Plummer City Council Meeting
February 10, 2015

The Special Council Meeting was called to order at 5:08p.m by Mayor Bringman

Present: Jack Bringman, Mayor
Tim Stockdale, Council President
Brad Hampton, Council
Leticia Kennar, Council
Bill Weems, Council

Also Present: Sara Gauthier; City Clerk, Terry Allen; City Administrator, Tim Farrell; Mountain Waterworks Engineer, Keri Hill; Mountain Waterworks Engineer, Paul Sifford; Public Works Superintendent, Dave Cutbirth; DC Engineering.

Presentations & Announcements:

Mountain Waterworks Electrical Assessment: Tim is apologizing for not letting the mayor start the meeting.
Dave introduced himself to the City Council with his background in Electrical Engineering.
Scope:
Purpose: Status quo, Selling the Utility system and utilize franchise fee and income from sale to help off—set loss of revenue.
Development of sustainable utility O &M via COP staff and others
Develop Contract Operations.
Agenda: Financial Impact of Electric Utility system to COP, Overview of Electric Utility System, Review of Pros/Cons for 4 Options of Future City of Plummer System.

A little over 2 million in revenue and 1.5 million spent in purchasing power from BPA, we have $600,000 to work with for everything else including salaries, benefits, etc.

Financial Impact of Electric Utility over past 5 years: Net income for the City of Plummer. Stimson is a quarter of our revenue for the year.

Current Electric Rate: Residential $87.00 for COP for 1000kW KEC $93.60 for 1000kW. The COP is under KEC rates currently. Terry talked about the structure is set up wrong for the rates. COP is under Avista as well.

Contract Labor: The Cost to maintain the system in 2014 was $217,952, 2013 $239,761, 2012 $253,623, 2011 $225,086, 2010 $379,123. Heyburn needed three poles replaced and it was $30,000. Paul talked about the installed poles from KEC are dead on with Avista.

Existing Operational & financial Issues: BPA- Power purchase agreement; increase in annual cost of power (will increase an additional 7%) There is a risk and Liability of aging infrastructure. Increase cost of annual operation and maintenance. Minimal reinvestment in infrastructure (proactive maintenance)

System Overview: By the grain elevators Avista and our power lines run right next to each other on Lovell Valley. Down at Heyburn KEC lines cross either over or under our lines.
Evaluation of Alternatives:

1. "No Action" Alternative: Continue Current operation replacement. Kootenai electric repairs and replacements.
   Liabilities: High maintenance costs, higher risk of outages to customers due to aging and catastrophic failure. Continued increasing risk for personnel and environment. Tree trimming, pole/material replacement, fire(s) due to electric hazards. Loss of revenue to city due to continued increase costs to emergency maintenance. Loss of partner willing to support current model as reactive rather than proactive model. (Both utility and customers).

   Preliminary Financial Analysis: Reactive not sustainable for multiple reasons.
   200-600K transfer to general fund without rate increases.
   BPA cots of service not passed to customers.
   Continued aging and increased emergency repair.
   Net revenue decreasing.
   Existing maintenance partner and City frustrated.

Risk and reward to Park, City, businesses non-sustainable.

2. **Alternative Analysis:**
   Sells assets to New Service Provider (Sell Utility)
   City sells utility for negotiated price.
   Non-regulated entity.
   Idaho public utility regulated company.
   New Utility Performs:
   Operation and management
   Management
   Sets customer rates
   Determines appropriate capital improvement plan
   Pays city a franchise fee(% of Gross Revenue)
   Sells Utility Benefits & Liabilities:
   Benefits
   Electric utility risk decreases to the City
   Short-term in-flow of capital. (Dependent on sale price of utility.)
   Potential Franchise fee (5% would equate to approximately $150,000)
   Lower administrative/ management costs
   Other entity sets electric rates and manages the electrical systems.
   Liabilities
   Immediate higher electric rates to a majority of rate payers.
   Loss of income stream as noted in initial analysis. (approximately 200-600k)
   City to pay electric rates for WWTP, street lighting, water, and other City areas. (Additional expense of tens of thousands of dollars presently not budgeted.
   Absorb present overhead costs associated with electrical department (water, sewer, roads).
3. **City Increase of Staffing to Operate & Replace aging infrastructure (increased staffing)**
   City hires licensed lineman and crew to repair and replace aging infrastructure.
   City hires or allocates to other management of the electric utility.
   Direct crews on daily workload
   Manages billing and administrative staff
   Annual operating budgets and tracks
   Develops annual capital improvement projects (CIP)
   Develops and sets customer rates based on staffing and CIP.
   Stockdale talked about offering the lines at Heyburn to KEC.
   <u>Pros:</u>
   Provide potential for further beneficial economic impact to the city.
   Maintain utilization of existing staff and increase City Staffing.
   Maintain control of electric rates
   Further develop relationship with KEC and/or other partners for mutual benefits.

   Alternative Analysis- Increased staffing benefits and liabilities:

   <u>Challenges:</u>
   Develop management resources
   Challenges of increased electric rates
   Immediate need to invest in utility infrastructure due to age and need of repair. (Preventative versus simply correction action.)
   Development of Design and Construction standards- no book on how we construct where the lines go. We could adopt the standards of like the partners standards.
   Further develop trust between multiple parties with little past reinvestment.

   Impact to Budget
   Add capital improvement plan, three man lineman, contract labor, maintenance. If we add 10% rate increase we could start doing some improvements.

4. **Complete contract operations and management by KEC (Contract Operations)**
   <u>Contract Operator Management</u>
   Billing
   Customer service
   Repair and replacement
   Meter reading
   City Develops
   Required capital improvement plan

Approves required annual capital improvements by contractor
City sets rates
City collects franchise fee based on gross annual revenue
Benefits
Allowing KEC to develop and be ultimately responsible for operations and maintenance while city maintaining managerial and fiscal responsibility.
Financial model similar between contract operations and city managed utility. (May be slight premium for contract operations. However, contract operations have existing “best practices.”

Challenges
Develop management resources
Challenges of increased rates
Immediate need to invest in utility infrastructure due to age and need of repair. (Preventative versus simply correction action.)
Further develop trust between multiple parties with little past reinvestment.
Will KEC be interested in an increased role and negotiate an acceptable contract to both parties.
We need to do a cost of service study; up the rates to where they need to be at. TF.

Rate increase coming up needs to be put in the newsletters to start preparing the customers.

Tim F. said that they are going to put together a plan for public viewing.

Planning moving forward.
Final draft report due in 6 weeks for incorporation of council comments. For April’s Council meeting.
City selects an alternative to move forward.
City Engineer completes report based on the City’s selected alternative.
City engineer and City Council develop implementation plan.

Engineers could help with the hiring process of lineman. Tim F talked about the lineman school in Spokane.

Paul talked about having an electric board kind of like the Library Board to manage the electric department have a couple people from the City.

Special Council Meeting Adjourned at 7:28 p.m.

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Jack Bringman, Mayor

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Sara Gauthier, City Clerk