1 APPROVED

POWER COMMISSION BOARD MEETING

Meeting Minutes
March 7, 2017

Minutes of the Kaysville Power Commission Board meeting held Tuesday, March 7, 2017 at 7:00 P.M. in the City Council Chambers of the Kaysville City Municipal Center at 23 East Center St. Kaysville, Utah 84037.

Present: , Council Member Susan Lee, Board Member Sean Chilcote, Board Member Alan Farnes, Board Member Patrick Hein, Board Member John Loveless, Board Member Jordan Stephenson, Board Member Brok Thayn.

Others present: City Manager Shayne Scott, Power Superintendent Gary Hatch, Resource and Service Manager Bruce Rigby, Administrative Assistant Stacie Harward, Deb Henry, Brigg Lewis, Kate Bowman Utah Clean Energy, Jason Lewis.

Opening Provided by Board Chairman Brok Thayn
Board Member John Loveless was excused until 7:10 P.M.

Prayer Given by Jordan Stephenson

Chairman Thayn asked that the individuals that have not provided a headshot for the website to please provide one to Stacie Harward as soon as possible.

CONFERENCE CALL WITH MR. MARK BEAUCHAMP- UFS

Mr. Beauchamp (President) from Utility Financial Solutions, LLC (UFS) phoned into the meeting to answer questions and explain his findings while doing an Electric Cost of Service Study and Financial Protection in June of 2016. The company also followed up with a Solar Energy Study. He asked that questions be asked as the presentation was being presented. He is the President of UFS and has been doing these kind of studies since 2001. UFS has done well over 500 Electric Rate Studies throughout the country. His company has done studies in 43 States, Guam, Caribbean and Bermuda.

The first half of the presentation will be on The Electric Cost of Service and the second half is on Solar Power Cost. The Solar part is quite in-depth. Mr. Beauchamp started out with pointing out about the Long Term Financial Protection Study. Some assumptions have been made. UFS projects purchase of power at a 2.5% increase through 2021. A 2.5 % inflation rate was assumed for the same span of time. 1.5 % increase through 2021 of growth. Mr. Beauchamp indicated that Kaysville City Power and Light is projecting growth which is something that only 1 other power utility company in the country is projecting growth. Most of the power utilities in the country are not expecting any growth. Also In the projections it is assumed that we will be financing a new facility/building. This building is projected to begin construction in the year 2020. This is something that is an unknown when or if it will happen, but is still part of the future projections. It is assumed that the building will be financed over a 12 year time period at a 6% interest rate. Assumptions are also made for capital plan areas.

All projections are made with AMI and Non-AMI. AMI means Automated Meter Reading Infrastructure. Allows to read meters automatically and offer different rate forms. It also gives the ability to control your system better. There are three main financial targets but only two apply to Kaysville Power and Light. The first target is Debt Coverage Ratio. Kaysville Power is a debt free Utility which means we don't have to worry about debt coverage. The second target is Cash Reserves. The study identifies the minimum level of cash the utility should maintain in reserves. This gives the utility the ability to pay bills in a timely fashion. Also if a catastrophic event were to occur such as an ice storm/wind storm there would be enough money in reserve to start rebuilding but not necessarily be able to fund the whole amount but a good starting point and beginning. Minimum level of cash that a Utility should have is approx. $3 Million dollars. In 2017 our cash reserves are projected to be $ 4.3 Million dollars. But in 2018 and the following years we fall below the minimum amount. In 2021 the reserves are at a negative balance $3.3 million. The third target is Utility Basis Target is to attempt to fund depreciation expense and inflationary replacement cost of assets. Operating income includes depreciation and appreciation of assets. AMI will help with more accurate reading and billings of customer. Residential rate needs to increase but not a lot. Industrial rates are very low and need to also increase. Sean Chilcote wanted to confirm that we only have 1 Industrial customer. It is the LDS Church Pasta Mill. Mr. Beauchamp commented that the city council indicated in a previous meeting that they don't want to increase any class drastically and quickly. It needs to be structured over a period of time. Industrial rates are very low compared to residential rates. Rates have needed to be raised for a long time.

Board Member John Loveless inquired about Area Lights and Street Lights and who was being charged for their usage. Kaysville City is being charged for these lights. Board Member Loveless also wanted to know why the KWH cost is so expensive.   Bruce Rigby responded to his question that It is at 27 Cents per KWH even at low demand peak time. Bruce Rigby pointed out that the increased cost is needed to recover the cost of the street light installation and investment. It cost 24 Cents a kilowatt to recover the initial investment, maintenance and the cost of getting power to the light.

Mr. Beauchamp pointed out that the cost is 06.6 cents per KWh to buy power and the generation of the power. He pointed out that our rates are below average and very low compared to other parts of the country. He also related a story that in the Early 1900's the cost of KWH was over $1.00 per KWH and now it is at an average of .09 per KWH. He suggested that we should be charging a residential service charge which we are not. He suggested that for Residential it should be $13.05 per month, Commercial $53.62 per month and Industrial $139.20 per month. This is considered to be fixed costs per month. The Average service charge is between $12.00 and $20.00 per month. We would be on the low end of customer service charge if we charged $13.05 per month.

