

***CANBY UTILITY
REGULAR BOARD MEETING
SEPTEMBER 22, 2015
7:00 P.M.***

AGENDA

- I. CALL TO ORDER
- II. CONSENT AGENDA
 - Approval of the September 22, 2015 Agenda
 - Approval of Regular Board Meeting Minutes of September 8, 2015
- III. CITIZEN INPUT ON NON-AGENDA ITEMS
- IV. RECOMMENDATION Approve Retail Electric Rates Proposal for Consideration at the October 27 Public Hearing – Dan Murphy, General Manager (pp. 1-6)
- V. RESOLUTION NO. 278 Reaffirming New Service Center Location and Proceeding with Design Phase of Development – Dan Murphy, General Manager (pp. 7-13)
- VI. BOARD REPORT
 - Chairman Comments
- VII. STAFF REPORTS

General Manager Updates:

 - Power Outage Update
 - Taste and Odor Mitigation Progress Report
- VIII. 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.
- IX. ADJOURN

***CANBY UTILITY
REGULAR BOARD MEETING MINUTES
SEPTEMBER 8, 2015***

PRESENT: Chairman Cornelius; Members Maxwell, Potter, Daniels and Brito; Daniel P. Murphy, General Manager; and Barbara Benson, Board Secretary

ALSO PRESENT: Carol Sullivan, Finance Manager; Sue Arthur, Purchasing Agent; Larry Hepler, Operations Superintendent; Dee Anne Wunder, Customer Service Supervisor; Tim Dale, City Liaison; and Bob Brooks, Brooks & Associates

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 August 11, 2015, Write-Offs in the Amount of \$593.46, Payment of the Electric and Water Department Bills in the Amount of \$1,014,018.46, with Carry-Ins in the Amount of \$8,914.41, for a Total of \$1,022,932.87. Member Maxwell seconded, and the motion passed unanimously.

Chairman Cornelius asked for citizen input on non-agenda items. Tim Dale, Council Liaison, expressed his appreciation for the great Canby Utility 45th Anniversary celebration event. Dale said that he had a great time and was pleased to see how many Canby Utility customers attended. Chairman Cornelius expressed his appreciation for staff's time and efforts to make the event a success. Board members also wanted to thank all of the staff that was involved.

Bob Brooks of Brooks & Associates presented the electric rate and cost of service study for Canby Utility. He explained that the rate making process consists of three elements: revenue requirements, cost of service analysis, and rate design. The rate revenue requirement process identifies the service revenue needs; essentially the cost of providing power to Canby Utility customers and the net of other revenues. He noted that the new BPA rates will require more than one-half million additional revenue to cover just the higher cost of power supply and transmission equating to an approximate seven percent increase in cost of power purchases. Brooks presented an annual cost comparison chart illustrating the changes from 2014 to 2016. He presented the Board with three revenue requirement scenarios, each with a one-time rate increase required to equate revenues and expenses, depending on short-term capital needs and reserves. The scenarios were 9.5%, which requires the Board to use reserves to cover costs; 9.8%, which is a break-even rate that does not negatively or positively impact reserves; and 12.7%, which will increase reserves to fund the vehicle replacement reserves and build future

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facility construction reserves. Brooks noted that a one percent rate increase generates approximately \$100,000 of revenue.

Brooks then reviewed the second step in the rate making process, the cost of service analysis. The cost of service analysis helps to identify costs to provide service to each customer class and has three basic steps including functionalization of costs, classification of costs, and allocation of costs. He explained each. The cost of service analysis showed that most classes are very close to their full cost and attributes that structure to good rate setting decisions made by previous boards.

Brooks explained that the final step in the rate making process is rate design. This process consists of the consideration of cost and non-cost criteria, bill impacts, and bill comparisons. Brooks then shared the basic fundamentals of rate making from James C. Bonbright's "Principles of Public Utility Rates," which is the scientific approach and discipline used to develop the study and Canby Utility's rate design. General Manager Murphy asked Brooks if he felt that Canby Utility's rate structure and individual rates met the criteria in those principles. Brooks replied that they do. Brooks noted that the board may want to consider subdividing the general services rate into two or more classes to avoid rate subsidy within that customer class in the future, and to perhaps stage changes over more than one rate period to minimize impact to those customers.

Brooks presented rate design scenarios using the overall 9.8% "Break Even" as the basis. He then compared the cost of service analysis results to Canby Utility's existing rates for each customer class. He noted the actual rate impact for each customer class may be lower or higher than the overall average rate adjustment in order to properly allocate costs and achieve the target revenues from the different classes. The board was presented with three options for considering how to apply the rate increase to the different customer classes. The options included applying an across-the-board rate increase for the meter charge and energy charge, adjusting the energy charge only, or adjust only the meter charge. Brooks reviewed the general services class, which has two additional rate components, the demand charge and the primary service discount.

Brooks shared a bill comparison, illustrating rates for residential customers and small general services, between Canby Utility and seven neighboring electric utilities. Currently, only McMinnville Power & Light has lower residential rates than Canby Utility; however, Canby Utility has the lowest rates for the small general service customer class. A brief discussion ensued regarding the fact that all of those utilities used in the comparison are also in the process of adjusting their rates to recover the increases in power costs.

For the residential customer class, Brooks recommended that the board consider the option to increase only the meter charge. This option would recover the full cost of the meter and billing, as well as improve revenue stability. General Manager Murphy asked Brooks to review a chart that showed the variance between actual costs and the full cost for each customer class to help show the board what revenues are needed from each customer class to fully allocate costs. The residential customer class needs to generate approximately \$508,000 in additional revenue to fully allocate their cost, followed by large commercial, industrial, and then small commercial customers, which are not presently as far off from full cost allocation as the residential class.

