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**City Council Work Session Minutes
Light and Power Rate Increase**

**Monday, November 28, 2016
9:00 p.m., Conference Room**

***Minutes are unofficial until approved by Council.
Council approved minutes as presented December 12, 2016.***

1. ROLL CALL:

Mayor Peter Truax called the Work Session to order at 9:40 p.m.

ROLL CALL: COUNCIL PRESENT: Thomas Johnston, Council President; Timothy Rippe; Ronald Thompson; Elena Uhing; Matthew Vandehey; Malynda Wenzl; and Mayor Peter Truax.

STAFF PRESENT: Jesse VanderZanden, City Manager; Paul Downey, Administrative Services Director; George Cress, Light and Power Director; and Anna Ruggles, City Recorder.

2. WORK SESSION: LIGHT AND POWER RATE INCREASE

Downey, Cress and VanderZanden facilitated the work session, noting the purpose of the work session was to seek Council consensus to begin the public notification process prior to scheduling the Public Hearing to be held on January 9 or January 23, 2017, to consider increasing light and power (L&P) electric rates by 4.75 percent (4.75%) effective February 20, 2017, which means customers would see the increase on bills received in April 2017. Downey advised the 4.75% proposed rate increase consists of:

- 4.5% for costs included in the cost-of-service study
- 0.25% to fund increasing retirement costs for L&P

Downey reported the public notification process includes publishing the proposed L&P rate increase on the City's website, December's FYI utility bill stuffer, and in the City's weekly ad in the NewsTimes. In addition, Downey and Cress presented a PowerPoint presentation overview of the 2014 L&P Cost-of-Service Analysis and Rate Study, noting the study found that the City would require electric rate increases at an average of six percent (6%) per year through 2018 in order to continue recovering costs of providing services and maintaining appropriate fund balance for L&P Department. Downey advised electric rates were increased 6% effective January 15, 2015, and 4.5% effective January 16, 2016, noting rates were increased 4.5% instead of the planned 6% in 2016 due to lower than expected costs. In conclusion of the above-noted work session staff report, Downey and Cress advised, as with 2016, the projected 4.75% increase for 2017 is lower than the study's recommended 6% because BPA's power costs are lower than originally projected.

Council Discussion:

Mayor Truax opened the floor and roundtable discussion ensued pertaining to various components based on the cost-of-service analysis and rate study and recommendation to increase electric rates by 4.75% in 2017. Downey, Cress and VanderZanden responded to various concerns, inquiries and scenarios Council presented pertaining to revenue requirements and the need to increase electric rates, noting the factors used to determine the revenue requirements and electric rate increase proposed is due to existing operating costs are not met; Bonneville Power Administration's power costs projected to increase a minimum of 4% over the coming year with a likelihood of increasing even further; and costs of new debt service for substation improvements (\$3.8 million capital project to upgrade and replace three transformers ranging in age from 43 to 53 years). In conclusion of the above-noted Council discussion, Council collectively concurred with staff's recommendation to proceed with the public notification process and asked staff to focus on an educational story/article of the L&P Department's history and ability to maintain relatively low rates and providing excellent customer service and outage management, to which Downey advised staff would provide historical information on the proposed rate increase and update the cost model to see if the proposed rate increase maintains the financial goals established during 2014 Rate Study.

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

3. ADJOURNMENT

Mayor Truax adjourned the work session at 9:50 p.m.

Respectfully submitted,



Anna D. Ruggles, CMC, City Recorder