

***CANBY UTILITY
REGULAR BOARD MEETING
AUGUST 26, 2014
7:00 P.M.***

AGENDA

- I. CALL TO ORDER
- II. AGENDA
 - Additions, Deletions or Corrections to the Meeting Agenda
- III. CONSENT AGENDA
 - Approval of August 26, 2014 Agenda
 - Approval of Regular Board Meeting Minutes of August 12, 2014
- IV. CITIZEN INPUT ON NON-AGENDA ITEMS
- V. ANNOUNCEMENT General Manager Notice of Resignation – Matt Michel, General Manager (pp. 1-2)
- VI. PRESENTATION Backflow Program – Larry Hepler, Operations Superintendent and Garrett Howell, Backflow Management Incorporated (pg. 3)
- VII. RECOMMENDATION Update Banking and Investment Accounts – Carol Sullivan, Finance Manager (pg. 4)
- VIII. DISCUSSION Job Performance Evaluation Process for Board Secretary – Chairman Cornelius
- IX. STAFF REPORTS

Operations Superintendent:

 - SE 2nd Avenue Project Update

Finance Manager:

 - Refunding 2004 Water Revenue Bonds

Customer Service Supervisor:

 - Update on Delinquency Notice Pilot

Board Secretary:

 - Electronic Tablet Devices

General Manager Updates:

 - Quarterly Time Away from Office Update (pp.5-7)
 - BPA Updates – Rate Period High Water Mark (pp. 8-9)
- X. EXECUTIVE SESSION The Canby Utility Board will adjourn its regular meeting to go into executive session pursuant to ORS 192.660(2)(f) to discuss information or records exempt from public inspection. Upon completion of the executive session the Board will return to its regular meeting.
- XI. ADJOURN

CANBY UTILITY
REGULAR BOARD MEETING MINUTES
AUGUST 12, 2014

PRESENT: Chairman Cornelius; Members Wagner (arrived at 7:02 p.m.), Maxwell, Potter and Daniels; and Barbara Benson, Board Secretary

ABSENT: Matt Michel, General Manager; and David Doughman, Board Attorney

ALSO PRESENT: Carol Sullivan, Finance Manager; Sue Arthur, Purchasing Agent; Larry Hepler, Operations Superintendent; Dee Anne Wunder, Customer Service Supervisor; Bernie Levy and Alice Wallace

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

Chairman Cornelius presented the meeting agenda for consideration. He asked for any additions, deletions or corrections to the meeting agenda and there were none.

Chairman Cornelius presented the consent agenda for approval. Member Potter made the *MOTION to Approve the Consent Agenda, Consisting of the Meeting Agenda, Regular Meeting Minutes of July 8, 2014, Write-Offs in the Amount of \$804.62, Payment of the Electric and Water Department Bills in the Amount of \$839,856.04, with Carry-Ins in the Amount of \$5,539.00, for a Total of \$845,395.04. Member Maxwell seconded, and the motion passed unanimously.

Chairman Cornelius asked for citizen input on non-agenda items. Bernie Levy, a Canby Utility customer, residing in Canby since 1990, requested to address the Board. He commended Canby Utility on providing great electric and water service. Mr. Levy presented his perspective on city of Canby demographics and shared his credentials with the Board. He brought to the Board's attention the financial constraints for senior citizens living on a fixed income and the impacts of having utility bills due prior to the 15th of the month. He stated other service providers in Canby have their bills due on the 15th and felt strongly that Canby Utility should change the billing due dates for all customers. Chairman Cornelius asked if Mr. Levy had shared his concerns with the General Manager and he stated that he had. Chairman Cornelius urged Mr. Levy to continue discussions with staff to see if something could be done to help him. Alice Wallace, also a customer of Canby Utility shared that she too has issues with when her utility bill is due. Staff offered background on cycle billing. Mr. Levy and Ms. Wallace added comments in response. Mr. Levy thanked the Board for listening. Chairman Cornelius thanked them both for coming. Mr. Levy and Ms. Wallace departed the meeting at 7:25 p.m. Chairman Cornelius instructed Customer Service Supervisor Dee Anne Wunder to look into the billing dates to see if changes are required. Dee Anne commented that extending the time between the initial payment due date and mailing delinquency notices could potentially improve customer service. Member Potter shared that he feels that delinquent notices and door hangers are distributed too early from a