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Brooks then recommended the board consider the option that increases the demand charge for the general service class. This option would improve revenue stability, reduce reliance on energy charges, help keep the utility whole given BPA's rate structure, and send proper price signals to customers.

Murphy stated that Canby Utility is not experiencing a rapid growth in kilowatt hour sales that would justify the risks associated with applying the adjustment to the energy charge component. Operations Superintendent Helper commented that this scenario will enable the revenue to remain steady in a potential changing environment of increased net-metering of cogeneration. Discussion ensued regarding rate design options for dealing with and attracting new large loads that require net-metering.

Brooks stated that the next step in the process will be to deliberate on the revenue requirement scenarios presented. Brooks stands ready to provide additional rate options for consideration at management's request. Murphy stated that staff will be reviewing the presentation materials and would bring back a recommendation on the subject rate case at the September 22 board meeting. Chairman Cornelius asked when the rates are anticipated to go into effect once approved and Murphy replied that ideally they will become effective November 1. Bob Brooks departed the meeting at 7:47 p.m.

Chairman Cornelius presented a recommendation to change the regular board meeting schedule from two meetings month to once a month. He explained that the second meetings for April, July and August this year were cancelled and anticipates second meetings for November and December will be cancelled also. He feels that moving to a one-meeting-per-month schedule will be sufficient and likely be much more efficient. General Manager Murphy explained that having two meetings per month creates an increased workload on staff; however, a second meeting can always be scheduled if necessary. Following discussion, Member Daniels made the *MOTION to Approve Establishment of Monthly Regular Board Meetings the First Tuesday of Each Month Beginning January 2016. Member Potter seconded the motion and the roll call ballot was as follows: Member Potter, aye; Member Daniels, aye; Member Maxwell, aye; Member Brito, aye; and Chairman Cornelius, aye. The motion passed 5 to 0. Board Secretary Benson asked if the Board wanted to make a decision on the second meetings for November and December now or postpone for one month. The board gave consensus to cancel both second meetings due to their close proximity to the Thanksgiving and Christmas holidays.

Chairman Cornelius reported that each board member has a copy of the General Manager goals and objectives that will be used to evaluate the General Manager at his six months evaluation. Chairman Cornelius encouraged the board to review these goals and give him feedback if any are inappropriate or need revision. Absent any revision, these goals will be used in the evaluation process.

General Manager Murphy commented that he echoes the Chairman's sentiments on staff's hard work to make the 45th Anniversary, Customer Appreciation Event a great success.

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Murphy also reported that the weekend windstorm of August 29, 2015, did not cause any power outages on our system. There were three customers whose service line to their house was damaged by tree limbs, and that did result in outages to restore power to those properties. Member Potter commented on how fortunate we were, especially since all the trees still have their leaves. Operations Superintendent Hepler noted that it's likely the utility's tree trimming program helped prevent outages from occurring. One week ago, there was an underground cable failure on a circuit out of Knights Bridge substation that resulted in an outage that lasted for about one and one-half hours.

Murphy also reported that the annual summer employee barbeque has been cancelled. There were too many schedule conflicts among staff to have it. We will plan for a barbeque next summer.

Murphy reported that on September 15, 2015, the board will tour the water treatment plant. The purpose of the tour is to understand how MWH Global's options to mitigate the taste and odor problems can be integrated into the water treatment plant. Member Maxwell suggested having OCT 5 cable channel do a program on our water treatment process to better educate the community. Murphy noted that he plans to present the board with his recommendations for action at a meeting following the water treatment plant tour, once all options for the taste and odor problem mitigation have been identified.

Murphy reported that he attended his first Oregon Municipal Electric Utilities meeting. He heard concerns about the renewable energy benchmarks in the Clean Power Plan portion of the Energy Act. He also shared that the Oregon Department of Energy annual assessments have increased 30-50% and utilities are trying to get answers on what that money is being used for. The actual impact of the increased assessments for Canby Utility may not be significant in terms of dollars, but these increases are a substantial impact for the larger utilities. Murphy noted that there is a House Bill under consideration advocating for a new definition of public utility in Oregon. Murphy also reported that utilities are concerned about the re-definition of "public utility" being considered in the legislature. If the language is structured in the wrong way, small utilities such as ours could be faced with harmful new requirements related to renewable power, increased taxes and more. Murphy shared that he enjoyed the opportunity to network with the delegates from the other public utilities that were present.

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

There being no further business, the meeting was adjourned at 8:12 p.m.

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Bob Cornelius, Chairman

Robert Maxwell, Member

Gary Potter, Member

Walt Daniels, Member

Jack Brito, Member

Barbara Benson, Board Secretary

MEMORANDUM

Date: September 22, 2015

To: Board of Directors

From: Dan Murphy, General Manager

Subject: Recommendation on Electric Retail Rate Adjustment Proposal

Recommendation: Board approve proposal for retail rate adjustment of 12.7% on average as recommended by Rate Consultant Bob Brooks in the Rate and Cost of Service Study submitted to the board at the September 8, 2015 Regular Board Meeting; follow the recommended methodology for assessing the adjustment across customer classes following Scenario III for Residential Class and Scenario II for General Service Class.

