

BRIGHAM CITY CORPORATION
PUBLIC UTILITY ADVISORY BOARD
For Wednesday, February 17, 2010

Present: John Baugh, Board Member
Larry Boyer, Vice-Chair
Ron Jensen, Board Member
Armando Portillo, Board Member

City Staff: Bruce Leonard, City Administrator
Blake Fannesbeck, Public Works Director
Tyler Pugsley, Assistant Public Works Director
Dave Burnett, Public Power Director
Tom Ammons, Energy Conservation Specialist
Jolene Crockett, Administrative Secretary

Excused: Tyler Vincent, Councilmember

Absent: John Gunderson, Chairman
Wendy Douglas, Board Member

Vice-Chair Boyer welcomed the group to their meeting and requested that the Board introduce themselves.

Overview of Water System

Assistant Director Pugsley stated they appreciated the opportunity to speak with the Board about Brigham City's water system. He said he would like to give a brief overview of the water system.

Assistant Director Pugsley provided hand outs to the group and indicated the color coded chart which provides the different water line sizes that are looped in Brigham City. He indicated on the map it does not show how the water line feeds from Mantua. We actually have a 30" water line which comes down the canyon on the pin stock road. We have sources behind the reservoir and two spring sources on the north side of the highway and other springs and wells in Mantua.

Assistant Director Pugsley continued and stated we have 7 spring sources which are active feeding our system as well as 7 wells. Right now our spring sources are producing about 11.5mgd to our community. In the winter months the community only uses 2mgd per day. We are able to use the extra water for our ASR which is Aquifer Storage and Recovery. We inject the water back into 3 of our inner city wells that have had some aesthetic problems wherein they didn't taste as well as spring water. We inject the water into the aquifer and it makes these aquifers just like the pristine spring water that we feed our community. He said by injecting this water we are able to keep the water right rather than losing it and letting it go down the creek. We are able to pull this water out of the

aquifer at a later date in the summer when we need it. In the summer time we can peak anyway from 15-17mgd at one time which needs to feed our system.

Assistant Director Pugsley said we have 12.4mg of storage for fire protection and storage which feeds our community. If you have noticed a light on the hill where the power poles are going in we are developing a new well source. This well, which we completed the pump test on, looks as though we will be able to pull 1500gpm from this well to feed our community which is 2.16mgd to help supplement.

Mr. Jensen asked during the winter months are the springs naturally flowing. Assistant Director Pugsley stated yes. The springs are gravity feed with no pumping costs associated with it. Mr. Jensen asked how you inject it back into the aquifer. Assistant Director Pugsley said we already have the pressure from our system and through a valving mechanism and a series of control valves we are able to inject that into the aquifer. We have had an engineering study which recommends how many gallons per minute we feed back down into the well sources.

Assistant Director Pugsley stated the people who were here before me implemented this. This is something Brigham City installed and really had insight when they did. For example while pumping our wells in the summer months we didn't even have to touch our existing water right for our wells. We only pumped injected water out of these wells.

Mr. Jensen asked why we are drilling more wells if we have extra capacity. Assistant Director Pugsley stated it is part of the agreement to supply Proctor and Gamble with water so they are not using all our excess water, was to develop this extra wells to ensure we do not lose future growth and development in our system.

Director Fonesbeck stated we had 2mg of surplus water and to sell and then we had other for growth. When Proctor and Gamble came in we said we can supply you with the 4mgd but you will need to replace the 4mg. They agreed through tax increment financing to build the wells and infrastructure, at no cost to the City, which is a great. The wells are being developed through the monies from Proctor and Gamble.

Director Fonesbeck explained that when we built the line out to Proctor and Gamble the City upsized the line an extra 4" so we could serve our annexable area with future growth and have a trunk line already in place. Mr. Jensen asked how big the line was. Director Fonesbeck said 24". We also have a 16" sewer line coming back from Proctor and Gamble that was upsized as well. This was a plus for the City to have this additional infrastructure at very little cost.

Assistant Director Pugsley said it is good to know we not only have sources in Mantua but we have sources within our community. Should something happen between the two areas we have some redundancy built in so we can still provide our City water even if we were not able to feed the Mantua sources for a short period of time.

Assistant Director Pugsley continued by describing the sewer and water line which flows to Proctor and Gamble. It shows the line going out to 6th North, on Watery Lane to SR 13 and then 2400 W. and then to the Wakegan Road where we feed Proctor and Gamble. We also installed a loop in on 2600 W. and through some funding which Director Fannesbeck was able to obtain on our W. Forest Street Project we were able to extend our W. Forest Street water line further to the west and able with other funding purchase a portion of water line from West Corinne that continued out on W. Forest Street which is part of our annexed area.

