

BRIGHAM CITY CORPORATION
PUBLIC UTILITY ADVISORY BOARD
For Wednesday, May 28, 2009

Present: John Gunderson, Board Member
John Baugh, Board Member
Dennis Fife, Chair
Larry Boyer, Board Member
Ron Jensen, Board Member

Brigham City Staff:

Blake Fannesbeck, Public Works Director
Tyler Pugsley, Assistant Public Works Director
Alan Wright, Public Power Director
Jason Roberts, Finance Director

Excused: Jolene Crockett, Administrative Secretary

Director Roberts gave a hand out to the group. He said the City wanted to talk about the proposed rate increases for next years' budget and also look over the history of the rate increases for the 2008-09 fiscal year for the City.

Director Roberts explained he was not working for the City last year but it was his understanding that the City had talked with PUAB about passing through the rate increases that we get from Rocky Mountain Power and WAPA. Also, in a prior meeting the group talked about how the cost of operations goes up every year. It is easier to pass on smaller increases and keep up over time rather than letting your infrastructure run down and do a large rate increase to play catch up when that happens. Director Roberts stated this is what we have found in the past.

Director Roberts said with these two basic premises understood he wanted to go over and show the group that if we were to look at the total fiscal 2009 base rate changes it shows that we increased the excess usage fee in water 2.4% and we increased the base fee 2.8% for a total increase of 2.8% for base water. Also, the 2.8% was the Consumer Price Index (CPI) and it was passed through for water, sewer, waste collection and the storm drain.

Director Roberts said in addition to the CPI increase Rocky Mountain Power increased their cost to us by 8%. They wanted to increase our costs over 18% in three years. During July of 2008 they increased the rates the City pays for power by 8%. July of 2009 we know they will assess a 5% increase and July of 2010 another 5% increase.

Director Roberts said since we buy 73% of our power from Rocky Mountain Power, passing through an 8% increase would be equal to a 5.8% increase for our users. In addition to this, in February of 2009 Rocky Mountain Power increased our rates 2.8%, which would be equal to a 2.04% increase for our users if passed through at 100%. The City Council decided to pass half of this rate increase through to the users at an additional

rate of 1.02%. In February of 2009 WAPA increased the rates they are charging Brigham City by 6%, and we get 22% of our power from WAPA, which would be equal to a 1.32% increase for our users if passed through at 100%. The City Council passed through half of the WAPA increase which was an additional .66% charged to users.

Director Roberts said one month ago the City was notified that Rocky Mountain Power was raising our rates again by 3.34%. The City Council has approved passing through 100% of this increase this month at an additional rate of 2.44% to be charged to users. He said the total increase for fiscal year 2008-09 is a pretty hefty 12.72%. Chairman Fife said that support for the last increase did not come through the Public Utilities Advisory Board. Director Wright stated it didn't come through the Board because all pass through costs were approved by the Board. He reiterated that the Board approved any costs increases that are a pass through of increased rates charged by power suppliers. Chairman Fife agreed. He said we were not sure at that time how much it would be.

Director Fife wanted to clarify that power suppliers raised rates in February, May and July again? Director Wright said yes, another 5% will be charged in July of 2009. He said they will probably hit us with another 4% during the 2009-10 fiscal year which is above and beyond what they are already charging us.

Chairman Fife asked why power suppliers were increasing their rates. He asked if most of their power is coal. Director Wright said that RMP's costs have increased due to the transmission lines they are building. He said they needed the larger transmissions lines to supply the need. Director Roberts said this was the 2008-2009 fiscal year increases recap.

Director Roberts said what is being proposed in the Council budget for 2009-2010 year is passing through the Rocky Mountain Power 5% increase we have been talking about that is going to come through in July. He said it ends up being an increase of 3.65% for users. He went on to say that WAPA has informed us they will be increasing our rates by up to 11% this year. That is another 2.42% increase for users if it comes through at 11%. Chairman Fife said, but we don't know what percent the WAPA increase will be in October. Director Roberts said we have budgeted for the 2.42%. Director Wright said we don't know for a fact until October. Director Roberts said the Council is not going to pass anything but what is increased.

Director Roberts said in addition the CPI came in at 3.8% and the Council thought the number was high and wanted to cut it down as much as they could. At the same time, of course, we had other budget pressures with sales taxes coming in lower as they are throughout the State. The Council settled on a number of 3.32% for the cost of operations increase which is lower than the 3.8% CPI.