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customer perspective. He also talked about the possibility of moving a customer to a different billing cycle. Discussion ensued regarding utility billing operations compared to other utility providers, previous comments and potential upcoming changes to meter reading routes. The Board will leave it to staff to determine if change in policy is recommended.

Barbara Benson, Administration/HR Manager, presented a recommendation to enter into an intergovernmental agreement with Clackamas County for an emergency notification procedure. She stated that in May, staff shared the protocols that took place when Portland Water Bureau was faced with a boil water order. That discussion led the Board to question the protocols Canby Utility has in place should it ever be faced with a similar event. Staff looked into having Clackamas County and the Clackamas County Emergency Management do a reverse 911 call notification to our customers in an emergency. The County provided us with an intergovernmental agreement that requires Board approval. Board attorney David Doughman and our insurance agent of record Scott Gustafson have reviewed the document. The cost of activation of the notification system is \$0.22 per minute. The length of the recording and the number of calls would determine the overall cost. She stated that Dee Anne Wunder, Customer Service Supervisor, is currently working with our software vendor to extract contact data from the PCS system that will be shared with the county. The cost for PCS to create a data file is just under \$1,000. A brief discussion ensued about how the county notification process works, frequency of the data transfers, the type of phone lines that can be used for contacting customers, tracking who was notified, when the charges begin and testing the system. Member Daniels made the *MOTION to Adopt Resolution No. 274, a Resolution Authorizing an Intergovernmental Agreement between the Canby Utility Board and Clackamas County. Member Potter seconded the motion and the roll call ballot was as follows: Member Potter, aye; Member Wagner, aye; Member Maxwell, aye; Member Daniels, aye; and Chairman Cornelius, aye. The motion passed 5 to 0.

Larry Hepler, Operations Superintendent, announced that the barbeque/potluck is scheduled for this Saturday at his home. He shared the activities planned for the day. He noted 32 people plan to attend. Larry requested that the Board consider contributing to the cost of food and supplies. Barbara noted that in the past the Board has allocated \$200 from her special events budget towards the cost. The Board gave consensus to allocate \$200 for this year's barbeque.

Carol Sullivan, Finance Manager, gave a report on Fi-Serve, which is for customer online banking payments. She explained that when customers use their bank's bill pay option, the bank issues a paper check to Canby Utility. Signing up for the Fi-Serve service will allow those payments to electronically transfer into the utility's account. Currently we receive 725 checks from Fi-Serve each month, our bank charges \$0.08 per check deposited. This electronic transfer would be an ACH deposit that will cost \$0.20. This will be a monthly savings of \$54. She just wanted the Board to be aware of the change since it relates to banking.

Carol also reported on the virtual server purchase that is in the fiscal year capital budget. The cost for the equipment is running over budget. She presented two options for the Board to consider: postponing the eFile Cabinet electronic records management system or use reserves

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from electric and water to cover the budget overrun. She noted that there is about \$37,000 more money in the electric reserves than budgeted and \$9,000 in the water reserves. Carol recommended the Board consider using reserves to protect documents in the event of a fire. An incident at the operations center over the past weekend involving a burned up drive motor in the HVAC system, filling the place with smoke, emphasized the need to protect paper records. The reserves needed would be \$3,000 from electric and \$1,000 from water. Discussion ensued about server back-ups and the process of transferring paper records into the new system. The Board gave consensus to use reserves to cover the cost of the server budget overrun.