Director Fannesbeck said he wanted the Board to understand that we were able to sell water to Proctor and Gamble because we had surplus water and we are selling this at a higher rate than what our citizen's pay. So, our citizens are not subsidizing Proctor and Gamble in any way. This will be a great revenue source for the City over the years.

Mr. Portillo asked if the hydrants were in place on 2600. Assistant Director Pugsley stated we have fire hydrants in area which are annexed into Brigham City. If they are not annexed into Brigham City we have blow ups. We do not provide fire protection unless it is within our limits. This is one of perks of areas becoming annexed into Brigham City. We will provide fire protection at that time.

Assistant Director Pugsley stated we have a resident and a non-resident water rate. The resident water rate is \$9.31 for 7000g and Non-residents pay \$18.62 which is double the base rate of water our Brigham City residents do to be on this system.

Director Fannesbeck stated the Proctor and Gamble project was quite an undertaking. From the time it was announced they wanted it operational within about a years' time. To install 12 miles of pipeline both directions was quite a large process. The total of infrastructure we are looking at and our Wastewater Treatment upgrades which are financed by this are a \$24M project.

Assistant Director Pugsley addressed the questions regarding secondary irrigation. He stated there was a feasibility study conducted in 2004 and at that time the cost was estimated at \$47-\$49M to install a pressurized irrigation system to all of our community. This would entail the irrigation companies turning themselves over to Brigham City. Director Fannesbeck said we did pass an ordinance that all new developments are required to put in the piping for secondary irrigation which would save us from tearing up the infrastructure in developments. Mr. Jensen asked when the ordinance was passed. Director Fannesbeck stated about 1 year ago.

Vice-Chair Boyer asked where the City boundaries are? Director Fannesbeck stated right now they go out to the freeway. Assistant Director Pugsley stated anything east of the Bear River is part of our future annexation. Director Fannesbeck stated it goes up quite a bit north up by Call's Fort Road.

Mr. Jensen said where do you propose the residential growth to be? Director Fannesbeck stated all of the annexable area. Up to the north we have areas. On the other side of the freeway which includes 2400 W., 2800 W., 3000 W., 2600 W., all of the farm ground.

Vice-Chair Boyer asked if this affects any of the wetlands. Director Fannesbeck stated no. There are wetlands in there but as you move up SR13 there is a lot of farm area which is not wetlands and is included in the area where we could grow.

Assistant Director Pugsley said we get excited when we talk about our water system. He stated he used to work with water and wastewater systems all around the State. Brigham City does have a really good system with their sources. There are lots of areas in the State who go without water and there are times when they have to be on ration because of the decisions that were made. Brigham City's forefathers had insight in getting the water rights we have now and it has made one less worry for Brigham City in the future.

Mr. Jensen stated there are probably opportunities to get more water. Assistant Director Pugsley said there are always opportunities. Mantua is a closed basin for water rights. Director Fannesbeck said people wonder why we are drilling up on a hill for water. The reason is because if we are above the fault line we get better water. If we come down into the valley we start getting problems with taste and iron. It is interesting that we are running 450gmp, artesian. The group was impressed by this.

Assistant Director Pugsley asked if there were any questions on the water system. He said we felt it would be helpful to the group to learn somewhat about our system so when we approach them with different issues they will have a basic knowledge.

Vice-Chair Boyer said the canal from Pine View doesn't figure in on this. Assistant Director Pugsley stated, no. Director Fannesbeck said some residents have a misunderstanding that we receive culinary water from the Mantua Reservoir and we do not. He said we have two lines that come down from the area. There is one that is culinary and one that is irrigation. The irrigation line comes down and feeds the irrigators and helps to generate power. Also, Brigham City owns Mantua Reservoir.

Conservation Plan

Assistant Director Pugsley stated the reason we are updating this is because the State requires us to have one and they require that it is updated every six years. Also, if we attempt to acquire State or Federal Funding they require us to have a water conservation plan. Through the State Revolving Loan Fund we were able to build our 5mg reservoir at the mouth of the canyon. Without a water conservation plan we would not have been able to obtain funding.

Assistant Director Pugsley said it is good to have a plan to demonstrate to our citizens that we care about our water and to educate our public on how to conserve water. Director Fannesbeck said if we experience a long term drought or if we lost a line while we could still supply water in the City we would need to have a plan in place to enforce the rationing needed.

Assistant Director Pugsley stated we did adopt an ordinance establishing a water management plan in 2008. We did this so if we had problems with any of our sources what the stages of rationing would be.