Result: The proposed 12.7% Rate Adjustment will generate the additional annual revenue needed to cover expected costs for initiatives as follows:

• BPA PF-16 Wholesale Power Rate Increase:	\$515,000
• Allowance for expected shortfall in customer contributions:	170,000
• Increases in current period total operating expenses:	153,696
• Increases in O&M reserves, high-month power bill reserve, catastrophic event reserve:	168,000
• Additional funding for future headquarters facilities	200,000
• Additional fleet vehicle reserve funds	<u>80,000</u>
Total Proposed Rate Increase Revenue:	<u>\$1,286,696</u>

Canby Utility

**SCENARIO: \$280k Addition to Reserves
(12.7% Rate Increase)**

Residential Rate Options

		Existing Rates	Option I Across-the-Board Incr. Rate		Option II Incr. Energy Charges Rate		Option III Incr. Meter Charge to Full Cost Rate	
Meter Charge (\$/month)		\$ 12.48	\$ 14.09		\$ 12.48		\$ 13.57	
Energy Charge (cents/kWh): 0 to 2,000 kWh		5.72	6.46		6.63		6.51	
over 2,000 kWh		6.17	6.97		7.04		7.02	
Target Increase			12.9%		12.9%		12.9%	
% of Cust.	Consumption (kWh)	Bill Under Existing Rates	Bill Under Option I	% Change from Existing Rates	Bill Under Option II	% Change from Existing Rates	Bill Under Option III	% Change from Existing Rates
0.1%	-	\$ 12.48	\$ 14.09	12.9%	\$ 12.48	0.0%	\$ 13.57	8.7%
0.7%	100	\$ 18.20	\$ 20.55	12.9%	\$ 19.11	5.0%	\$ 20.08	10.3%
1.8%	200	\$ 23.92	\$ 27.01	12.9%	\$ 25.74	7.6%	\$ 26.59	11.2%
16.0%	500	\$ 41.08	\$ 46.39	12.9%	\$ 45.63	11.1%	\$ 46.12	12.3%
8.0%	600	\$ 46.80	\$ 52.85	12.9%	\$ 52.26	11.7%	\$ 52.63	12.5%
16.1%	800	\$ 58.24	\$ 65.77	12.9%	\$ 65.52	12.5%	\$ 65.65	12.7%
14.4%	1,000	\$ 69.68	\$ 78.69	12.9%	\$ 78.78	13.1%	\$ 78.67	12.9%
11.6%	1,200	\$ 81.12	\$ 91.61	12.9%	\$ 92.04	13.5%	\$ 91.69	13.0%
12.1%	1,500	\$ 98.28	\$ 110.99	12.9%	\$ 111.93	13.9%	\$ 111.22	13.2%
2.9%	1,600	\$ 104.00	\$ 117.45	12.9%	\$ 118.56	14.0%	\$ 117.73	13.2%
4.6%	1,800	\$ 115.44	\$ 130.37	12.9%	\$ 131.82	14.2%	\$ 130.75	13.3%
3.2%	2,000	\$ 126.88	\$ 143.29	12.9%	\$ 145.08	14.3%	\$ 143.77	13.3%
2.2%	2,200	\$ 139.22	\$ 157.23	12.9%	\$ 159.16	14.3%	\$ 157.81	13.4%
2.3%	2,500	\$ 157.73	\$ 178.14	12.9%	\$ 180.28	14.3%	\$ 178.87	13.4%
2.0%	3,000	\$ 188.58	\$ 212.99	12.9%	\$ 215.48	14.3%	\$ 213.97	13.5%
1.5%	4,000	\$ 250.28	\$ 282.69	12.9%	\$ 285.88	14.2%	\$ 284.17	13.5%
0.4%	5,000	\$ 311.98	\$ 352.39	13.0%	\$ 356.28	14.2%	\$ 354.37	13.6%
99.9%								
Estimated Revenues		5,136,073	5,800,241		5,801,901		5,798,093	
Target Revenues		<u>5,798,966</u>	<u>5,798,966</u>		<u>5,798,966</u>		<u>5,798,966</u>	
Difference		(662,893)	1,275		2,935		(873)	

Canby Utility

SCENARIO: \$280k Addition to Reserves
(\$12.7% Rate Increase)

Combined General Service Rate Options
Note: Includes Internal and Public Agencies

	Existing Rates	Option I Across-the-Board Increase	Option II Increase Demand Charges	Option III Small Increase in Meter and Demand Charges	
	Rate	Rate	Rate	Rate	
Meter Charges (\$/month):					
Single Phase	\$ 14.50	\$ 16.32	\$ 16.81	\$ 15.00	
Three Phase	\$ 31.50	\$ 35.46	\$ 36.51	\$ 32.25	
Demand Charges (\$/kW):					
1st 50 kW	\$ -	\$ -	\$ -	\$ -	
over 50 kW	\$ 7.25	\$ 8.16	\$ 7.25	\$ 7.50	
Primary Service Discount	\$ 0.60	\$ 0.68	\$ 0.60	\$ 0.62	
Energy Charges (cents/kWh):					
1st 25,000 kWh	4.16	4.68	4.82	4.81	
over 25,000 kWh	3.63	4.09	4.21	4.20	
Estimated Revenues	4,936,986	5,558,127	5,558,535	5,560,126	
Target Revenues	5,558,158	5,558,158	5,558,158	5,558,158	
Difference	(621,172)	(31)	377	1,968	
Target Increase Small GS Cust (<50 kW):		12.6%	12.6%	12.6%	
Consumption (kWh)	Bill Under Existing Rates	Bill Under Option I	Bill Under Option II	Bill Under Option III	% Change from Existing Rates
500	\$ 35.30	\$ 39.72	\$ 40.91	\$ 39.05	10.6%
1,000	\$ 56.10	\$ 63.12	\$ 65.01	\$ 63.10	12.5%
1,500	\$ 76.90	\$ 86.52	\$ 89.11	\$ 87.15	13.3%
1,700	\$ 85.22	\$ 95.88	\$ 98.75	\$ 96.77	13.6%
2,000	\$ 97.70	\$ 109.92	\$ 113.21	\$ 111.20	13.8%
2,500	\$ 118.50	\$ 133.32	\$ 137.31	\$ 135.25	14.1%
3,000	\$ 139.30	\$ 156.72	\$ 161.41	\$ 159.30	14.4%
3,500	\$ 160.10	\$ 180.12	\$ 185.51	\$ 183.35	14.5%
4,000	\$ 180.90	\$ 203.52	\$ 209.61	\$ 207.40	14.6%
4,500	\$ 201.70	\$ 226.92	\$ 233.71	\$ 231.45	14.7%
5,000	\$ 222.50	\$ 250.32	\$ 257.81	\$ 255.50	14.8%
6,000	\$ 264.10	\$ 297.12	\$ 306.01	\$ 303.60	15.0%
7,000	\$ 305.70	\$ 343.92	\$ 354.21	\$ 351.70	15.0%