Carol gave an update on the water bond refunding. She stated that if we adjust our reserves and set up a reserve for the new bond, we can get a better rate from Key Bank. Taking this step will also open doors for more competitive responses from other banks. She proposes reducing the annual operating and maintenance (O&M) expenditures in reserves from 150 to 120 days, which is acceptable according to the Government Finance Officers Association's standards. In addition the reserve funds set aside for the Willamette River project would be reallocated to bond reserves. The Willamette River project is more than 20 years out and the bond reserve would last 10 years. After 10 years, those funds could be returned to the Willamette River fund. Chairman Cornelius inquired about options to increase the O&M back to 150 days and contributing funds to the Willamette River project prior to the 10 year bond fund pay off. Carol responded and noted that the reserves are currently low and rates will likely need to be increased in the near future. The Board could consider increasing contributions to the two reserve items through rates. The Board gave consensus to allocate funds from the O&M and Willamette River reserves to create a water bond reserve to improve bond refunding options to save money.

Carol reported that the Columbia Bank sweep account has been closed. She explained that the account was used to transfer funds above \$200,000 from the general account daily to generate money through interest. Due to the low interest rate, the daily transfer is only generating \$25 per month. In addition, our bank conducts a monthly analysis on the general account balance and with a higher balance; Canby Utility will save \$150 on our analysis fees.

Chairman Cornelius reported that Matt Michel and Carol Sullivan have developed an executive summary for the monthly, quarterly and annual financial reports. He commended Carol for her efforts to create the summary. Carol reviewed the summary and explained what information each section provides. Carol invited the Board to provide her with feedback on the draft document.

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

There being no further business, the meeting was adjourned at 8:26 p.m.

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Bob Cornelius, Chairman

Robert Maxwell, Member

Gary Potter, Member

Walt Daniels, Member

Todd Wagner, Member

Barbara Benson, Board Secretary



MEMORANDUM

August 21, 2014

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

FROM: Matt Michel, General Manager

SUBJECT: Notice of Resignation and Last Day of Work on Friday, September 19, 2014

On Tuesday, August 19th, I presented Chairman Cornelius a written 30-Days Notice of Resignation and reached out to each Board Member to share that news. The notice is attached.

In my time remaining at Canby Utility I will outline timely strategic issues for the next general manager and share that information with the Board. I will also be wrapping-up staff collaborations on tasks and projects that are pending.

Thank you, again, for the opportunity to serve Canby Utility.

I will present this information at the Board meeting and answer questions.

August 19, 2014

HAND-DELIVERED

Chairman Bob Cornelius
Board Member Todd Wagner
Board Member Bob Maxwell
Board Member Gary Potter
Board Member Walt Daniels
c/o Canby Utility
154 NW 1st Avenue
Canby, Oregon 97013

RE: 30-Days Notice of Resignation

Chairman Cornelius and Members of the Canby Utility Board:

By this letter I am providing the Canby Utility Board at least 30 calendar days written notice of my intent to resign as Canby Utility's General Manager. My last work day will be Friday, September 19, 2014.

It has been an honor and a privilege to be associated with Canby Utility over the last eight years, first as outside legal counsel then as an employee. The dedicated staff has made it a pleasure to come to work every day. I admire each Board member's concern for Canby ratepayers and the unique role Canby Utility plays in the community.

Thank you for the opportunity to serve Canby Utility.

Sincerely,



Matt Michel



MEMORANDUM

August 21, 2014

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

FROM: Larry Hepler, Operations Superintendent

SUBJECT: Presentation on Backflow Program Outreach by Backflow Management Inc.

We are fast approaching the first stage of implementing our residential cross connection program in September. The planned rollout of the program involves public education and outreach.

Garrett Howell from Backflow Management Inc. (BMI) will make a presentation to the Board that previews the information Canby Utility will be sharing with customers about the importance and benefit of a good backflow program.

Doug Quan, our Water Foreman, and I will also be available to answer questions about this public outreach campaign.



