

Minutes of Electric Committee Meeting

Thursday, Jan. 07, 2016

9:00 AM

Attending: Alderman Clyde Heller, Stan Darter, Russ Thomas, Vicki Koerber, Rita Trantham, Steve Notheisen, Budget Officer Shawn Kennedy, Tim Birk, Verbal Blakey, and Mayor Tom Smith.

Meeting called to order at 9:05 by Chairman Clyde Heller.

Agenda 1: Petitions by Citizens on Non-Agenda Items: None.

Agenda 2: Approval of 08-10-15 Electric Committee Minutes. After reviewing minutes, motion to accept made by Russ Thomas and seconded by Stan Darter. Minutes approved.

Agenda 3. Cost of Service Study. Verbal Blakey made presentation on the Cost of Service Study conducted for electric utility. Verbal performed the study of costs using data from the April 2015 Audit, information provided by Budget Officer Shawn Kennedy, Tim Birk and Mayor Smith. The current study is five years old and revenues/expenses need to be examined. In the same study, class of service charge need to be reviewed, determining city revenue and competitive position with regional electric suppliers. Verbal provided a number of handouts, addressed each and answered questions of committee members as to offer suggestions of actions needed.

Part A. The significant item requiring review involves Medium General Service class customers and application of demand load factor. This involves about 144 small to mid-size businesses, frequently unable to control use of 3-phase demand charges through technology applications available to large class customers. After review of information, one option available to help this class of customer involved a target rate of .1238 per kw/hr. Application of this rate change results in a negative revenue to the electric utility of approximate \$210,000. To achieve a revenue neutral position, a flat meter rate adjustment was recommended. The adjustment is a \$4 increase to residential customers, a \$7 increase to general service, creation of a Medium General Service category at a \$54/meter rate and increase to large customer of \$18/meter. Motion made by Russ Thomas and second by Stan Darter to recommend this to ordinance committee. Discussion as to application cost for residential customers, where Tim Birk compared the meter charge Waterloo applies is significantly less than the \$35 fee applied by Monroe County Electric Coop.

Part B. Large Customer Demand Rate fees are calculated based on demand. Verbal suggested a flat demand rate of \$15 and energy rate calculation adjusted to be revenue neutral in rate class, thus enabling the customer to better plan demand costs. Motion by Stan Darter and second by Rita Trantham to accept this recommendation and provide to ordinance for action. Motion approved. This action combined with meter rate change addressed in Part A above results in revenue neutral to electric utility.

Part C. Current ordinance on utility adjustments uses Consumer Price Index (CPI) provided by Federal Government to adjust rates. This method has not been effective in the past 8 years due to flat CPI rates, however expenses continue to rise. Verbal recommends a flat rate increase per kw/hr. This recommendation should permit the electric utility to maintain a Rate of Return on Operating Expense of approximately 10%. No action taken on this recommendation at this time. All changes Shawn will need

to implement in LOCIS system and Shawn's recommendation that this change be implemented with the 2016-2017 Budget Year. This will also require ordinance change, March 2016.

Agenda 4. Comments. None

Motion made by Rita Trantham, second by Vicki Koerber to adjourn. Meeting adjourned at 11:15 am.

Submitted by Clyde Heller