Canby Utility

SCENARIO: \$280k Addition to Reserves

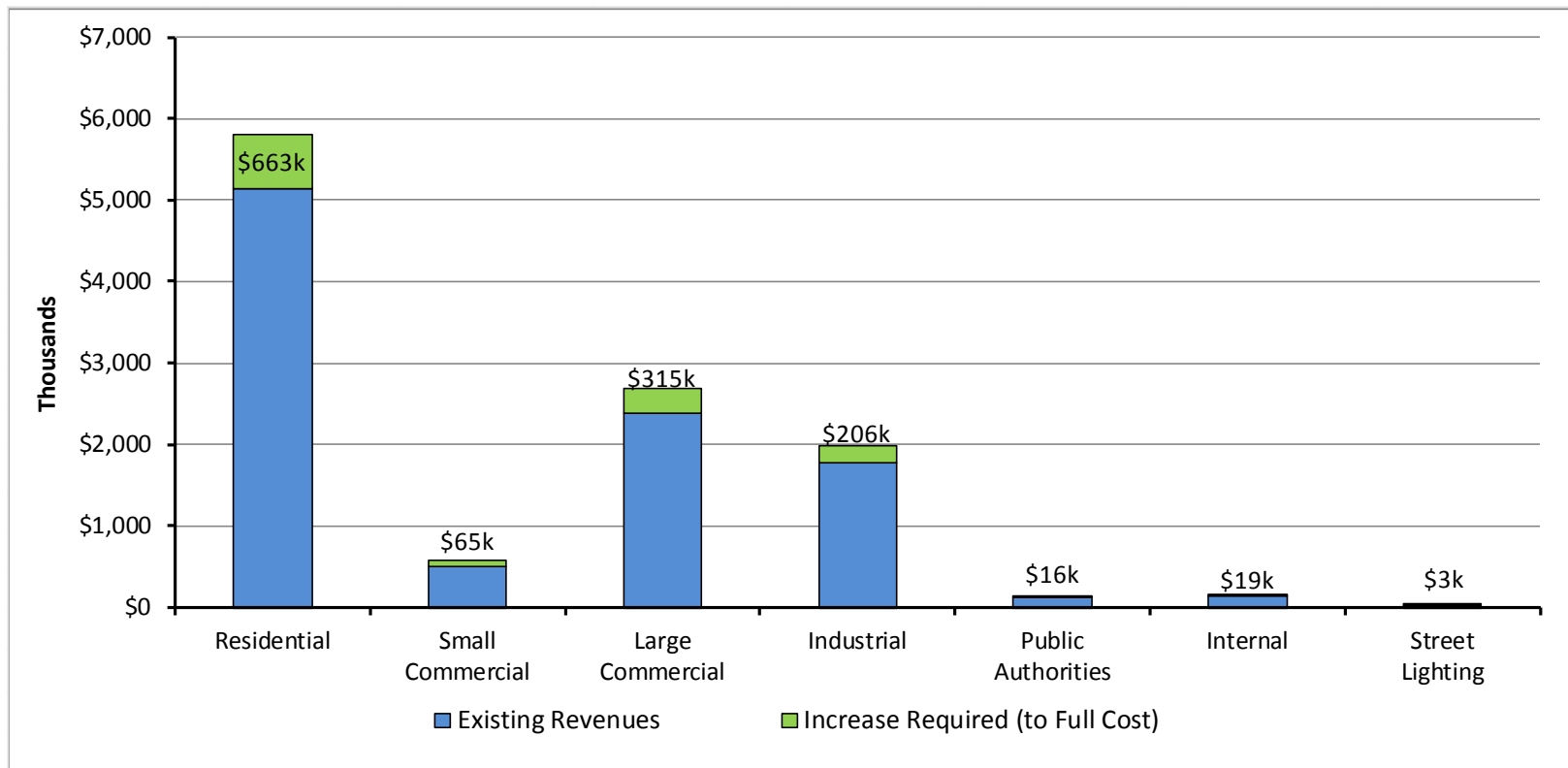
(\$12.7% Rate Increase)

Large GS Customers (≥50 kW):

