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**Minutes of the
Power Committee Budget Review Meeting
(Joint Meeting with Power Commission)**

Bountiful City Power Department
April 9, 2019 (8:00 a.m.)

7 Present:

8 Committee Members: Richard Higginson and Randy Lewis
9 Power Commissioners: John Cushing, Susan Becker, Paul Summers,
10 David Irvine, Dan Bell Jed Pitcher
11 City Manager: Gary Hill
12 Assistant City Manager: Galen Rasmussen
13 Department Personnel: Allen Johnson, Alan Farnes, Jess Pearce,
14 Jay Christensen, Luke Veigel, Nancy Lawrence

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16 Official Notice of this meeting had been given by posting a written notice of same and an agenda at
17 the City Hall and providing copies to the following newspapers of general circulation: Davis County
18 Clipper, Standard Examiner, and on the Utah Public Notice Website.

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20 Power Commission chair John Cushing called the meeting to order at 8:00 a.m., and welcomed those
21 in attendance. It was noted that Committee chair John Marc Knight was excused due to illness.
22 Commissioner John Cushing noted that Allen Johnson will be presented with a special recognition at
23 the upcoming APPA National Conference meetings for his service and contribution to the industry.

24 **PRESENTATION OF BUDGET**

25 The meeting was turned over to Allen Johnson, Light & Power Department Director, and the
26 department staff to present the detailed budget for the Light & Power fund. Allen Johnson gave a
27 brief introduction and then invited Jay Christensen, Light & Power Accountant, to lead out on a review
28 of the budget request. A PowerPoint slide presentation was shown to the group which highlighted
29 key programs and projects underway within the funding levels of the current Fiscal Year 2019 budget
30 and those contemplated and requested to be funded under the Fiscal Year 2020 budget.

31 It was noted that the Fiscal Year 2020 budget is balanced with revenues and transfers against
32 Expenses totaling \$34,204,246. This budget is down by \$434,141 from the Fiscal Year 2019 budget.
33 There are no requested increases in rates but some fee changes based on approved formulas which
34 are presented for review and adoption annually. The budget overall is designed to maintain desired
35 services and to fund essential capital projects.

1 Overall Department goals were restated as:

- 2 • Safety
- 3 • Reliability
- 4 • Low Cost Provider
- 5 • Exceptional Customer Service

6 A brief overview of projects underway, or recently completed in Fiscal Year 2019, was given for
7 reference:

- 8 • Completion of the total rebuild of the City's 138 KV substation in Centerville which has two
9 transformer bays that can be operated independently to provide power to Bountiful City
10 through two transmission lines.
- 11 • Contracted inspection of all 4,672 Distribution poles and 290 Transmission poles.
- 12 • Upgrade of several electric feeder locations.
- 13 • Repair and maintenance of the Street Lighting system.
- 14 • Completion of an Arc Flash study.

15 Further details of the Fiscal Year 2020 budget were provided by Jay Christensen as follows:

16 Personnel Services is budgeted at \$4,660,756 which includes funding for 34 full-time and 5 part-time
17 employees. Nine of the full-time employees are scheduled to receive a merit raise at some point
18 during the upcoming fiscal year. The budget contains a 2% cost of living allowance for all employees
19 and a 10% increase in health insurance (which will be reduced in the final budget to a 4% increase as
20 negotiated by the broker).

21 Operations and Maintenance expenses are budgeted at \$19,696,367 to fund Generation and Power
22 Resource costs along with Distribution and Street Lighting work.

23 Jess Pearce, Superintendent of Operations, was then introduced and provided a brief video showing
24 department workers setting a 35 foot distribution pole in a backyard location by hand. There were 14
25 employees carrying in the pole that was estimated to weigh 700 pounds. The pole was set in a pre-
26 dug hole and raised into place manually in about 8 minutes.

27 Jess showed a PowerPoint slide detailing year-by-year the number of poles replaced since the year
28 2000. That number of poles replaced was 1,580 of a total pole count of 4,962. Additional slides were
29 shown to note other budgeted components including:

30 \$874,080 for Distribution System overhead work. This includes replacement of the remaining 20
31 priority reject poles as well as some of the 266 rejected poles identified from the recent pole
32 inspection work. There are also plans to continue replacing worn and aging underground cable.