Board Member Jordan Stephenson wanted to know the exact costs of what the $13.00 Service Charge included. Mr. Beauchamp gave the following details. There are 8 different components: $1.94 Meter or Net Meter, .90 cents Meter Reading, .03 Cents billing Cost Service Drop, $1.45 Customer Service. Add Minimum System Cost- For Example getting one wire to a home and that home using 1

KWH. $1.49 Distribution Costs, $5.18 Transformer Cost and $1.18 Substation Costs. These amounts equate to just over $13.00.

Board Member Farnes wanted to know what the other overhead costs are. Administrative costs are buried in with all the other cost. It's hard to establish how customer service is determined and valued. Mr. Beauchamp suggested that we have another meeting where only solar is discussed. Solar is very politically driven. He really wants to educate this board so that the board can make an educated decision which in turn can help the council make an educated decision with the board recommendations.

Board Member Jordan Stephenson is interested in the long run infrastructure costs.
Board Member Chilcote wants more possible past data. The years of 2015-2016 past history.

Chairman Thayn suggested we table this discussions for another meeting. The board will come up with more questions and submit those questions in advance. This will give UFS a chance to get slides and presentation ready for the next discussion.

SOLAR DISCUSSION-RATE STUDY DISCUSSION

The Board thought it might be a good idea for anyone that has a net metering agreement for solar power to go through a training course on how solar works and answer some of the questions that they might have. The board nominated that John Loveless teach the class. He suggested a monthly meeting. Bruce Rigby suggested that a video be made and put on the website. Other courses can be provided also such as LED lighting and energy efficient training.

Susan Lee wanted to make sure that everyone agree on the list for the website classes presentation items. John will make a list of items that will be taught in the classes.

The board asked that Gary Hatch and Bruce Rigby also make a list of items to be discussed.

The Board wants to come up with a timeline for the Rate Study Recommendations. It will need to be put on the City Council Agenda and presented to the council. Alan Farnes is concerned that no one is guaranteed to be grandfathered in when it comes to the Net Metering Agreements. An open house for the residents was suggested to provide information to the public. The open house would consists of items that the board has accomplished and other issues the board are looking into.
There will also be information that needs to be put in the newsletter and on the website.
The newsletter and website information needs to be sent to Bruce Rigby for placement and content.
Sean Chilcote recommended that they have a presentation to the City Council ready for the Meeting on June 15, 2017.

A motion was made by Sean Chilcote that they present to the City Council on June 15th, 2017
A Second was made by John Loveless
The vote on the motion was as follow:
Jordan Stephenson-Yea
Sean Chilcote-Yea
Patrick Hein- Yea

4 APPROVED
John Loveless-Yea
Alan Farnes- Yea
Brok Thayn-Yea
Susan Lee-Yea

MISSION STATEMENT

Chairman Brok Thayn read the Mission Statement to the board. The mission statement is as follows; Kaysville City Power and Light's mission is to provide reliability electricity with superior customer service at a competitive price to the residents and businesses in Kaysville City.

Chairman Brok Thayn wanted to know what was meant- At what profit? What does that really mean?

Bruce Rigby responded that the Power Company needs to be financially stable and be able to make future upgrades.

Board Member Patrick Hein wanted to make sure that we are not profit driven but more of a customer service and reliability based entity.

Board Member John Loveless would like to see added to the mission statement that we have Competitive and Fair Rates also. Maybe add Comparable Rates to the mission statement.

Board Member Alan Farnes suggested that the mission statement discussion be tabled until next month.

The Board agreed to discuss it at a later date.

OTHER DISCUSSION ITEMS FOR UPCOMING MEETINGS

John Loveless wants more in depth information on Substation Readings.
Bruce Rigby commented that the Substations are read at 5 minutes intervals by UAMPS.

The board would like to go on a Facility tour- including the equipment yard and substations.

A tour was decided on for Friday March 17, 2017 at 3:00 P.M. Meet at the Operation Center at 721 West Old Mill Lane, Kaysville

Susan Lee wanted to know how power outages are handled. The procedure is Gary Hatch is notified by the line crew. He then will notify Maria Devereux about the outage and if possible the cause of the outage. Outages that are 100 homes or more will be acknowledge. If it is a single home or just a few those will not be posted. Gary Hatch will keep Maria informed of the time span and the cause and she will update as necessary. During the day the phone message will also be updated. After hours the professional answering service will take the information from residents and passed on to the appropriate personnel.

5 APPROVED
The Board would also like to have UAMPS attend a meeting and do a presentation. Bruce Rigby will arrange for that presentation.

APPROVAL OF THE MINUTES

Sean Chilcote wanted minutes to reflect a change on page 5 a change of wording from" mainly" to "including".

Alan Farnes made a motion to accept the minutes with the changes.
Susan Lee seconded the motion

The board unanimously voted to accept the minutes.

Jordan Stephenson would like to do a presentation for the board at the next meeting. It was suggested that his presentation be the second item on the agenda.

CALL TO THE PUBLIC

BrIgg Lewis wanted the Board to be cautious on the study from UFS. He also wanted the board to consider a charge of the roof top solar and a demand charge for different parts of the day.

Board Member Sean Chilcote made the motion for adjournment at 9:30 P.M. Second by Board Member John Loveless and passed unanimously.

Stacie Harward
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Stacie Harward, Administrative Assistant