MEMORANDUM

August 22, 2014

TO: Chairperson Cornelius, Member Wagner, Member Maxwell, Member Potter and Member Daniels

FROM: Carol Sullivan, Finance Manager

SUBJECT: Update Banking and Investment Accounts

Recommendation:

- Authorize the Board Secretary to sign Updated Columbia Bank Checking Account Agreements to Remove Matt Michael as a signer
- Authorize Finance Manager to remove Matt Michel from on-line banking and retain his token used to perform on-line banking business
- Authorize Board Secretary to cancel Matt Michel's company credit card
- Authorize the Chairperson to sign a letter updating the Local Government Investment Pool Authorized Account Signers allowing Carol Sullivan and Barb Benson to initiate information changes

Background: Matt Michel has resigned as General Manager from Canby Utility. As such, there is several banking and investment functions that need to be reassigned or cancelled as outlined in the recommendation.

I will answer any questions the Board may have during the regular board meeting.



MEMORANDUM

August 18, 2014

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

FROM: Matt Michel, General Manager

SUBJECT: Time Away from the Office

This is the fourth quarterly report of my time spent away from the office including travel time and purpose.

Over the last three months, May through July, my time away from the office included regular events and time for a 2-day conference, business meetings, a memorial service, off-site trainings in Canby, and meetings. The summary below lists regular monthly events each week and, in italics, a summary of other time spent away from the office.

<u>Week</u>	<u>Day of Week</u> & <u>Time away</u>	<u>Activity</u>	<u>Purpose</u>	<u>Location</u>	<u>Time</u> <u>(travel time)</u>
Week 1	Tuesday 1.75 hours	Chamber of Commerce lunch	Canby Utility in the community	Canby	11:30AM – 1PM (5 min. total)
	Thursday 5.0 hours	Public Power Council	Manage BPA and industry relationships	Portland	8AM – 1PM (40 min. to office)
	Friday 0.75 hour	Canby Rotary Board meeting	Canby Utility in the community	Canby	7AM – 8:45AM (5 min. total)
	Friday 1.75 hours	Canby Rotary meeting	Canby Utility in the community	Canby	11:45AM – 1:15PM (5 min. total)
	<i>Plus 0.0 hours total over last three months.</i>				

Time Away from the Office

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<u>Week</u>	<u>Day of Week</u> & <u>Time away</u>	<u>Activity</u>	<u>Purpose</u>	<u>Location</u>	<u>Time</u> (<u>travel time</u>)
Week 2	Friday 1.75 hours	Canby Rotary meeting	Canby Utility in the community	Canby	11:45AM – 1:15PM (5 min. total)
	<i>Plus 21.5 hours total over last three months for:</i>	<i>2-day BPA Energy Efficiency Conference in Kennewick, WA; OMEU Energy Efficiency meeting in Salem</i>		<i>Kennewick, WA; Salem (in order listed)</i>	
Week 3	Friday 1.75 hours	Canby Rotary meeting	Canby Utility in the community	Canby	11:45AM – 1:15PM (5 min. total)
	<i>Plus 18.75 hours total over last three months for:</i>	<i>State of Oregon Drinking Water Advisory Committee meeting in Salem; PERS Overview co-training with City at police station in Canby; Ethics co-training with City at police station in Canby; Prospective fire chief interview panel at fairgrounds in Canby; Customer meeting at Dragonberry Produce in Canby; Off-site meeting with Operations Superintendent in Canby; Tri-County Water Resources Meeting in Beaverton</i>		<i>Salem; Canby; Canby; Canby; Canby; Beaverton (in order listed)</i>	

<u>Week</u>	<u>Day of Week</u> & <u>Time away</u>	<u>Activity</u>	<u>Purpose</u>	<u>Location</u>	<u>Time</u> (<u>travel time</u>)
Week 4	Friday 1.75 hours	Canby Rotary meeting	Canby Utility in the community	Canby	11:45AM – 1:15PM (5 min. total)
	<i>Plus 17.25 hours total over last three months for:</i>	<i>All Hands mtgs. (3) in Canby; Oregon Water Utilities Council mtg. in Keizer; OMEU Board Meeting in Forest Grove; Jim Brands Memorial Service in Canby; Sen. Olsen Energy Work Group in Salem</i>		<i>Canby; Keizer; Forest Grove; Canby; Salem (in order listed)</i>	

I will present this information at the Board meeting and answer questions.