Chairman Fife said as he remembered the discussion was the CPI was a base number but we always needed to evaluate really what our costs were and how much we should pass through. Not just increasing rates by the CPI routinely and this is what our recommendation was to the Council. He said it sounds as though they are adopting the CPI. He said he doesn't hear a justification for why and how.

Director Roberts stated there was some justification in this years' budget. If you look at the Public Utility Funds for our Capital Project plan we do need to pay on average for electric \$750,000 a year in infrastructure upgrades for the next 20 years. Chairman Fife said we put in money for that before. Director Roberts said we had roughly \$1M for electric this year. In addition, we had a couple of big water projects that are going to be coming through in the amount of \$500,000. We are having some capital intensive years. Director Roberts said this year, especially in electric and water. In addition to that there is another \$250,000 for sewer. \$1.75M in capital projects for utilities alone is more than the whole City does in one normal year. Normally they do approximately \$1.5M.

Mr. Jensen asked why it was more this year. Director Roberts stated the biggest cause with the electric is installing a transformer at a substation. The transformer costs \$1.8M. A million of that needs to be in next years' budget. Chairman Fife asked where the substation was. Director Wright answered, east substation. He said we are putting in another major transformer. Director Wright confirmed Director Roberts statement that the transformer is expensive. Chairman Fife asked if the other transformers were gone. Director Wright said the others are 30 years old and we have had some problems with one of them. He said the third one will be installed so we can upgrade our infrastructure with more capacity to meet demand. The third transformer, which we have two, will give us the opportunity to pick up the big loads that come into Brigham City. Chairman Fife said which will give us more income? Director Wright agreed.

Mr. Boyer said what will happen to the other transformer? Director Wright said we are still using it and what will happen is, as soon as we get the other in place, we will take it out and have it refurbished. Mr. Boyer said so we are really not into new transformer costs. Director Wright said yes. Director Wright explained what the problems were concerning the transformer.

Director Roberts said the second sheet he had passed out to the group was a list of the rate increases we had received from Rocky Mountain and WAPA. He explained the first column shows the actual percentage rate increase from the power providers, and the second is the percentage of power we purchase from that entity. He said when you multiply the first two columns you get to the weighted average rate, the last two columns show of that weighted average rate how much the city absorbed and how much was passed through to the customer.

Chairman Fife said it shows the total fiscal increase but it doesn't show the CPI. Director Roberts said this is the only rate increases passed through. Director Roberts said the first sheet is probably better as it shows the actual increases to the customer. Director Fife said this is a lot, almost 13%. Director Roberts said we are actually approaching Rocky Mountain Power rates. Director Wright agreed.

Mr. Jensen asked Director Roberts to help him understand what was absorbed by the City and why we are not doing that this year. Director Roberts said that during February of 2009 the Council decided they didn't want to pass through 100% of the rate increase to the customer. Chairman Fife said we were still making money and we felt those

increases were too much. Director Wright said these increases are going to be a real hit to the customers. Overall it is going to be 18%, plus the other percentages, along with all the others they are trying to pass on.

Director Roberts said our rates are comparable to Rocky Mountain Power rates, and with the exception of the February and May 2009 increases that were only partially charged to the users, they were in the three year contract signed by the City in 2008. The City is proposing that any remaining rate increases go to our customers.

Chairman Fife said for our residents the main utility costs are the electric. He said the increase is 21-22% in two years. Director Roberts agreed. Chairman Fife said we still put money to the general fund from the electricity. Director Roberts said yes. It was 15.5% last year. It is budgeted to be 15.3% next year. Chairman Fife said most utilities don't make that much. Director Roberts said he thinks Rocky Mountain Power shoots for 10-15%.

Mr. Gunderson asked if there would be any relief in the future. Director Wright said yes, they figure in the next 10 years, but right now no. With all the stimulus money they figure in 10 years it will be falling back.

Chairman Fife said power providers have to get every rate increase approved. Director Wright said yes by the Public Utility Commission. He said that with the 3.44% increase we were charged by Rocky Mountain Power, they had asked for 11% and didn't get it. So they are asking for another 4% in February. But, what they are going to get we don't know.

Mr. Gunderson asked Director Wright to explain about the Wind Farm in Idaho. Director Wright said we are looking at possibly co-partnering with UAMPS, which consists of 21 other Utah cities. We would go in on a Wind Farm. But, the cost of just getting into that is more than what the City can afford right now.

Chairman Fife asked what happened to the wind study at the mouth of the canyon. Director Wright said the wind study at the canyon is not feasible. He said we have money from the government, but it will be a cost to the City to operate it. Assistant Director Pugsley asked what is the average wind speed needed? Director Wright said has to be at least 13-15mph. Ours is 11mph. Mr. Jensen asked what the maintenance costs were. Director Wright said they are very high.