1 Currently, there is 1,400,000 feet of underground cable in the system of which 65% is unjacketed
2 which allows a higher degree of corrosion and other environmental effects.

3 Street Lighting operations are budgeted at \$390,148 which includes work on 19 projects employing
4 directional drilling activity during the budget year.

5 Jay Christensen resumed his portion of the presentation by noting the following remaining categories
6 of the budget request:

7 \$517,619 in non-operating revenues and expenses and \$4,706,000 in capital projects which will
8 include work on buildings, metering, street lights and vehicle acquisition and replacement.

9 Alan Farnes, Power Systems/Generation Superintendent, was introduced and reviewed a portion of
10 the PowerPoint presentation related to the Generation side of the operations. A total of \$1,000,000 is
11 allocated over two years for control system upgrades at the Echo Hydro Generation unit (\$500,000
12 will be spent in Fiscal Year 2020). An additional project budgeted at \$4,000,000 will be started in
13 Fiscal Year 2020 to rebuild the Northwest Substation and Feeders. In Fiscal Year 2020, \$1,500,000 of
14 the total \$4,000,000 project cost will be spent.

15 Luke Veigel, Power Systems Electrical Engineer, was introduced and reviewed plans in the Fiscal Year
16 2020 budget for rebuilding Feeder 575 (\$550,000); Feeder 673 to 271 (\$171,000); Feeder 374
17 (\$130,000); Feeder 373 (\$430,000); and Stone Creek Subdivision Phase 3 and 4 (\$100,000).

18 Jay Christensen provided final details on the budget request by outlining the reasons for an annual
19 charge of \$1,212,235 for amortization of the cost to decommission the San Juan Power Plant
20 (scheduled to be decommissioned in June of 2022). Allen Johnson noted that an amortization charge
21 would have ideally been budgeted from the time of acquisition of this generation resource but had
22 not been so the \$1,212,235 per year for the next three years will fully amortize the amount by the
23 decommission date.

24 In addition to the amortization amount, \$2,592,000 in transfers out (which is mostly comprised of the
25 \$2,490,000 transfer to the General Fund) have been budgeted along with \$5,193,235 in transfers from
26 retained earnings to fund capital projects.

27 A review of long-term capital needs ensued which totals \$32,211,000 over an approximate ten year
28 period. The cash balance of the Power fund currently sits at \$25.5 million. Outstanding debt on the
29 Electric Revenue Bond is at \$10,745,000 and the City is required to maintain \$16,000,000 in cash to
30 cover this debt. Currently, the coverage ratio is 2.45 with a minimum needed of 1.25.

31 A detailed cash forecast spreadsheet was displayed and discussed. To keep cash balances from
32 dropping too low, the Power Fund will require small recurring rate increases in future years of about
33 2% per year.

1 A listing of power resources was shown with the major sources being Colorado River Storage Project
2 (CRSP) of 24 to 39 MW; up to 30 MW from the IPP project; 32.3 MW from the Power Plant; 4.5 MW
3 from Echo and 1.8 MW from Pineview with the remainder of needs from contracted sources.

4 Rates and fees were presented with no change in rates but minor changes in some fees based on
5 formula calculation which is disclosed in the rate schedule. It was mentioned also that there are
6 several wording changes in the rates, policies and procedures document to bring that document more
7 in line with what is happening in the field.

8 With no further comments or questions, Committee member Lewis made a motion to accept the
9 tentative budget of the Light and Power fund, as presented, and Committee member Higginson
10 seconded the motion. Voting was unanimous with Committee members Higginson and Lewis voting
11 "aye". The Power Commission also voted for the budget proposal unanimously.

12 The budget review portion of the meeting adjourned at 9:30 a.m. on a motion made by Committee
13 member Lewis and seconded by Committee member Higginson. Voting was unanimous with
14 Committee members Higginson and Lewis voting "aye".