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

**Monday, April 22, 2019
6:15 p.m., Community Auditorium**

***Minutes are unofficial until approved by Council.
Council approved minutes as presented May 13, 2019.***

1. ROLL CALL:

Mayor Peter Truax called the Work Session to order at 6:12 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 Anna Ruggles, City Recorder.

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

Hormann, Downey, and VanderZanden facilitated the above-noted work session, noting the purpose of the work session was to continue discussion regarding the preliminary results of the Rate and Cost-of-Service Allocation Study for Light and Power Department, which was presented to Council in work session held on March 18, 2019. Downey reported the study showed the need for ongoing rate increases to fund operations, system maintenance and capital projects. Hormann and Downey presented a PowerPoint presentation overview showing the imbalance of costs allocated between all classes of service, noting staff is proposing the following three options for Council consideration:

- Option 1 – a planned across-the-board increase of four percent (4.0%) to all classes of services each year. This continues the current imbalance of costs allocated between classes of service.
- Option 2 – Implement the 4% increase using different increases between the classes of services to try to remove the imbalance of costs between classes of services. Would require annual residential rate increases averaging 5.41% over the next 7 years.
- Option 3 – Implement 4% overall increase using different increases between classes of services to lessen but not remove the imbalance of costs between classes of services. Example shown limits the residential rate increase to 4.5% per year.

Council Discussion:

Mayor Truax opened the floor and roundtable discussion ensued pertaining to the

imbalance of costs allocated between all classes of service and the three proposed options for Council consideration. Hormann, Downey and VanderZanden responded to various Council inquiries and scenarios pertaining to the cost-of-service analysis, noting the Study demonstrated a proposed rate increase in FY2020 of 5.50% and proposed phase-in rate increases of 3.50% per year in FY2021-2026. Downey advised staff revised wage and benefits increases for year 1, which reduced the first year overall rate increase from 5.50% to 4.75%. Subsequent rate increases remained the same. Downey reported the consultant was asked to smooth the overall rate increases over the next seven years, which resulted in an annual rate increase of 4.0% across-the-board. Downey advised if the current imbalance of costs of services between classes of services is acceptable, staff recommends implementing 4.0% across-the-board increase each year, noting this increase would cost the average residential customer about \$3.50 more per month. Downey advised if Council wants to lessen the imbalance of costs of services between classes of services, staff recommends Option 3 with a minor adjustment of increase for both Residential and General Service Classes to 4.6%, noting changing residential from 4.5% to 4.6% in Option 3 will cost an average residential customer about \$0.08 more per month. Difference in a 4.6% increase and 4.0% increase for an average residential customer is about \$0.50 more per month. In conclusion of the above-noted discussion, Council collectively concurred with Option 3, with a minor adjustment of increase for both Residential and General Service Classes to 4.6%, to which VanderZanden advised staff will bring back a proposed resolution for Council consideration 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 6:35 p.m.

Respectfully submitted,



Anna D. Ruggles, CMC, City Recorder