

***CANBY UTILITY
REGULAR BOARD MEETING
OCTOBER 12, 2021
7:00 P.M.***

AGENDA

Due to the COVID-19 Pandemic, the Board of Directors and staff will be attending the meeting virtually. The public is invited to attend the meeting virtually or in person at Canby Utility's office, with measures in place to comply with the Governor's Executive Order regarding social distancing.

I. CALL TO ORDER

II. AGENDA

- Additions, Deletions or Corrections to the Meeting Agenda

III. CONSENT AGENDA

- Approval of Agenda
- Approval of Regular Board Meeting Minutes of September 14, 2021 (pp. 1-4)
- Approval of Write-Offs
- Approval of Payment of Water and Electric Bills

IV. CITIZEN INPUT ON NON-AGENDA ITEMS

V. BOARD REPORT

- Chair Comments
- Board Member Comments

VI. STAFF REPORTS

Operations Manager:

- Quarterly Reliability Report (pg. 5)

Finance Manager:

- Fourth Quarter Financial Reports (pp. 6-9)

General Manager Updates

VII. ADJOURN

CANBY UTILITY REGULAR BOARD MEETING MINUTES SEPTEMBER 14, 2021

Due to COVID-19 Pandemic, the Board of Directors and staff attended the meeting virtually. The public was invited to attend the meeting in person at Canby Utility's office, with measures in place to comply with the Governor's Executive Order regarding social distancing.

Board Present: Chair Thompson; Members Hill, Wagner, Horrax, and Gustafson

Staff Present: Daniel P. Murphy, General Manager; Barbara Benson, Board Secretary; Carol Sullivan, Finance Manager; Jason Berning, Operations Manager; Sue Arthur, Purchasing Agent; Cindy Dittmar, Customer Service Supervisor; and Jason Peterson, Operations Field Supervisor

Others Present: Bob Brooks of Brooks and Associates

Chair Thompson called the Regular Board Meeting to order at 7:00 p.m.

Chair Thompson presented the meeting agenda for consideration. She asked for any additions, deletions, or corrections to the meeting agenda, and Board Secretary Barbara Benson requested to add a staff report on the 50th Anniversary/Open House event.

Chair Thompson presented the consent agenda for approval. Member Horrax made the *MOTION to approve the consent agenda, consisting of the meeting agenda, regular meeting minutes of August 10, 2021, write-offs in the amount of \$369.36, payment of the electric and water department bills in the amount of \$1,504,894.64. Member Hill seconded, and the motion passed unanimously.

Chair Thompson asked for citizen input on non-agenda items, and there was none.

Chair Thompson introduced Bob Brooks of Brooks & Associates who was presenting the electric rate and cost of service study for Canby Utility. Brooks began by explaining the rate-making process, which consists of three elements: revenue requirements, the cost-of-service analysis, and rate design. The rate revenue requirement process identifies the service revenue needs. He noted that BPA's rate increase equates to an overall rate impact of less than 2% percent for power and transmission. Brooks then presented two scenarios for rate revenue adjustments using a 0.0% and 1.0% overall increase to cover those costs. Every 1% of rate increase equates to about \$131,000 of revenue.

Brooks then explained the second step in the rate-making process, the cost-of-service analysis. The cost-of-service analysis helps to identify the actual cost to provide service to each customer class. The analysis has three basic steps: functionalization of costs, classification of costs, and allocation of costs. The cost-of-service analysis showed that all classes are within 2% of the system average rate increase, and rates are very close to recovering their full cost of service.

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 with neighboring utilities. Brooks shared the basic fundamentals of rate-making from James C. Bonbright's "Principles of Public Utility Rates," that was used to develop the study and Canby Utility's rate design.

Brooks reviewed his cost-of-service results, showing the rate adjustments required to achieve full cost for the different customer classes. He then provided two rate design options using a 0.0% overall rate increase as the basis for consideration. These options give the board the ability to make some adjustments within the classes without impacting the overall 0.0% rate increase. The two options presented included an across-the-board rate adjustment for all charges (Option I) or adjusting only the energy charge (Option II). The target rate adjustment for the residential class is a reduction in rates by 0.5%. Brooks recommended that should the board decide to adjust rates, they should consider Option I. The general services class has a target rate increase of 0.5%. The Board was presented with two options for considering how to apply the rate increase to the different customer classes. The options included an across-the-board rate increase for all charges (Option I) or adjusting only the energy charge (Option II).

Brooks stated that management is recommending 0.0% rate adjustment due to the minimal rate adjustment needed to cover BPA's rate increase and simply absorb the increased costs. Brooks noted that if the board does decide that a rate adjustment is necessary, he recommends Option I.

Brooks shared bill comparisons, showing Canby's rates for residential customers and small general service classes compared to eight neighboring electric utilities. In most cases, Canby Utility's rates were among the lowest in the comparisons.

