

***CANBY UTILITY***  
***REGULAR BOARD MEETING***  
***MAY 9, 2017***  
***7:00 P.M.***

**AGENDA**

I. CALL TO ORDER

I. AGENDA

- Additions, Deletions or Corrections to the Meeting Agenda

II. CONSENT AGENDA

- Approval of the May 9, 2017 Agenda
- Approval of Regular Board Meeting and Executive Session Minutes of April 11, 2017 (pp. 1-5)
- Approval of Write-Offs
- Approval of Payment of Water and Electric Bills

III. CITIZEN INPUT ON NON-AGENDA ITEMS

IV. BOARD REPORT

- Chairman Comments
- Board Member Comments

V. STAFF REPORTS

Finance Manager:

- 2<sup>nd</sup> Quarter Financial and Reserve Update (pp. 6-9)
- Electric Rate Cost of Service Analysis Timeline (pp. 10-11)

Board Secretary-Clerk/Admin-HR Manager:

- Labor Negotiations

General Manager Updates

VI. EXECUTIVE SESSION The Canby Utility Board will adjourn its regular meeting to go into executive session pursuant to ORS 192.660(2)(i) to discuss performance of public employee. Upon completion of the executive session the Board will return to its regular meeting.

VII. ADJOURN

**CANBY UTILITY**  
**REGULAR BOARD MEETING MINUTES**  
**APRIL 11, 2017**

**Board Present:** Chairman Potter; Members Maxwell, Daniels, and Brito

**Board Absent:** Member Wagner

**Staff Present:** Daniel P. Murphy, General Manager; Barbara Benson, Board Secretary; Carol Sullivan, Finance Manager; Sue Arthur, Purchasing Agent; Dee Anne Wunder, Customer Service Supervisor; and Jim Stuart, Operations Manager

**Others Present:** Tim Dale, City Council Liaison

Chairman Potter called the Regular Board Meeting to order at 7:00 p.m.

Chairman Potter presented the meeting agenda for consideration and asked for any additions, deletions or corrections to the meeting agenda. Finance Manager Carol Sullivan requested to add a staff report to present an amended budget timeline.

Chairman Potter presented the consent agenda for approval. Member Brito made the \*MOTION to approve the consent agenda, consisting of the amended meeting agenda, regular meeting minutes of March 14, 2017, Write-Offs in the Amount of \$1,473.41, Payment of the Electric and Water Department Bills in the Amount of 964,290.98 with Carry-Ins in the Amount of \$34,060.44, for a Total of \$998,351.42. Member Daniels seconded, and the motion passed unanimously.

Chairman Potter asked for citizen input on non-agenda items and there was none.

Finance Manager Carol Sullivan presented a recommendation to adopt a procedure that would establish financing rates for water system development charges (SDCs). General Manager Murphy added the Bancroft Bonding Act requires Canby Utility to offer a SDCs financing option for a minimum of ten years. Sullivan recommended calculating a finance rate at prime plus 5.00%. Currently prime rate is 4.00%. The interest rate we would charge customers is higher than what banks are charging for construction loans. Sullivan explained two reasons for charging a higher interest rate: (1) Canby Utility is in the business of providing electric and water services, not financing, and (2) The second reason is the desire to not undercut banking institutions. At the time of establishing a financing arrangement, Canby Utility will record a lien on the property to protect the utility. In the event the property was to be sold within the 10 year period of time, the lien would be paid in full upon the closing of the sale. Sullivan reviewed the fees associated with administering a system development charge financing agreement. Member Daniels asked about any interest from developers to finance the SDCs. Sullivan stated that one

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industrial customer and one apartment complex had raised the question, but both decided to not pursue financing. The law requires a financing option of a minimum 10 years. Sullivan recommends Canby Utility not exceed 10 years with financing SDCs. Customers would also have the option to pay off the balance in less than 10 years without penalty. Sullivan then reviewed the financing application packet. Chairman Potter asked if the procedure has been through legal review and Sullivan stated that it had. The procedure does not replace any existing policy previously set by the board. Following discussion, Member Daniels made the \*MOTION to adopt Procedure 563, related to financing water system development charges. Member Maxwell seconded the motion, and the roll call ballot was as follows: Member Brito, aye; Member Daniels, aye; Member Maxwell, aye; and Chairman Potter, aye. The motion passed 4 to 0.

Operations Manager Jim Stuart presented the quarterly reliability report. The report provides information about the average number of minutes and hours that our customers have experienced during an outage over the past 12 months. Canby Utility's outage experience for a utility our size is very good. Stuart noted that the majority of Canby's power interruptions are related to an issue on our power provider's side of the system or as a result of old underground cable failures. Stuart noted that the electric distribution system is very solid and he contributes that to the Board's efforts to invest in the infrastructure.

