

Utilities Committee Meeting
July 24, 2017

Present: Committee Members Sovinski, Clausen and Scott; Council Members Buxton, Fleck, Larmore; Mayor Hazel; Safety-Service Director Hitchcock; Auditor Strawn; Eric Baltzell; Andy Harriger and Don Gruenemeyer, Sawvel and Associates; and Bill Kincaid, The Daily Standard.

Committee Chairman Sovinski called the meeting to order at 5:35 pm for Electric rate review. CM Sovinski stated the rate system is not in an emergency situation. The revenue is maintaining the utility.

Sawvel and Associates has been performing a cost of service analysis for the electric utility. Don Gruenemeyer reported the purpose of the meeting is to get council input for business plan goals, financial goals (balance of electric fund) and rate design goals. They recommend setting rates that will be good for at least five years. The rates were last modified in 2004. They also are recommending a monthly customer charge to collect fixed cost to minimize loss of revenue. A substantial difference in rate structure is expected since rates have not been changed for so long.

CM Larmore asked if the rates should have been adjusted five years ago. CM Sovinski explained the Energy Acquisition Adjustment (EAA) makes up the difference of cost of services. Don stated this analysis will show what charges in each rate class is needed to be corrected. There should not be a huge rate increase. If there is a large increase, they would suggest it be implemented in increments over a period of time. The EAA charge is too high compared to what it should be. Mayor Hazel explained in 2013, Council decided to make up the difference through the EAA. Auditor Strawn asked if the City is in any violation. Don replied, no.

Andy explained the EAA is calculated by the Safety-Service Director through a fixed formula. If the rules of the EAA are followed, too much money from customers would be collected.

Mike Mertz reviewed the capital improvement plan for 2017 through 2021. He reported the SCADA system hard drive went bad and will need to be replaced. The electric department is working with wastewater and water departments to coordinate systems. CM Sovinski suggested money be put back to save for a future new building. Don Gruenemeyer stated it is reasonable to borrow money for long term investments, then money will be available to purchase equipment that only last a few years.

Sawvel and Associates will continue their analysis, and another meeting will be held in approximately one month for further discussion.

Committee Chairman Sovinski adjourned the meeting at 6:55 pm.

Submitted by Joan S. Wurster, Clerk of Council