

The Board of Aldermen met in special session at 6:30 P.M.

Aldermen Present: Greg Smith, Roch Buckman and Michael Purol

Aldermen Absent: Mark Greening, Tyler Wheeler and Gerry Quinn

Others Present: Verbal Blakey and Gary Thompson

Mayor Minor called the meeting to order.

Mayor Minor said that the purpose of this meeting is to hear a report from Verbal Blakey of BHMG Engineers on her study of the City's electric demand.

Mayor Minor said that the Board had previously authorized BHMG to do a study of the City's rates and in particular to look at the impact if Continental Casting decided to move their operations elsewhere. Continental Casting has asked the City to mitigate their rates so that they would be more competitive. The study reveals that the City is losing money on all of its classifications of customers. It is losing 14% on residential customers, 4% on commercial customers, 4% on all industrial customers and if considered separately, 2.5% on Continental Casting. Therefore it is not economically feasible for the City to lower Continental Castings electric rates.

At the present time the City's system margin on the Electric Department is -6.68%. Verbal Blakey said that the easiest way to address this matter would have the electric customers pay for the true cost of service. Currently the City charges \$7.50 per meter per month. She presented a spreadsheet that shows additional revenues generated if the residential charge increased to \$23.00, commercial to \$67.00 and industrial to \$112.00. This would result in system margin of plus 2.49%. Verbal Blakey said that ideally, the City margin should be around 15%. She told the board that increasing this charge is the fairest because it can be justified. The Electric Department should have a reserve of 50% to 100% of its operating expenses. Based on this the City should have between \$2,500,000 and \$4,700,000 in reserve. The City currently has a surplus of around \$500,000.00. This is insufficient in the event that the City has to pay for storm or catastrophe damage.

Verbal Blakey said that the City needs to clean up its electric rate ordinance by resetting its purchase cost adjustment. Currently the rates are based on 5.06 cents per KWH. They need to be based on the current cost of power. The electric heat rates are no longer necessary. She recommended that the current electric heat customers be grandfathered in and that this rate be disallowed for future customers. She also said that a non-energy cost adjustment needs to be determined annually and included in the rate ordinance.

Mayor Minor said that to sum this up, the City would increase its flat amount, clean up its rate structure and mitigate Continental Casting's electric rates by not giving them an increase.

Verbal Blakey said that she analyzed the City's electric demand charges. The currently pays MPUA \$9.35 per KW per month. The City's demand charge is \$4.50 per KW per month. She presented a spread sheet showing the increase in the City's demand charge with a corresponding decrease in the City's industrial energy charges so that any change in the demand charges would be revenue neutral. The reason for doing this is to charge industrial customers in the same way that the City purchases power. By raising the demand charge and lowering the energy charge, customers with a good load factor will see a reduction in costs and customers with a poor load factor will see an increase in cost. If the City increased demand charge to \$8.50 per KW per month, Continental Casting would see a reduction of about .32%. Pace Industries would see an increase of 1.52%, Lakeside Casting would see an increase of 2.86%, Aspeq Holdings would see a reduction of .21%.

Verbal Blakey said that top priority should be given to cleaning up the City's rate structure and then to adjusting the demand charges.

Mayor Minor said that he would like to incorporate the electric rate changes in with the City's 2016-17 budget. The Board will again work on this in July. The City will pay Verbal Blakey to come back to another meeting and go over the City's options again.

Verbal Blakey said that provisions need to be included in the City's electric rate ordinance which would allow the City to purchase excess power from customers who have solar energy. The City also need to have provisions in their ordinance that would address customers that have backup generators that start automatically when the City's power goes out.

Alderman Buckman motioned to adjourn the meeting; Alderman Purol seconded it, with all in favor.

Neal Minor, Mayor

Gary Osbourne, City Clerk