Stuart then gave an update on the power outages that occurred on the previous Friday. At 11:04 a.m., Portland General Electric's 57kV transmission line, which feeds into Westcott Substation, went down. Operations staff immediately began working on a plan to transfer loads from Westcott substation to the Knights Bridge substation to enable customers to have their service restored. At 11:45 a.m., customers began seeing power restored and by 12:11 p.m., approximately 90% of our customers were restored. Shortly thereafter, while staff was evaluating additional load shifting capabilities, the transmission line to Westcott substation was restored and power was once again flowing into the substation. By 12:30 p.m., the system configuration was back to normal and the outage had concluded. Stuart noted that he expected our crews would have some cleanup work to do with open fuses following such a big outage, but fortunately there were none. Stuart stated that the utility's aggressive tree trimming program aided in protecting Canby from wind related damages that typically cause power outages from within our system. The current fiscal year tree trimming work is scheduled to begin later this month. Chairman Potter expressed the board's appreciation for staff's response to the outage event. He also noted that city leaders were complementary of Canby Utility's efforts, especially with the level of communication being given to them. The outages resulted in approximately 5,500 customers being without power for a total of one hour and forty-five minutes. Discussion ensued about the substation capacity and how growth may impact our ability to transfer loads. Canby Utility's website was visited 747 times on Friday and 116 times on Saturday. Customers were being directed to the website for outage updates to help reduce repeat calls since the office was overwhelmed by the volume of incoming calls to report the outage or to inquire about the cause and expected duration.

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Administration/Human Resource Manager Barbara Benson presented the board with a draft planning calendar for the current fiscal year as requested by Chairman Potter. Benson asked if any board members would like any additions, deletions or corrections to what was included on the calendar. The calendar is a planning tool and is subject to change from month to month. The board had no changes.

Benson also reported that she has completed the recruitment for two water utility worker positions. Jeramy Inskip is scheduled to begin on April 17 and he holds a water distribution certification level II. He may also be eligible to sit for his level III exam soon. He comes to Canby Utility after having worked for another city for the past 18 years. The second hire is Joseph Brennan. Brennan holds a water distribution certification level I and may be eligible to sit for his level II exam soon. He comes to Canby Utility having worked for another city for the past six years. Benson noted that we are excited they have accepted our offer of employment and look forward to their arrival.

Benson gave an update on the recruitment for an Office Specialist/Customer Service Representative position that has been posted. The position became available following a retirement. The position has been posted on several sites, but notably the job recruitment site Indeed has resulted in nearly 200 inquiries so far. The position recruitment will close on April 14, 2017.

General Manager Murphy gave an update on the status of the planning for a new office building. Murphy stated that the past month has been relatively quiet while Mackenzie Architects continue to work on finalizing the project and are preparing to request bids. Murphy reported he accompanied Barb Benson and Mackenzie Architects to meet with the furniture vendor to discuss interior furnishings. Murphy noted that the timeline has not changed.

Murphy reported on the water filter promotion. Canby Utility had received 222 proofs of purchase, which included one for a commercial customer. Member Daniels asked how long the promotion will continue, and Murphy stated that the project will continue indefinitely.

Murphy reported on the annual 401(k) deferred compensation plan meeting, held on March 16. Financial Advisor Chris Stutes presented a review of the state of the economy and performance of the investment funds for the past year. Murphy noted that the plan participants elected Gary Stockwell to serve a two year term as trustee. Murphy and Brian Riggs will also serve as plan trustees.

Murphy reported that the Oregon Municipal Electric Utilities (OMEU) association's board had a meeting on April 6 for the purpose of considering candidates for the Executive Director position. OMEU's hiring committee had narrowed their candidate selection down to two finalists. Murphy shared the names and qualifications for the two candidates. The hiring committee is now in the process of completing background checks on both candidates. Once that process is complete, the OMEU board will convene and select its new Executive Director.

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Finance Manager Carol Sullivan gave an update on the fiscal year 2018 operating and capital budget process timeline. The board will now receive the budget for review on June 9 and will consider approval on June 13 during the regular board meeting.

Member Maxwell made the \*MOTION to go into Executive Session according to ORS 192.660(2)(i) to discuss performance of a public employee. Member Daniels seconded, and the motion passed unanimously.

The regular meeting was recessed at 7:44 p.m. Chairman Potter excused all staff for the remainder of the meeting.

The regular meeting was reconvened at 7:54 p.m.

Member Maxwell made the \*MOTION to Adjourn the Meeting. Member Daniels seconded, and the motion passed unanimously.

There being no further business, the meeting was adjourned at 7:56 p.m.

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Gary Potter, Chairman

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Robert Maxwell, Member

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Jack Brito, Member

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Walt Daniels, Member

Absent 4/11/17

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Todd Wagner, Member

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Barbara Benson, Board Secretary

***CANBY UTILITY  
EXECUTIVE SESSION MINUTES  
APRIL 11, 2017***

**Board Present:** Chairman Potter; Members Maxwell, Daniels, and Brito

**Board Absent:** Member Wagner

The Executive Session was opened at 7:44 p.m. by Chairman Potter, in the Conference Room of the Canby Utility Board office, pursuant to ORS 192.660(2) (i) for the purpose of discussing performance of a public employee.