Director Roberts said the last page he had he looked at the increase of the water, sewer, garbage and storm drain. It shows the purposed increase of 3.32% the CPI increase and how we estimate it would effect an average consumer. We tried to guess what an average customer would be. Director Roberts explained the spread sheet and the increases involved. Overall for a family of four they would have a \$.85 per month increase on the water, a \$.81 per month increase on the sewer, a \$.30 per month increase for garbage collection, and a \$.22 per month increase for storm drain.

Assistant Director Pugsley said right now we have plenty of water rights for current and future build out. He said we have 12.4M gallons of storage in the City. In the summer months we have spring sources and three well sources in Mantua. Right now the spring sources are producing about 11.5mgd. If we increase with the wells up there we can produce 18mgd. In addition to that we have 4 other wells in Brigham City. We are in the processing of drilling 1 more this year and 2 more the next year up on the mountain. Director Fannesbeck said we currently peak in the summer right around 19mgd. Assistant Director Pugsley said most of our well sources are running at that time. In the winter months we use about 2.5mgd. Director Fannesbeck asked Assistant Director Pugsley what our capacity was. Assistant Director Pugsley said 21-22mg capacity is what our system has.

Mr. Jensen asked how P&G is going to affect us. Director Fannesbeck said they are making the improvements and they need 4mgd. He said it comes out of our water rights and they are paying for the infrastructure to provide this. He said we any water capacity would be replaced by P&G. Chairman Fife said with that increase of sales maybe we don't need the 3.232% this year. Director Fannesbeck said we aren't getting anything this year. They aren't taking any water yet.

Chairman Fife asked when P&G would be operational. Director Fannesbeck said in March-May of 2010. With one machine which only takes 2mg. When they bring in a second machine that is when they would get up to the 4mgd. Mr. Jensen asked if they will be paying the same rate as everyone else. Director Fannesbeck said no, they will be paying more. He said we are selling them surplus water. They are not an entity in the City. They didn't pay impact fees nor buy into the system. So they get charged more.

Chairman Fife stated he didn't have any problems with the sewer and water. He just wished we could do something about the electric. Director Roberts said Director Wright has the number for an average customer.

Director Wright said the first increase for an average customer will be in May. It hasn't hit billing yet. The customers will see \$1.59 added to their bill. Chairman Fife said equal pay customers will not see it until they adjust? Director Wright said yes. Director Roberts said they will probably see it on their June bill.

Director Wright said the next increase in July will be another \$4.71. Chairman Fife said he couldn't remember, has this one not been approved? Director Roberts said next Thursday. Director Wright said this is part of our contract 18%. They were good to us by not making us increase the 18% all at once. Instead we will spread it out over 3 years.

Mr. Gunderson said we will have the 18% over the next three years and then the other little ones that they throw in. Director Roberts said the difference is the 18% was just to Brigham City. Everything else is going to all their customers.

Director Wright said Rocky Mountain Power stated they were not making money off of Brigham City and they would just as soon pull the plug and let Brigham City go to the open market. If we went to the open market we would be paying triple of what we are

paying here. They backed off and said we want to keep Brigham City but we want you to pay 18% over 3 years to bring us up to where we are breaking even.

Chairman Fife asked what they were asking the Board to do. Do you want us to say whether or not we feel this is ok? Director Roberts answered, basically yes. Chairman Fife asked if there was any other input.

Mr. Boyer asked about wind farm. Are there any other alternatives; such as with the Native Americans. Director Wright said we cannot buy into the geothermal because they are selling to California for \$.25 kwh and they won't sell to us for cheaper. Director Roberts said the Federal Regulations for Green Energy and the State Regulations especially in California has created such demand that people will pay for it.

Director Wright said there is a bill that if it goes into effect we will have to buy green credit. He said if that happens our customers will feel the effects of this also. Director Roberts said they will not count existing green power like our hydro or WAPA. Director Wright said we are trying to get in touch with Senator Knudsen and see if we can get them to lower because the current proposed cutoff date of 1996, as we have been using renewable energy since 1922. We are trying to see if they will give us credit for it. Otherwise, if you want to use renewable power instead of paying \$.8 you will be using \$.12.

Director Wright explained that his attorney fees for UAMPS are \$12,000 a month and we don't have the money to bare that financial burden for 12 months.

Chairman Fife asked if there was further discussion.

A motion was made by Ron Jensen that we accept the proposal. Second, by John Baugh. Motion passed unanimously.