A brief discussion ensued regarding the frequency of rate adjustments and BPAs two-year rate adjustment cycle. Sullivan noted that she would like to amend her recommendation to the Board so that in addition to Canby Utility absorbing the BPA rate increase, she wanted to add the words, "with existing rates."

Chair Thompson stated that she's in favor of staff's recommendation and shared her reasoning. Member Gustafson asked about projections for future rate adjustments and discussion ensued. Following discussion, Murphy told the board that there was no recommendation needing to be acted upon. The presentation was just for the Board's information.

Finance Manager Carol Sullivan presented the water system development charges (SDC) inflationary adjustment. Canby Utility's SDC methodology allows for an annual inflationary adjustment to the charges based on the Engineering News Records Construction Cost Index. The fiscal year 2022 inflation factor increase is 3.83% for one dwelling unit equivalent or \$157. Letters were mailed to contractors and interested parties, who have done business in Canby, notifying them of the proposed change. Sullivan stated the proposed SDCs are based on a residential 5/8" x 3/4" meter per dwelling unit equivalent. Member Hill made the *MOTION to

adopt Resolution No. 308, adjusting Canby Utility's Water System Development Charges by the prescribed inflationary amount effective October 1, 2021, and repeal Resolution No. 303. Member Wagner seconded, and the motion passed unanimously.

General Manager Dan Murphy presented a recommendation to restate Canby Utility's 401k Plan, noting that it was a housekeeping item. Contributions made into the plan are strictly paid through pre-tax wages and salaries. Canby Utility's Third-Party Administrator, Mt. Hood Pension Services, prepared the restated plan documents. Member Horrax asked about employee participation in the plan and reasons why the utility does not match funds. After discussion, Member Gustafson made the *MOTION to adopt Resolution No. 309, approving the restatement of Canby Utility's 401k plan. Member Horrax seconded, and the motion passed unanimously.

Finance Manager Carol Sullivan presented a recommendation to update the Columbia Bank's Certification of Government Entity. She stated that she needed two board members to visit the bank branch to sign the document. Member Gustafson and Member Hill volunteered to sign. Member Wagner made the *MOTION to authorize Board Members Gustafson and Hill sign the Columbia Bank's Certification of Government Entity and let the minutes reflect the staff who have signing authority for banking transactions. Member Hill seconded, and the motion passed unanimously. The staff with signing authority will be Daniel Murphy, Carol Sullivan, Barbara Benson, Susan Arthur, and Cindy Dittmar.

Finance Manager Carol Sullivan presented a recommendation to update the Share the Warmth's Wells Fargo Bank account representatives and signing authority. Wells Fargo requires that the Board approve the removal of Donna Becquet as Key Executive due to retirement, removing Dee Anne Wunder as authorized signer due to her resignation, and add Cindy Dittmar as a Key Executive due to being promoted to Customer Service Supervisor position that oversees the Share the Warmth program activities. Board Secretary Barbara Benson will also remain a Key Executive on the account. Member Horrax made the *MOTION to update the Share the Warmth's account representatives and signing authority for banking transactions at Wells Fargo Bank. Member Gustafson seconded, and the motion passed unanimously.

Board Secretary Barbara Benson reported that staff has decided to have the 50th Anniversary and Open House event for the completion of the combined service center's phase two construction on Friday, October 29. The covered vehicle parking structure can be used in the event of rainy weather. Benson talked about the activities planned for the event. Discussion ensued regarding COVID protocols.

General Manager Murphy reported on the progress of the Combined Service Center Phase 2 construction project. The project completion date has been extended to October 1. The delays are related to electronic controllers for the lighting system, NW Natural Gas service to provide capacity for our needs, the loading dock load levelizer, and the crew lockers. The project won't be able to pass inspection until the lighting controllers, gas line connection, and dock levelizer issues have been resolved.

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Member Hill made the *MOTION to adjourn the meeting. Member Wagner seconded, and the motion passed unanimously.

There being no further business, the meeting was adjourned at 7:58 p.m.

Melody Thompson, Chair

David Horrax, Member

Tim Gustafson, Member

Robert Hill, Member

Todd Wagner, Member

Barbara Benson, Board Secretary

OUTAGE AVERAGES Oct 2020 THROUGH Sep2021

MONTH	YEAR	NUMBER OF OUTAGES	NUMBER OF CUSTOMERS AFFECTED	TOTAL CUSTOMER MINUTES OFF	MONTHLY NUMBER OF CUSTOMERS IN THE SYSTEM	NUMBER OF MOMENTARY INTERRUPTIONS
Oct	2020	1	548	80296	7715	2
Nov	2020	0	0	0	7740	0
Dec	2020	0	0	0	7768	0
Jan	2021	1	19	1360	7786	1
Feb	2021	1	7800	22464000	7800	4
March	2021	0	0	0	7813	0
April	2021	0	0	0	7851	0
May	2021	0	0	0	7864	1
June	2021	2	264	122784	7871	1
July	2021	0	0	0	7887	0
Aug	2021	0	0	0	7879	0
Sep	2021	1	8	264	7884	1
12 MONTH TOTALS		6	8,639	22,668,704	93,858	10
12 MONTH AVERAGE		0.50	720	1,889,059	7,822	0.8