	Consumption (kWh)	Load Factor	Bill Under Existing Rates	Bill Under Option I	% Change from Existing Rates	Bill Under Option II	% Change from Existing Rates	Bill Under Option III	% Change from Existing Rates
50 kW	-	0%	\$ 14.50	\$ 16.32	12.6%	\$ 16.81	15.9%	\$ 15.00	3.4%
	9,125	25%	\$ 394.10	\$ 443.37	12.5%	\$ 456.64	15.9%	\$ 453.91	15.2%
	18,250	50%	\$ 773.70	\$ 870.42	12.5%	\$ 896.46	15.9%	\$ 892.83	15.4%
	27,375	75%	\$ 1,140.71	\$ 1,283.46	12.5%	\$ 1,321.80	15.9%	\$ 1,317.25	15.5%
	36,500	100%	\$ 1,471.95	\$ 1,656.67	12.5%	\$ 1,705.96	15.9%	\$ 1,700.50	15.5%
100 kW	-	0%	\$ 377.00	\$ 424.32	12.6%	\$ 379.31	0.6%	\$ 390.00	3.4%
	18,250	25%	\$ 1,136.20	\$ 1,278.42	12.5%	\$ 1,258.96	10.8%	\$ 1,267.83	11.6%
	36,500	50%	\$ 1,834.45	\$ 2,064.67	12.5%	\$ 2,068.46	12.8%	\$ 2,075.50	13.1%
	54,750	75%	\$ 2,496.93	\$ 2,811.10	12.6%	\$ 2,836.79	13.6%	\$ 2,842.00	13.8%
	73,000	100%	\$ 3,159.40	\$ 3,557.52	12.6%	\$ 3,605.11	14.1%	\$ 3,608.50	14.2%
200 kW	-	0%	\$ 1,102.00	\$ 1,240.32	12.6%	\$ 1,104.31	0.2%	\$ 1,140.00	3.4%
	36,500	25%	\$ 2,559.45	\$ 2,880.67	12.6%	\$ 2,793.46	9.1%	\$ 2,825.50	10.4%
	73,000	50%	\$ 3,884.40	\$ 4,373.52	12.6%	\$ 4,330.11	11.5%	\$ 4,358.50	12.2%
	109,500	75%	\$ 5,209.35	\$ 5,866.37	12.6%	\$ 5,866.76	12.6%	\$ 5,891.50	13.1%
	146,000	100%	\$ 6,534.30	\$ 7,359.22	12.6%	\$ 7,403.41	13.3%	\$ 7,424.50	13.6%
300 kW	-	0%	\$ 1,844.00	\$ 2,075.46	12.6%	\$ 1,849.01	0.3%	\$ 1,907.25	3.4%
	54,750	25%	\$ 3,963.93	\$ 4,462.24	12.6%	\$ 4,306.49	8.6%	\$ 4,359.25	10.0%
	109,500	50%	\$ 5,951.35	\$ 6,701.51	12.6%	\$ 6,611.46	11.1%	\$ 6,658.75	11.9%
	164,250	75%	\$ 7,938.78	\$ 8,940.79	12.6%	\$ 8,916.44	12.3%	\$ 8,958.25	12.8%
	219,000	100%	\$ 9,926.20	\$ 11,180.06	12.6%	\$ 11,221.41	13.0%	\$ 11,257.75	13.4%
400 kW	-	0%	\$ 2,569.00	\$ 2,891.46	12.6%	\$ 2,574.01	0.2%	\$ 2,657.25	3.4%
	73,000	25%	\$ 5,351.40	\$ 6,024.66	12.6%	\$ 5,799.81	8.4%	\$ 5,875.75	9.8%
	146,000	50%	\$ 8,001.30	\$ 9,010.36	12.6%	\$ 8,873.11	10.9%	\$ 8,941.75	11.8%
	219,000	75%	\$ 10,651.20	\$ 11,996.06	12.6%	\$ 11,946.41	12.2%	\$ 12,007.75	12.7%
	292,000	100%	\$ 13,301.10	\$ 14,981.76	12.6%	\$ 15,019.71	12.9%	\$ 15,073.75	13.3%
500 kW	-	0%	\$ 3,294.00	\$ 3,707.46	12.6%	\$ 3,299.01	0.2%	\$ 3,407.25	3.4%
	91,250	25%	\$ 6,738.88	\$ 7,587.09	12.6%	\$ 7,293.14	8.2%	\$ 7,392.25	9.7%
	182,500	50%	\$ 10,051.25	\$ 11,319.21	12.6%	\$ 11,134.76	10.8%	\$ 11,224.75	11.7%
	273,750	75%	\$ 13,363.63	\$ 15,051.34	12.6%	\$ 14,976.39	12.1%	\$ 15,057.25	12.7%
	365,000	100%	\$ 16,676.00	\$ 18,783.46	12.6%	\$ 18,818.01	12.8%	\$ 18,889.75	13.3%
1,000 kW	-	0%	\$ 6,919.00	\$ 7,787.46	12.6%	\$ 6,924.01	0.1%	\$ 7,157.25	3.4%
	182,500	25%	\$ 13,676.25	\$ 15,399.21	12.6%	\$ 14,759.76	7.9%	\$ 14,974.75	9.5%
	365,000	50%	\$ 20,301.00	\$ 22,863.46	12.6%	\$ 22,443.01	10.6%	\$ 22,639.75	11.5%
	547,500	75%	\$ 26,925.75	\$ 30,327.71	12.6%	\$ 30,126.26	11.9%	\$ 30,304.75	12.5%
	730,000	100%	\$ 33,550.50	\$ 37,791.96	12.6%	\$ 37,809.51	12.7%	\$ 37,969.75	13.2%
2,000 kW	-	0%	\$ 14,169.00	\$ 15,947.46	12.6%	\$ 14,174.01	0.0%	\$ 14,657.25	3.4%
	365,000	25%	\$ 27,551.00	\$ 31,023.46	12.6%	\$ 29,693.01	7.8%	\$ 30,139.75	9.4%
	730,000	50%	\$ 40,800.50	\$ 45,951.96	12.6%	\$ 45,059.51	10.4%	\$ 45,469.75	11.4%
	1,095,000	75%	\$ 54,050.00	\$ 60,880.46	12.6%	\$ 60,426.01	11.8%	\$ 60,799.75	12.5%
	1,460,000	100%	\$ 67,299.50	\$ 75,808.96	12.6%	\$ 75,792.51	12.6%	\$ 76,129.75	13.1%

