collection system for November and December 2015.

COMMISSIONER CAMPBELL referenced the letter from the Bureau of Reclamation that City Manager Daniels emailed on the water allotment and questioned if the city received credit on our water allocation for the percolation ponds. City Manager Daniels confirmed that was correct.

MGR RPT

City Manager Daniels spoke on: 1) the Riverview Energy solar project and the city council agreeing to look at the feasibility of this project moving forward. The developer has put up \$100,000 deposit. A request for proposals was issued for a consultant to assist the city/utility and two responses were received with WestPower being chosen to do the work. He agreed to provide the Board with a copy of the proposal and to keep the Members up to date as this project moves along; 2) council approved the 'K' Street lift station project and three property

owners have been contacted with one response wanting \$7,500; 3) will be holding off on implementing the water rate structure for the golf course well agreement until the new rate structure is adopted.

BRD RQSTS COMMISSIONER SCHNEIDER questioned the status of the commercial electric meter calibration work to which Supervisor Lindley explained they will be starting back on that program this Friday and will continue on Fridays. A request for proposals was put out for a licensed meter company to do the residential meters and if that comes back reasonable, it will be submitted to the Board.

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

AYES: CHAIRMAN POCOCK, COMMISSIONERS WRIGHT,
MOFFITT, SHAVER, SCHNEIDER AND CAMPBELL
NOES: NONE
ABSENT: NONE

CHAIRMAN POCOCK declared the adjourned regular meeting of the Board of Public Utilities held on the 19th day of January, 2016, adjourned at 5:48 p.m.

ATTEST: _____
Chairman Secretary