MEMORANDUM

August 22, 2014

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

FROM: Matt Michel, General Manager

SUBJECT: Likely Increased Pressure on Canby Utility Electric Rates Due to a Shrinking Tier 1 Power Supply

The Bonneville Power Administration (BPA) recently released a preliminary calculation of the projected available hydropower for the next two-year rate period starting October 2015. In short, the Tier 1 System Firm Critical Output—the expected generation from the Tier 1 system—will shrink by 2.5%. Causes for the reduction are complex and BPA notes that a large contributor is the operational impacts related to the latest 2014 Biological Opinion that requires more spill in dry years for migrating fish. Another example of the importance of fish issues on our power supply.

For reasons explained below, this forecast means that Canby Utility will need to increase rate revenues in next summer's electric rate case to account for Tier 2 power purchases. By next spring, BPA should provide draft rates that start to give a sense of what type of revenue impact Canby Utility will need to account for in its own rate case. The shrinking Tier 1 supply could potentially cause a 1% increase in rate revenue requirements, in addition to anticipated higher BPA power costs and BPA transmission costs.

Allocating the Shares of Tier 1 Power – BPA's Rate Period High Water Mark (RHWM) Process

BPA allocates the Tier 1 system power supply to its customers using a Rate Period High Water Mark (RHWM) process. For example, Canby Utility's RHWM for the rate period that started October 2013 is 20.394 average megawatts (aMW). Our actual 2013 load was 20.180 aMW so we did not need to acquire Tier 2 resources.

With this preliminary 2.5% Tier 1 power supply reduction, BPA is projecting Canby Utility's next RHWM to be 20.002 aMW—this is the amount of Tier 1 power available to us. BPA also forecasts Canby Utility loads of 21.792 aMW for 2015-2016 and 21.960 aMW for 2016-2017—these are our expected power needs.

Consequently, BPA is forecasting that Canby Utility will be buying Tier 2 power in the next rate period. Specifically, Canby Utility will need 1.790 aMW of Tier 2 in 2015-2016 and 1.958 aMW of Tier 2 in 2016-2017. The table on the next page summarizes this information.

	2013 Actual (aMW)	2015-2016 Forecast (aMW)	2016-2017 Forecast (aMW)
CU Tier 1 Supply	20.394	20.002	20.002
CU Load	20.180	21.792	21.960
(Deficit - Tier 2 Need)	0.214 as excess Tier 1	(1.790)	(1.958)

Estimated Increase to CU Retail Revenue Needs at Current Rates

With current Tier 1 and Tier 2 rates, we can estimate the additional revenue needed in each year:

Current Effective Tier 1 Power Rate: \$33.33/MWh

2015 Tier 2 Short Term Power Rate: \$39.65/MWh

Rate Difference \$6.32/MWh

2015-2016

Tier 2 Purchase 1.790 aMW
 Converted to MWh 15,680 MWh
 (8,760 hours/year)

Additional Cost (estimated) \$99,100
 (Tier 2 MWh * Rate Difference)

2016-2017

Tier 2 Purchase 1.958 aMW
 Converted to MWh 17,152 MWh
 (8,760 hours/year)

Additional Cost (estimated) \$108,401
 (Tier 2 MWh * Rate Difference)

This increased Tier 2 related revenue need would be in addition to the wholesale power rate increase and transmission rate increase currently proposed by BPA.

Finally, as a point of reference, our FY 2014 BPA power costs were \$5,853,049 for the fiscal year. You may recall that in the last electric rate case, a \$100,000 rate revenue need roughly amounted to a 1% retail rate increase. Therefore, a ballpark estimate of the impact on Canby Utility of a shrinking Tier 1 power supply is potentially around a 1% retail rate increase.

I will present this information at the Board meeting and answer questions.