Assistant Director Pugsley stated we didn't want to go over this point by point rather we wanted the Board to have this to look at before we take it to the Council to approve.

He asked if there were any questions or concerns. Mr. Jensen stated he had a question about the metering. What is the plan to replace the meters? Assistant Director Pugsley said we do have a plan to replace the meters. A lot of the meters in town are old. When you have an older meter what happens is they start to read less water. The low flow waters do not register in these meters. Every year we are required to do a water audit which lists how much water we use in our community and how much is not accounted for. A lot of this water, besides the water leaks that show up in our system, is from meter inaccuracy. 15 years is standard meter life and we have some meters that are 30 years old in our system. We pulled various meters in our community and showed what percent accuracy they were reading. Some of the meters were not registering at all with the low flows, such as when you flush a toilet, but the high flows were doing alright, such as watering the lawn or using a washing machine.

Mr. Jensen asked how often they are read. Assistant Director Pugsley stated monthly. He said is this one of the thoughts, by putting these electronic meters in. Director Foncesbeck explained the system we are looking at works in a manner that you drive a truck around and pick up the information. We are also looking at possibly going further with this which has a system with towers and pull the information in and read it on a daily basis. You can use this to show where you might have leaks. With the radio read you can have a magnet that you put on your fridge which shows when you may have a leak that helps residents to know sooner.

Mr. Jensen asked if there was a plan to replace these. Director Foncesbeck said we are looking at this like a capital project. Right now the cost is running around \$1.4M to install the whole town at once. We are trying to decide if this is something we will phase. We may be able to pay for them in a short time realizing how much we are losing.

A motion was made by John Baugh to recommend that the Council approve this Water Conservation Plan, second Ron Jensen, motion passed.

Cost of Service Study

Mr. Leonard stated last spring the Brigham City Council asked the staff to prepare a Cost of Service Study on our electrical utility so they could have a better understanding of how our rates compared to RMP. Alan Wright was the Director of Public Power at that time. Alan and he located an individual named Lowell E. Alt, Jr. an electrical engineer. He spent many years working for RMP handling rates for them. He now has his own business and provides rate testimonies for the Public Service Commission. He handles rate increases when RMP submits rate increases.

Mr. Leonard said we are not asking the Board to consider a rate increase. But there is information in this report that states the simple rate we have should be handled differently and over time without rate increases between RMP and WAPA we have received about 25% increases. The City has not passed all those rate increases onto the users. They passed about 13% which is a lot. RMP came to us in 2008 and 73% of our energy from

them and they were going to discontinue servicing us. Over the years our rate had fallen so far behind that they were subsidizing us. We renegotiated a new rate structure with them that amounted to an 18% increase that they split over 3 years. WAPA came back in 2008 and hit us with a 6% and then last year with a 10.2%. We only purchase 22% of our power with WAPA and the City generates 5%.

Mr. Leonard stated this study and what Mayor Fife wanted to do was present these findings to PUAB and possibly look for a joint meeting with the City Council to determine the joint action we should take. One of the goals, his and Alan's was to introduce a summer rate, winter rate, off-peak and on-peak rate. This is the way RMP structures theirs. It would make it easier to compare our rates with theirs.

Mr. Leonard continued and stated historically Brigham City has always said our customers pay less than someone on RMP for residential use. This rates shows that we are a little more than RMP. Mr. Jensen stated basically it is double. Mr. Leonard said he did not think it was double. Mr. Jensen said it is \$3.78 for RMP minimum and \$6.27 minimum for Brigham City. Director Burnett said if you look at the customer service charge they have a \$3.00 per month, which Brigham City does not have.

Director Burnett said what Mr. Alt basically does in this report is show how we are charging our customers in comparison with RMP. We went beyond that and showed how we compare to other cities. As Mr. Leonard stated in the past we were able to show that we were paying less than other communities. This is no longer true.

Director Burnett explained that Price and Brigham City are the only two cities in Utah on this rate structure with RMP. Other cities have a certain percentage mixed in with RMP as they have invested heavily in other resources. Many are members of UAMPS, as we are, but we are considered a Pool Member and the other members who invested heavily are receiving their pay back.

Mr. Portillo stated he would like to see comparison with another City about our size, such as Harriman. Director Burnett asked if they generated their own power. Mr. Portillo stated he thought they did. Mr. Jensen stated we have Payson on this.