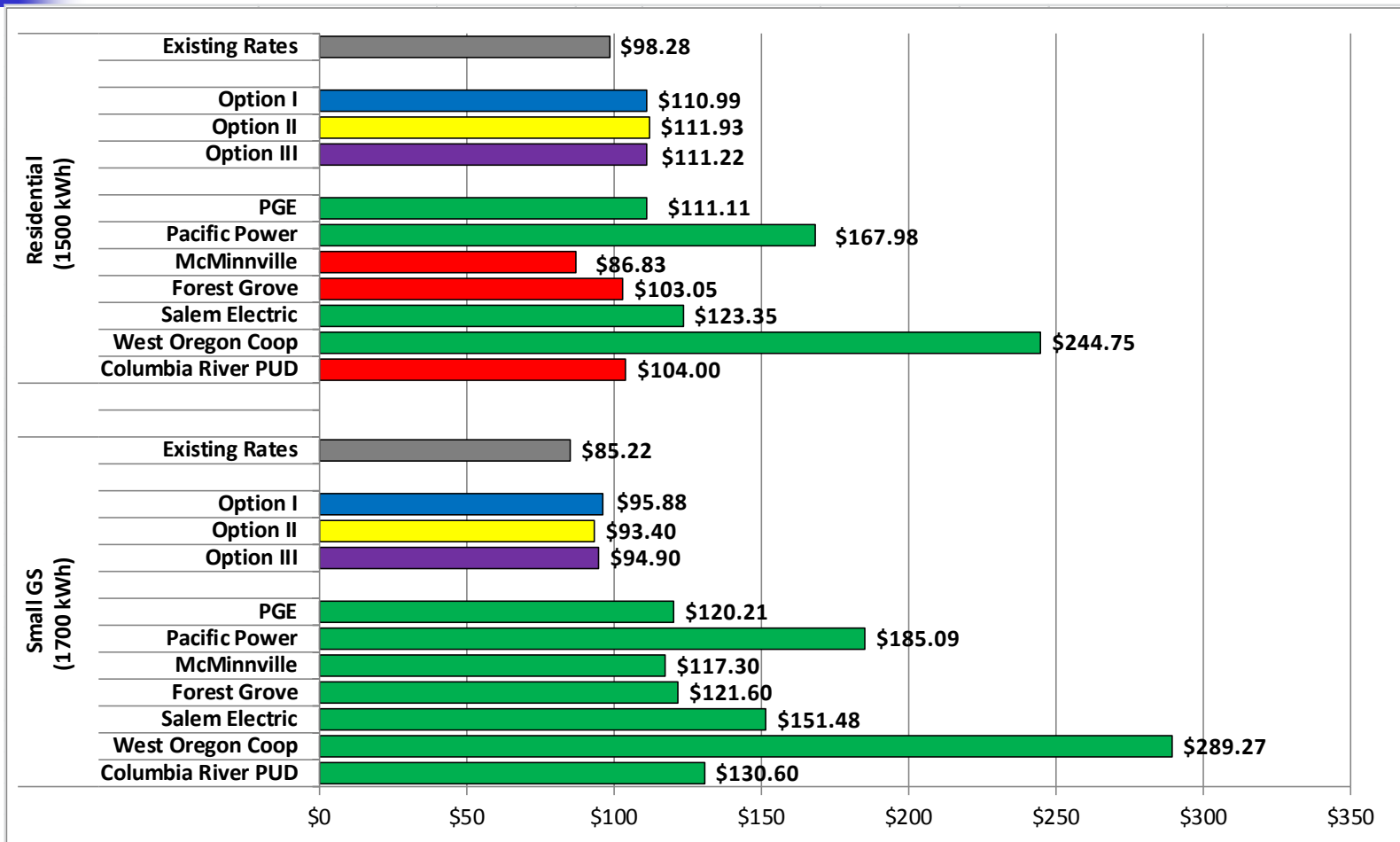
Cost of Service Results

Scenario: \$280k Addition to Reserves (12.7% Rate Increase)



Rate Design: Bill Comparisons

Scenario: \$280k Addition to Reserves
(12.7% Rate Increase)



MEMORANDUM

Date: September 22, 2015

To: Board of Directors

From: Dan Murphy, General Manager



Subject: Recommendation for Location of Future New Office Facilities

Recommendation: Option No. 3: Adopt Resolution Number 278, a resolution reaffirming the future Office Facility location and proceeding with design phase of development

Background: In the fall of 2008, the board instructed management staff to conduct a needs study for a new combined facility for CU administration and operations. While space at the downtown offices was adequate for the foreseeable future, the space at the shared shops facility was at a maximum. The city public works director's expansion of the city's use of the shared shops facility and the possible development of the block where the administrative office is located downtown stimulated the concern and desire to plan for relocation. Therefore, staff recommended that if land was available to accommodate CU's next 30 years, then CU should acquire the land. The Board consequently purchased 6 acres at the corner of SE 3rd Avenue and S. Pine Street for CU's future facility. The attached resolution evidences the board's future intentions to construct the new Office facilities on this property.

Of immediate concern is the latest potential development of the city block by a different developer, Hanlon Development LLC. The proposed development encompasses the entire city block, which would include CU's administrative office and parking lots. Should this development come to fruition, once again there may be a pressing, immediate need for management to act and begin planning for relocation of the administrative office to make way for the new development. Absent the development, the administrative office can operate as is. At the Shops facility, staff has experienced some "growing pains" with competition from the City for space at the shared operational facility. Also, there has been talk of plans to relocate CAT to the shared shops facility.

The board has previously approved the development of preliminary architectural site plans for the new Office facilities on the property at 3rd and Pine. In April 2013, the consulting firm Group Mackenzie estimated the future facility project's cost estimates to be:

- \$3.1 million for the Phase I Administration building and
- \$9.0 million for a future Phase II Operations facility;

Or

- \$11.3 million to construct a new Administration & Operations facility.