			C.U.	Industry Typical Value
SAIDI =	$\frac{\text{Sum of all customer interruption minutes}}{\text{Total number of customers}}$	$= \frac{22,668,704}{7,822}$	$= 2898.2553$	87.0
SAIFI =	$\frac{\text{Total number of customer interruptions}}{\text{Total number of customers}}$	$= \frac{8639}{7,822}$	$= 1.10$	0.93
MAIFI=	$\frac{\text{Total number of cust. momentary interruptions}}{\text{Total number of customers}}$	$= \frac{10}{7,822}$	$= 0.001$	0.96
CAIDI =	$\frac{\text{Total interruption minutes for 12 months}}{\text{Total number of interruptions}}$	$= \frac{2,624}{6}$	$= 437$	107.25



Memorandum

October 6, 2021

To: Chair Thompson, Member Wagner, Member Hill, Member Horrax, and Member Gustafson

From: Carol Sullivan, Finance Manager

Subject: Quarterly Financial Update as of June 30, 2021 Fiscal Year 2021

Please find attached the Executive Financial Summary through June 30, 2021, the Utility's full twelve months of fiscal year 2021. The report is cumulative to date and gives a quick overview of profit and loss resulting from operations and capital contributions, a comparison to budget with notes, and cash reserves compared to the budget target and minimum. For monthly information refer to the financial packet sent via e-mail.

I will present these at the next board meeting and will be available for comments or to answer any questions.

Canby Utility Executive Financial Summary
Profit (Loss) Resulting From Operations and Capital Contributions***
Year To Date (YTD) Twelve Months Ending June 30, 2021

Legend	
	= Electric
	=Water

Electric

Profit (Loss) From Operations

Revenue	Expense	Operating Profit (Loss)
\$ 15,200,495	\$ 12,448,865	\$ 2,751,630

Operations And Capital Contributions***

Operating Profit (Loss)	Capital Contributions	Net Income (Loss)
\$ 2,751,630	\$ 740,288	\$ 3,491,918

Water

Profit (Loss) From Operations

Revenue	Expense	Operating Profit (Loss)
\$ 4,127,514	\$ 3,687,009	\$ 440,505

Operations And Capital Contributions ***

Operating Profit (Loss)	Capital Contributions	Net Income (Loss)
\$ 440,505	\$ 959,218	\$ 1,399,723

*****Capital Contributions** are contributions of capital, in the form of money or assets/infrastructure to Canby Utility from a customer or a vendor.

Canby Utility Executive Financial Summary
Profit (Loss) Resulting From Operations With Capital Contributions Compared To Budget
Year To Date (YTD) Twelve Months Ending June 30, 2021

Electric

Net Income (Loss)		Budget		Over (Under) Budget	
\$	3,491,918	\$	3,808,350	\$	(316,432)

Notes : YTD total operating revenue is 1.83% or \$249,122 under budget mainly due to lower small commercial sales.

YTD operating expenses are 9.87% or \$1,331,364 under budget mainly due to more labor capitalized, vacant positions, and lower purchased power .

YTD Capital contributions are 46.58% or \$235,245 over budget due to more hook-up fees than budgeted.

YTD Change in Net Assets is 8.31% or \$316,432 under budget mainly due to the land sale to the water fund being less than budgeted.

Water

Net Income (Loss)		Budget		Over (Under) Budget	
\$	1,399,723	\$	1,113,035	\$	286,689

Notes : YTD operating revenue is 17.41% or \$578,316 over budget mainly due to higher residential sales.

YTD Operating expenses are 7.53% or \$273,948 under budget mainly due to vacant positions, capitalized labor, depreciation expense, and no rate study.

YTD Capital contributions are 32.54% or \$462,633 under budget due to the timing of contributions of infrastructure from developers.

YTD Change in Net Assets is 25.76% or \$286,689 over budget mainly due to higher sales, mostly residential.

Canby Utility Executive Financial Summary
Cash Reserves
Year To Date (YTD) Twelve Months Ending June 30, 2021

Electric

<u>Budget Target 6/30/2021</u>	Current Cash Reserves		FYE 2021 Target		Over (Under) Target
	\$ 9,841,755	\$	4,171,027	\$	5,670,728

<u>MINIMUM</u>	Current Cash Reserves		Minimum		Over (Under) Minimum
	\$ 9,841,755	\$	4,000,000	\$	5,841,755

Water

<u>Budget Target 6/30/2021</u>	Current Cash Reserves		FYE 2021 Target		Over (Under) Target
	\$ 5,069,163	\$	2,029,489	\$	3,039,674

<u>MINIMUM</u>	Current Cash Reserves		Minimum		Over (Under) Minimum
	\$ 5,069,163	\$	2,000,000	\$	3,069,163