There being no further business, the Executive Session was adjourned at 7:54 p.m.

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Gary Potter, Chairman

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Robert Maxwell, Member

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Jack Brito, Member

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Walt Daniels, Member

*Absent 4/11/17*

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Todd Wagner, Member

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Barbara Benson, Board Secretary



## Memorandum

April 25, 2017

**To:** Chairperson Potter, Member Maxwell, Member Daniels, Member Brito, and Member Wagner

**From:** Carol Sullivan, Finance Manager

**Subject:** Quarterly Financial Update as of December 31, 2016 Fiscal Year 2017

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Please find attached the Executive Financial Summary through December 31, 2016, the Utility's first six months of fiscal year 2017. The report is cumulative to date and gives a quick overview of profit and loss resulting from operations and capital contributions, a comparison to budget with notes, and cash reserves compared to the budget target and minimum. For monthly information refer to the financial packet sent via e-mail.

I will present these at the next board meeting and will be available for comments or to answer any questions.

**Canby Utility Executive Financial Summary**  
**Profit (Loss) Resulting From Operations and Capital Contributions\*\*\***  
**Year To Date Six Months Ending December 2016**

Legend	
	= Electric
	=Water

<b>Electric</b>
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**Profit (Loss) From Operations**

	Revenue		Expense		Operating Profit (Loss)
\$	5,976,827	\$	5,356,462	\$	620,365

**Operations And Capital Contributions\*\*\***

	Operating Profit (Loss)		Capital Contributions		Net Income (Loss)
\$	620,365	\$	357,886	\$	978,251

<b>Water</b>
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**Profit (Loss) From Operations**

	Revenue		Expense		Operating Profit (Loss)
\$	1,832,748	\$	1,332,880	\$	499,868

**Operations And Capital Contributions \*\*\***

	Operating Profit (Loss)		Capital Contributions		Net Income (Loss)
\$	499,868	\$	764,818	\$	1,264,686

**\*\*\*Capital Contributions** are contributions of capital, in the form of money or assets/infrastructure to Canby Utility from a customer or a vendor.

**Canby Utility Executive Financial Summary**  
**Profit (Loss) Resulting From Operations With Capital Contributions Compared To Budget**  
**Year To Date Six Months Ending December 2016**

**Electric**

Net Income (Loss)	Budget	Over (Under) Budget
\$ 978,251	\$ 152,760	\$ 825,491

**Notes :** The net income year to date is over budget.

Operating revenue is on budget.

Operating expenses are under budget due to lower purchased power and transmission costs, more labor being capitalized, the vacancy of the operations superintendent and a lineman, and lower customer conservation payments.

Capital contributions are over budget due to more projects.

**Water**

Net Income (Loss)	Budget	Over (Under) Budget
\$ 1,264,686	\$ 398,485	\$ 866,201

**Notes :** The net income year to date is over budget.

Operating revenue is above budget due to higher water consumption than budgeted.

Operating expenses are under budget mainly due to more distribution labor being capitalized and the vacancy of the operations superintendent and a water worker.

Capital contributions are over budget mainly due to more SDC's being collected due to a large multi-family apartment complex.

**Canby Utility Executive Financial Summary  
Cash Reserves  
Year To Date Six Months Ending December 2016**

**Electric**

<u>Budget Target 6/30/17</u>	<b>Current Cash Reserves</b>		<b>FYE 2017 Target</b>		<b>Over (Under) Target</b>
	\$ 10,033,941	\$	9,527,772	\$	506,169

<u>MINIMUM</u>	<b>Current Cash Reserves</b>		<b>Minimum</b>		<b>Over (Under) Minimum</b>
	\$ 10,033,941	\$	4,000,000	\$	6,033,941

**Water**

<u>Budget Target 6/30/17</u>	<b>Current Cash Reserves</b>		<b>FYE 2017 Target</b>		<b>Over (Under) Target</b>
	\$ 3,950,426	\$	2,864,913	\$	1,085,513

<u>MINIMUM</u>	<b>Current Cash Reserves</b>		<b>Minimum</b>		<b>Over (Under) Minimum</b>
	\$ 3,950,426	\$	2,000,000	\$	1,950,426



## MEMORANDUM

May 5, 2017

TO: Chairman Potter, Member Maxwell, Member Daniels, Member Brito, and Member Wagner

FROM: Carol Sullivan, Finance Manager

SUBJECT: 2017 Electric Rate Case Timeline

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For the Board's information, attached is the 2017 Electric Rate Case timeline. BPA issues the final rates on July 26<sup>th</sup>. Staff plans to present the first draft proposal at the September 12<sup>th</sup> regular Board meeting. The public hearing on the rate proposal is tentatively scheduled for October 10<sup>th</sup> with an effective date of November 1<sup>st</sup>.

Bob Brooks and Associates will once again be performing a cost of service analysis. He did mention that the timeline is tight, as usual, but workable, and has agreed to our schedule.

I will present the rate case timeline at Tuesday night's Board meeting and answer any questions the Board may have.