Presently the balance on hand of electric fund capital reserves for future facility construction is estimated to be \$3.9 million as of August 30, 2015.

Options for Location of New Facilities: if the Hanlon project “comes through” and the board receives an acceptable offer for purchase of CU’s existing administrative office facilities, the administrative office will have to be relocated and operational within an estimated 16 month time period. In all likelihood temporary facilities will necessarily be secured on a lease or rental basis while arrangements for a permanent administrative office, whether purchased or constructed, are made. The following are possible options to facilitate a solution to this contingency:

1. Maintain Separate Administrative and Operations Locations – should the Hanlon development not come to fruition, we can maintain status quo indefinitely and do nothing. There are no space problems at the present and no need for expansion expected over the next 10 years or so.
2. Construct New Administrative Office Downtown – would need to find an available site for construction. Land downtown is scarce and lease options are limited. Maintaining a downtown presence has advantages, but Canby Utility occupying its property downtown takes away from property tax revenue that would be realized by a development such as Hanlon’s. The development would generate new tax revenue and commerce to benefit the City. City Council is under the assumption that should we relocate our administrative offices it would be to our property on 3rd and Pine. Council has voiced no desire that CU maintains its administrative office downtown and is hopeful our present administrative office property will be available for city downtown development (this according to City Administrator Rick Robinson).
3. Construct New Facilities at 3rd and Pine – this property was bought for this purpose. Phase I calls for construction of the administrative offices and eventually Phase II for the completion of the project combining all functional departments at the one location. Benefits include:
 - Get Closer to Our Customers – survey of walk-in customers reveals that a significant majority of customers are from the south side of Highway 99E. For the sampled billing cycle, we had 794 customers visit the office. 690 drove their car, 104 traveled on foot. Of the customers that drove to our office, a slight majority are from south of 99E. Of those that traveled on foot, a larger majority, 62%, live south of 99E. So moving to our property on 3rd and Pine would be moving closer to our customers who don’t have a car and have to come to our office on foot to pay their bill or conduct other business with the utility.
 - Improve Communications - between administrative and operational functions. Most agree that logistical challenges and inconveniences exist with administration and operations being situated at two separate locations. Communications has been a problem for employees at all levels of the organization. Additionally, productivity and efficiency would be greatly improved by working together out of the same location.

RESOLUTION NO. 278

A RESOLUTION REAFFIRMING THE FUTURE SERVICE CENTER LOCATION AND PROCEEDING WITH DESIGN PHASE OF DEVELOPMENT

WHEREAS, in June 2009, a site selection due diligence study was conducted by Group Mackenzie on a 6.11 acre parcel of land for the purpose of eventually building a new service center that would consolidate Canby Utility’s administrative staff, field staff and management team in one service center location;

WHEREAS, in December 2009, the Board purchased the 6.11 acre parcel of land for that purpose;

WHEREAS, the Board agrees that this site is located in suitable area within the city to conduct all utility related business;

WHEREAS, the Board anticipates the new service center to be constructed in phases as funding permits; and

WHEREAS, the Board desires to reaffirm the Board’s decision that this location is the location for Canby Utility’s new service center;

WHEREAS, the Board has set aside funds in the current and previous fiscal years for constructing the facility and now desires to begin the project design phase.

NOW, THEREFORE, THE CANBY UTILITY BOARD RESOLVES AS FOLLOWS:

1. Canby Utility’s future combined service center will be constructed on the 6.11 acre parcel located on the corner of SE 3rd Avenue and S. Pine Street.
2. Authorize staff to proceed with the design phase of the project using electric reserve funds dedicated to this project.

THIS RESOLUTION IS ADOPTED BY THE CANBY UTILITY BOARD THIS _____ DAY OF SEPTEMBER, 2015

Bob Cornelius, Chair

Gary Potter, Member

Walt Daniels, Member

Jack Brito, Member

Robert Maxwell, Member

Barbara Benson, Board Secretary

RESOLUTION NO. 234

A RESOLUTION RATIFYING A PURCHASE OF REAL PROPERTY

WHEREAS, Canby Utility has staff locationally divided amongst its main office and the shop property;

WHEREAS, Canby Utility wishes to consolidate its administrative staff, field staff and management team in one service center location in order to improve internal communication, mitigate crowding issues and plan for growth, promote and realize administrative efficiencies, and provide better service to its customers;

WHEREAS, Canby Utility is outgrowing its current office and shop facilities, which are shared with the City of Canby's public works, parks and fleet services departments;

WHEREAS, the Board wishes to take advantage of reduced land market values;

WHEREAS, Canby Utility negotiated a land purchase agreement and performed due diligence on a prospective site, identified by the legal description attached as Exhibit A (the "Property");

WHEREAS, Canby Utility's Board Members unanimously authorized Property's purchase on or about December 14, 2009 through email communications with the Board Secretary;

WHEREAS, Canby Utility purchased the Property on which it intends to eventually build a new service center;

WHEREAS, the purchase and sale closed on December 18, 2009; and

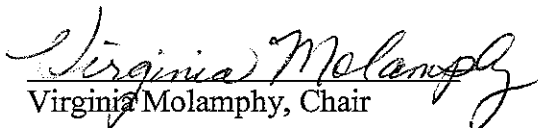
WHEREAS, the Board now wishes to officially ratify the purchase.