Director Burnett stated as Mr. Leonard said we are not looking for a rate increase per se but our energy sources are charging more, our cost of doing business is increasing and so it is a matter of how do we go about balancing all of this. This is where the report by Mr. Alt comes in. He is suggesting rather than doing the base rate that we introduce a cost of service charge or seasonal rate. So that it is equitable to all users. In other words we structure our rates after what our costs actually are. RMP charges us more in the summer than they do in the winter. We should be doing the same with our customers. Have on and off peaks. 7am to 11pm is on peak to RMP and we are charged more during those times on our wholesale rates.

Director Burnett described what the demand factor was. He said it is the ratio of your average use vs. your peak use. We are billed the same way from RMP. They build their system to meet our demands. We have to build our system to meet customer demand.

Homeowners are pretty homogenized but on industrial customers you have extremely high peaks and then down to low. We still have to provide the system to meet their high peaks.

Mr. Portillo said it was stated earlier the Mayor wanted us educated and that he wanted us to have a meeting with the City Council. He thought to help with the education is Mr. Alt available? Director Burnett stated he would come anytime.

Mr. Baugh said he didn't think that many of our citizens understand we purchase 70% of our power from RMP. He thinks they are under this idea that we are almost self sustaining. As we go to this we need to have a real community education to show how we are billed and educate them. Because we will have to show them we are being charged more by RMP. We need a community education.

Mr. Jensen asked what would happen if we turned it over to RMP. Mr. Leonard said it is a thought, but if you look at the investment we have in our grid system, they would have to agree to buy it from us. Director Burnett said Mayor Clark Davis checked into this once. He also said there are companies out there who would look at purchasing a City out. However, you must look at we are all owners of this system. We do have a 55% return between our expenses and revenues and as citizens of Brigham City it goes back into the general fund. We could look at it like dividends and we are the stock holders. The transfers that come out of the Public Power Fund to the General Fund would be gone.

Mr. Jensen asked how much the transfer was. Director Burnett stated 15%. Mr. Jensen asked what would happen if you said you were going to cut that off. Where would the money come from to cover that? Director Burnett stated it would most likely be attached to property taxes. If you look at cities that do not have their own power company their property taxes are considerably higher, their services to the community are considerably lower, and that is the dividend we receive by having the power system. Mr. Baugh said plus we have control.

Mr. Portillo stated going back to the water systems talking about the power pole meters that you can read without getting out of a car. Although he doesn't want to see someone lose their job it would eventually happen and this would affect the general fund. Director Burnett agreed. Mr. Leonard said 2 part time meters, 2 vehicles and the liability the city can incur if the meter box is left unlocked and someone steps on it and goes in it.

Mr. Leonard said owning our own utility we completed a 20 year master plan and it has \$700,000 a year for 20 years on how we improve our grid system to allow industrial growth come in. It is a good comprehensive plan and we have already started. We have put in \$1.3M of work at the East Substation laying the base foundation installing another transformer. What we really need to focus on in the City is alternative energy. In being involved with UAMPS we are looking at investing in a wind energy farm up by American Falls. We want to see what's out there. We are looking if we can enhance one of our generators by improving the efficiency of that through a grant. Maybe building a gas fired generator to shave our peaks floating in the summer. If we get pushed to the

open market during our peak use it is a lot of money. Director Burnett said right now we are paying \$25-\$30 depending on the time of year and if you go out on the open market it would be close to \$100.

Vice-Chair Boyer noted how Mr. Alt stated in the report how we are grouping some charges together that should not be grouped in this manner. He hopes that we are changing this or will be to get true costs. Mr. Leonard said this is the intent. We are waiting to see what the Council will do. Vice-Chair Boyer said it made a lot of sense to him. Somewhat like a budget.

Director Burnett said we have some archaic signals that need to be changed. Time was when you encouraged utility use and costs lowered as you used more. This is no longer true and Mr. Alt recommended this be changed also. When we buy the power we don't get a break.

Mr. Ammons said on our commercial it is a little deceiving. RMP and it's not on here have a power factor and we use this with our Schedule 8 customers which are Nucor and Parsons. With a power factor you have to keep a certain percentage coming through. They base it on 90% and if you do not reach that you have to pay $\frac{3}{4}$ or 1% that you are below that. Sometimes at Nucor their power factor is a 73% and we say they have to keep it at a 95%. So when people say RMP is cheaper they are not aware of the power factor and how they would get dinged if they fell below.

Mr. Leonard said a joint meeting would be something you would be interested in. Vice-Chair Boyer stated yes.

A proposal was made by Armando Portillo that a work session be scheduled in the first part of March with the Council, inviting Mr. Alt up to discuss these issues, second John Baugh, motion passed.

Meeting adjourned.