Assistant Director Tyler Pugsley asked if he might speak with the Board before they adjourned. He explained they were in the process of completing the rough draft of the annual consumer confidence report for the drinking water quality report. He said last year we emailed the rough draft and asked the Board to make any comments. He asked if this was alright to do so again this year rather than reconvening. The group agreed.

Director Fonesbeck said that with the utilities fuel was a big problem for us this past year. We could not have anticipated the \$4.00 per gallon. This was a huge factor. He said we were advised by the Council to keep our budgets flat if not less than previous years. For the last 3 years our budgets have been fairly flat.

Chairman Fife asked about an update on increasing the acreage on the compost facility. Director Fonesbeck said we have found a property and we are in negotiations for the land, about 10 acres. Certainly something we need to do as we are out of space. Director Fonesbeck said there are specific considerations we are looking at. As we are going to combine the operations we have to have somewhere where you can have sewer treatment and a good source of water. We had five sights to choose from and the Council approved

us to pursue one of those and we are in negotiations now. Once this has been approved he will send the PUAB emails letting them know.

Chairman Fife asked if it would be as convenient as the one now. Director Fonnesbeck said he thought they would find it just as convenient, if not better. Assistant Director Pugsley said we are excited about it. He said he feels they will be able to run much more efficiently.

6/10/2009

**Brigham City Corporation
History Of Utility Rates**

DISCRIPTION

2008-09 Rate Increases:

- 2009 Water Excess Usage Fee*
- 2009 Increased Cost of Operations July 2008
- 2009 RMP 8% Increase July 2008
- 2009 50% of RMP 2.8% Passthrough Feb 2009
- 2009 50% of WAPA 6% Passthrough Feb 2009
- 2009 RMP 3.34% Passthrough May 2009

Total Fiscal 2009 Base Rate Changes**

2009-10 Proposed Rate Increases:

- 2010 RMP 5% Increase July 2009
- 2010 WAPA 11% Increase October 2009
- 2010 Increased Cost of Operations July 2009

Total Fiscal 2009-10 Proposed Rate Increases

* Excess Usage

** Does not include increases for excess usage

**Brigham City Corporation
Rate Increase Effect Examples
May 27, 2009**

| | <u>Prior to Proposed Increase</u> | <u>Proposed Increase</u> | <u>New Proposed Rate</u> |
|------------------------------------------------|-------------------------------------------|------------------------------|----------------------------------|
| Water Costs: | | | |
| Water Excess Usage Rate | 1.27 | 3.32% | 1.31 |
| Water Base Fee (7,000 gal) | 9.01 | 3.32% | 9.31 |
| 10,000 Gallon Total Bill | 12.82 | 3.32% | 13.25 |
| 15,000 Gallon Total Bill | 19.17 | 3.32% | 19.81 |
| 20,000 Gallon Total Bill | 25.52 | 3.32% | 26.37 |
| | | | |
| Sewer Base Fee | 24.35 | 3.32% | 25.16 |
| Garbage Collection Base Fee | 8.90 | 3.32% | 9.20 |
| Storm Drain Base Fee | 6.62 | 3.32% | 6.84 |
| | | | |
| Total Average Customer Monthly Increase | | | |

| | Entity Rate Increase | % of Power Purchased from Entity | Weighted Avg. Rate Increase | Rate Increase Absorbed by City | Pass thro Rate to Custom |
|------------------------------|----------------------|----------------------------------|-----------------------------|--------------------------------|--------------------------|
| 08-09 Rate Increases: | | | | | |
| 2009 RMP July 2008 | 8.00% | 73.00% | 5.84% | 0.04% | 5.80% |
| 2009 RMP Feb 2009 | 2.80% | 73.00% | 2.04% | 1.02% | 1.02% |
| 2009 WAPA Feb 2009 | 6.00% | 22.00% | 1.32% | 0.66% | 0.66% |
| 2009 RMP May 2009 | 3.34% | 73.00% | 2.44% | 0.00% | 2.44% |

Total Fiscal 2009 Passthrough Rate Changes **11.64%** **1.72%** **9.92%**

| 09-10 Proposed Rate Increases: | | | | | |
|---------------------------------------|--------|--------|-------|-------|-------|
| 2010 RMP July 2009 | 5.00% | 73.00% | 3.65% | 0.00% | 3.65% |
| 2010 WAPA 11% Increase October 2009 | 11.00% | 22.00% | 2.42% | 0.00% | 2.42% |

Total Fiscal 2009-10 Proposed Passthrough Rate Changes **6.07%** **0.00%** **6.07%**