NOW, THEREFORE, THE CANBY UTILITY BOARD RESOLVES AS FOLLOWS:

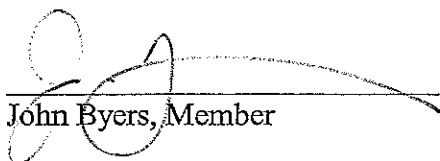
Section 1. The Board ratifies Canby Utility's purchase of the property described in Exhibit A, attached and incorporated by reference.

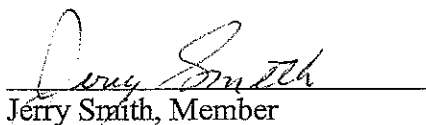
Section 2. This resolution is effective upon its adoption by the Board.

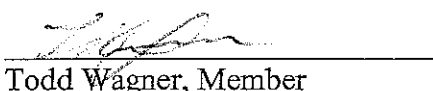
Adopted this 12th day of January, 2010.


Virginia Molamphy, Chair

Absent 1-12-10
Scott Taylor, Member


John Byers, Member


Jerry Smith, Member


Todd Wagner, Member


Barbara Benson, Board Secretary

EXHIBIT A

LEGAL DESCRIPTION

Part of the Philander Lee Donation Land Claim No. 56 in Section 34, Township 3 South, Range 1 East of the Willamette Meridian, in the City of Canby, Clackamas County, Oregon, described as follows:

Beginning at a point on the division line between the husband's and wife's halved of said Claim No. 56, North 63°15' East 5.52 chains and South 18.07 chains from the one-quarter corner on the line between Sections 33 and 34 of said township and range; thence South 18.73 chains, tracing said division line, to the South line of said Claim No. 56; thence North 78°15' East 5.65 chains, tracing said South line of said Claim No. 56; thence North 17.58 chains; thence West 5.52 chains to the point of beginning.

Except therefrom a tract of land conveyed by Anna M. Hanson and Henry W. Hanson, her husband, to Henry B. McTighe and Anna D. McTighe, husband and wife, by deed recorded January 22, 1947, in Book 383, Page 619, Deed Records.

Also excepting therefrom those portions of the property dedicated to the City of Canby for road purposes by deeds recorded July 9, 1993, Recorder's No. 93 48283, and November 25, 1996, Recorder's No. 96-087170.

**Canby Utility
Customer Survey
July 20 through August 19, 2015**

COUNTER TRAFFIC ONLY

*Does not include drive thru and office drop box - See below

Total Customers Surveyed	794	100%
Drivers	690	87%
Walkers	104	13%

Drivers	#	%
	690	87%
N	176	26%
NE	72	10%
NW	75	11%
S	189	27%
SE	113	16%
SW	53	8%
OTHER	12	2%
TOTAL	690	100%

Payments								Reason for visit other than payment			
Cash		Checks		Credit Card		Unknown Pymt.		Backflow		Other Business	
89	51%	17	10%	42	24%	3	2%	11	6%	14	8%
26	36%	9	13%	19	26%	1	1%	11	15%	6	8%
25	33%	13	17%	24	32%	3	4%	3	4%	7	9%
110	58%	30	16%	35	19%	1	1%	1	1%	12	6%
65	58%	19	17%	21	19%	1	1%	0	0%	7	6%
26	49%	10	19%	8	15%	0	0%	7	13%	2	4%
2	17%	1	8%	0	0%	6	50%	0	0%	3	25%
343	50%	99	14%	149	22%	15	2%	33	5%	51	7%

Walkers	#	%
	104	13%
N	20	19%
NE	10	10%
NW	9	9%
S	39	38%
SE	22	21%
SW	4	4%
TOTAL	104	100%

Payments							
Cash		Checks		Credit Card		Unknown Pymt.	
16	80%	2	10%	1	5%	1	5%
4	40%	1	10%	4	40%	1	10%
4	44%	1	11%	2	22%	2	22%
26	67%	0	0%	6	15%	7	18%
22	100%	0	0%	0	0%	0	0%
3	75%	1	25%	0	0%	0	0%
75	72%	5	5%	13	13%	11	11%

*63% of all walk in customers are from the South side of 99E

*87% of all customers are drive in

*13% of customers walked in to the office

Drive thru and office drop box

July 20 -Aug 19	
AM Drops	492
PM Drops	335
Total	827

*46.14% of payments made in the am drop are made on Monday morning

*Most customers who use drop box pay with a check; less than 1% leave cash

S.E. THIRD AVENUE

UTILITY OFFICE (2 STORIES)

PUBLIC PARKING

12.00' WIDE UTILITY EASEMENT PER DOCUMENT NO. 96-087170

EMPLOYEE PARKING

MECHANIC BAYS

EMER GEN

TRASH

PROP

FUEL

LIGHT POLES

POWER POLES

POWER POLES

EXISTING BUILDING

TAX LOT 1811
MAP NO.
3 1E 34C

PARCEL 1,
PARTITION PLAT
2001-004

COVERED TRUCK BAYS

PAINT SHOP

WASH BAY

METAL SHOP

VAULTS

WATER MATERIALS

60.0'

S.E. PINE STREET

DOCK

CUB COVERED LONG TERM EQUIP STORAGE

CUB WAREHOUSE

CUB COVERED STORAGE

VAULTS

VAULTS

VAULTS

VAULTS

VAULTS

VAULTS

VAULTS

VAULTS

VAULTS

TAX LOT 1820
MAP NO.
3 1E 34C

PARCEL 2,
PARTITION PLAT
2001-004

MATERIALS STORAGE

MATERIALS STORAGE

MATERIALS STORAGE

MATERIALS STORAGE

MATERIALS STORAGE

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MATERIALS STORAGE

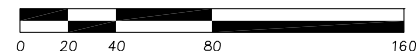
MATERIALS STORAGE

DUMP AREA

10.0'

PHASE I

PHASE II



PHASING PLAN 13