



Meeting Minutes Borough Assembly

Friday, March 21, 2014

8:00 AM

Assembly Chambers

Special Session

1. Call To Order/Roll Call

Deputy Mayor Lagoudakis called the Special Meeting to order at 8:00 a.m. The purpose of the meeting was to review and discuss the 2013 Electric Department Revenue Requirement Study and to give direction on the proposed rates and FY 2014/15 electric department budget.

Present: 5 - Assembly Member John Havrilek, Assembly Member Cindi Lagoudakis, Assembly Member Nancy Strand, Assembly Member Bob Lynn and Assembly Member Jeigh Stanton Gregor

Absent: 2 - Mayor Mark Jensen and Assembly Member Kurt Wohlhueter

2. Voluntary Pledge

The Pledge was recited.

3. Unfinished Business

A. Review, discussion and decision on 2013 Revenue Requirement Study

Attachments: [DD Hittle Revenue Requirement Study.pdf](#)
[Request for Proposal.pdf](#)

In November, 2013, D Hittle & Associates, Inc. provided the Borough with an electrical revenue requirement study. The study was in response to the requirements as set forth in the Borough's July, 2012 Request for Proposals. The study recommended an electrical rate increase of approximately 2% and encouraged that the consumption rate blocks be adjusted. Electric Department Superintendent Nelson gave a presentation on the history of hydro based rates and improvements to the utility. Rates were last increased in 2005, but reduced in 2007 by the City Council.

The need to eliminate declining rate blocks that have been in effect since the 1980s is necessary. Distributing the appropriate rates to the proper user classes is also needed. The demand charge for commercial and industrial rates will remain the same. Since the mid 1980s, the department has operated with a similar, if not smaller, workforce. The consultants recommended the utility carry a minimum reserve of \$4,000,000. One factor of the high reserve requirement is due to the possibility of required diesel power for generation in absence of hydro.

A rate comparison of surrounding communities was provided showing Petersburg as

the lowest rate provider is most use classes. A 2% rate adjustment, as recommended by the study, is not expected to affect that standing.

General discussion was held on the expectation that not much capital improvements will be performed on the utility for the next 4-5 years. However, unforeseen improvements at Crystal Lake could affect the reserve. It was estimated the department is falling short approximately \$200,000 per year for budgeting purposes, including provisions for depreciation. The 2% recommended increase in the study will eliminate the short fall. It was noted during discussion that inverted, regressive and flat rates had been looked at during the revenue study.

Capital improvements discussed: moving the power plant out to Scow Bay had been removed from the borough's capital improvement list a couple of years ago. General discussion was held on what the move may have consisted of. The proposed budget does provide funds for the design for modification of the entrance to the existing building to aid in visibility at the intersection. The transfer of electric department funds to the North Harbor Project was explained to new assembly members. Reconstruction of the North Harbor was in jeopardy if the community could not come up with the designated amount of local funding requires. The prior city council justified use of electric department funds for electrical improvements within the harbor as the electric department made the revenue from the electrical use within the harbors.

SEAPA's rate setting and rebating was briefly addressed. SEAPA's wholesale power rate has not been reduced even though there has been an increase in reserves. Nelson informed that he preferred a lower wholesale rate versus annual rebates, however the other SEAPA board members desire to continue rebating excess funds.

The only energy conservation plan currently offered by the department is its new heat pump rebate program. It is expected that more options will be available in the future.

B. Written Questions Submitted by Assembly Member Lynn

Attachments: [Assembly Member Lynn Questions.pdf](#)

The balance of questions posed by Assembly Member Lynn that were not addressed during the presentation were answered at this time. Lynn had submitted the written questions regarding the utility's economic status to facilitate better discussion.

C. Assembly Direction for 2014/15 Budget

Deputy Mayor Lagoudakis called a recess at 8:57 a.m.

The meeting was reconvened at 9:03 a.m. with Assembly Member Stanton Gregor absent.

By a unanimous Roll Call Vote, the assembly instructed the electric department to proceed in implementing the electrical rate increase of 2% as recommended in the Study.

4. Adjourn

The meeting adjourned at 9:07 a.m.

Date Approved: _____

Kathy O'Rear, Borough Clerk