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**City Council Work Session Minutes
Light and Power Cost-of-Service Study**

**Monday, March 18, 2019
5:30 p.m., Community Auditorium**

***Minutes are unofficial until approved by Council.
Council approved minutes as presented April 22, 2019.***

1. ROLL CALL:

Mayor Peter Truax called the Work Session to order at 5:35 p.m.

ROLL CALL: COUNCIL PRESENT: Thomas Johnston, Council President; Timothy Rippe; Ronald Thompson; Elena Uhing; Adolph “Val” Valfre; Malynda Wenzl; and Mayor Peter Truax.

STAFF PRESENT: Jesse VanderZanden, City Manager; Paul Downey, Administrative Services Director; Keith Hormann, Light and Power Director; and Bev Maughan, Executive Assistant to City Manager. **STAFF ABSENT:** Anna Ruggles, City Recorder, excused.

2. WORK SESSION: LIGHT AND POWER COST-OF-SERVICE STUDY

Hormann, Downey, and VanderZanden facilitated the above-noted work session, noting the purpose of the work session was to present preliminary results of the Electric Cost-of-Service and Rate Study for the Light and Power Department. Downey reported the new study looked at Fiscal Year 2019-20 through Fiscal Year 2025-26, noting the last study was performed in late 2014. Downey introduced Sergey Tarasov and Matt Hobson, Project Managers, FCS Group, consultant, who presented a PowerPoint presentation overview pertaining to the rate setting process and key factors, such as existing revenue, total operating expenses, total power expenses, capital and annual debt service and financial policy targets. The consultants gave an overview of the cost-of-service analysis, noting the Study demonstrates a proposed rate increase in FY2020 of 5.50 percent and proposes phase-in rate increases of 3.50 percent per year in FY2021-2026, noting the Study findings are generally consistent with the 2014 Study.

Council Discussion:

Mayor Truax opened the floor and roundtable discussion ensued pertaining to the Electric Cost-of-Service and Rate Study for the Light and Power Department. The consultants and staff responded to various Council inquiries and scenarios pertaining to Bonneville Power Administration’s proposed rate increases, capital contingency reserves, revenue before and after rate adjustments, and defining equity among the different classes of customers, i.e., equity for low-income customers, noting the Study looked primarily at three issues: 1) the total cost of providing electric service; 2) the revenue requirement to fund all financial obligations, including maintaining sufficient reserves, which determines what rate increases are necessary over time to meet these

obligations; and 3) cost-of-service portion of the Study that distributes the revenue requirements among the different classes of customers based on the allocation of costs on equitable basis. Downey advised the Study demonstrates the need for continued rate increases to meet all financial obligations, noting balancing cost-of-services between customer classes has yet to be determined. Due to the time, VanderZanden advised staff will schedule a follow-up work session to discuss the proposed rate increases with Council at a later date.

Council took no formal action nor made any formal decisions during the work session.

3. ADJOURNMENT:

Mayor Truax adjourned the work session at 6:30 p.m.

Respectfully submitted,



Anna D. Ruggles, CMC, City Recorder