

REGULAR MEETING OF THE JEFFERSON UTILITIES COMMISSION, HELD JUNE 8, 2020

On call of the roll, commissioners present were: Adams, Brandel (via teleconference), Neils, Pieters, Ganser, Bristol and Oppermann. Also present were: Utility Manager Adler, Office Manager Statz and Baker Tilly Partner Jodi Dobson (via teleconference). The meeting began at 5:33 p.m.

PUBLIC PARTICIPATION

None

DISCUSSION AND PRESENTATION 2019 UTILITY AUDIT – JODI DOBSON, BAKER TILLY

Jodi Dobson, Baker Tilly Partner, presented the 2019 audited financials. She stated the electric utility ended the year with a 6.93% rate of return; 5% is allowed. She explained the 2019 revenues and expenses dropped in unison with each other. As sales fell, the purchase power expense did the same.

Ms. Dobson reviewed the water financials and explained the 2019 rate of return was 4.36%; 5% is allowed. She explained that the revenues and expenses are consistent with each other.

Ms. Dobson reviewed the unrestricted reserves. At the end of 2019, the utility had 4.43 months of expenses on hand. This provides the utility with stability and reserves for a large unexpected expense.

Ms. Dobson indicated the debt coverage needed by the utility's bond requirements is 1.10 times the payment amount. At the end of 2019, the utility had 33.78 times the payment amount on hand.

Ms. Dobson noted that 93% of the utility's capital projects have been paid for with equity. Only 7% of capital has been financed with debt. She explained this is a low number for a utility of our size. She went on to explain that this puts the utility in a good position to issue debt in the future if needed.

Comm. Pieters stated to Ms. Dobson that it was his first year going over a utility audit, but he felt the utility's financials were strong.

Ms. Dobson replied that the utility's financials were strong, but was not always that way. She explained the utility has worked hard to achieve this position.

Utility Manager Adler asked Ms. Dobson if the utility should have more reserves on hand for the COVID-19 pandemic.

Ms. Dobson stated that was a challenging question. She explained that no one knows how long it will take to recover. Having reserves on hand is important with potential payment issues and no one has indicated a new benchmark should be used in light of the pandemic. She explained that the hard work done the last five years will be helpful during this time.

Ms. Dobson stated the review of internal controls noted that general journal entries should be retained in a single location. Currently, documentation for journal entries is not kept with the entry. Secondly, the year-end financials are not available until the end of the year. She stated there are few utilities that can accommodate this, as staff sizes do not normally allow for this. Lastly, she explained that no material adjustments were needed in the disclosure. She stated this should not be glossed over and is a reflection of hard work done by staff. She thanked the staff for their cooperation during the audit.

It was moved by Comm. Pieters and seconded by Comm. Ganser to accept the 2019 audit. On call of the roll, motion carried. (Adams - Aye, Pieters - Aye, Brandel - Aye, Neils - Aye, Ganser - Aye, Bristol - Aye, Oppermann - Aye)

Ms. Dobson left the meeting at 5:47 p.m.

MINUTES

It was moved by Comm. Neils and seconded by Comm. Pieters to approve the minutes from the May 11, 2020 meeting. Motion carried on a voice vote.

EXPENDITURES

It was moved by Comm. Neils and seconded by Comm. Pieters to approve the payment of May's bills totaling \$898,618.10. On call of the roll, motion carried. (Adams - Aye, Pieters – Aye, Brandel – Aye, Neils – Aye, Ganser – Aye, Bristol – Aye, Oppermann - Aye)

DISCUSSION ON PSC BILLING AUDIT UPDATE

Office Manager Statz explained the results from the PSC billing audit. She stated that most of the items listed in the audit had to do with information that needs to be listed on the bill or in the annual rates notice sent to customers. She went on to explain that there were three things in the audit that she would say were the most important.

1. When an electric meter stops working, a new meter is installed and the average usage from the next three months is billed back to the customer. The PSC has indicated that the utility must bill the customer based on the meter test. If the meter tests to be working at 75% accuracy, the utility should calculate the additional 25% and bill that back to the customer.
 - a. After Office Manager Statz spoke with the PSC, it was clarified that when the back billing occurs, the utility cannot test the meter, as it has stopped. The PSC has responded that the calculation method used by JU is allowable and can continue. In a situation where a meter test can be performed, JU will need to follow the administrative code. This item has been resolved.
2. Municipal and budget customers are not being charged late penalties.
 - a. Office Manager Statz explained that the utility does not charge late penalties to municipal and budget accounts. The PSC is requiring that late penalties be charged and any foregone penalties be back billed to these customers. Office Manager Statz and Utility Manager Adler met with City Administrator Freitag and Finance Director Stewart explaining the requirement. It was determined it would be best for the municipal accounts to be placed in one billing cycle (currently they are in all three cycles). Utility staff will work on putting this into place.
3. A sales tax exemption certificate for a customer does not match the exemption charged on the bill.
 - a. Office Manager Statz explained there is a customer that's sales tax exemption billed does not match the certificate submitted to JU. Per the PSC's letter, staff will need to work with the DOR to determine how to handle the discrepancy.

Overall, Office Manager Statz was pleased with the outcome. She understood there were changes to be made, but felt they were not anything earth shattering. She inquired with the PSC on how Jefferson compared to other utilities in relation to their findings. The PSC auditor, Andrew Field, indicated that he had only been a part of two audits so far, but felt that Jefferson's findings were not out of the ordinary. Mr. Field stated that much of what was noted in Jefferson's audit was copied from other utility's audits.

Office Manager Statz explained that staff has submitted a plan of action to the PSC to correct the issues noted. They will keep in touch with PSC staff as changes are made.

Comm. Bristol asked that the findings letter be sent to City Attorney Rogers for review, as he thought it contradicted with the handling of an issue in the recent past.

Office Manager Statz explained that there is nothing in the billing audit that contradicts how anything in the past was handled, but she would forward the findings letter to City Attorney Rogers as requested.

DISCUSSION ON RIVERSIDE ALLEY UPDATE

Utility Manager Adler explained that in 2020, the city is planning to move forward with the remodel of Riverside Alley; Candise Street to City Hall. He is working with electrical engineer Bruce Beth on the design. Utility Manager Adler expects the project to cost about \$500,000.

Utility Manager Adler explained that City Administrator Freitag is working with AT&T and Charter Communications to have their lines removed from our poles.

Comm. Adams questioned if the utility would be responsible for AT&T and Charter Communication's costs to remove their lines from our poles.

Utility Manager Adler explained the utility would not be responsible for those costs.

DISCUSSION AND POSSIBLE ACTION – LETTER FOR DELINQUENT COMMERCIAL ACCOUNTS

Office Manager Statz stated it was suggested that we send a letter to commercial customers that are delinquent on their payments. She was looking for feedback from the commission on pursuing this action.

The commission felt it was a good idea and a letter should be sent immediately to commercial customers that were delinquent two or more months.

It was moved by Comm. Pieters and seconded by Comm. Oppermann to send a delinquent notice letter to commercial customers that are two or more months past due. Motion carried on a voice vote.

COMMUNITY CONTRIBUTIONS – LIBRARY SUMMER YOUTH READING PROGRAM

It was moved by Comm. Oppermann and seconded by Comm. Ganser to approve a contribution of \$500.00 to the Jefferson Public Library Summer Reading Program. On call of the roll, motion carried. (Oppermann – Aye, Adams - Aye, Pieters – Aye, Brandel – Aye, Neils – Aye, Ganser – Aye, Bristol - Aye)

It was moved by Comm. Bristol and seconded by Comm. Pieters to adjourn. Motion carried on a voice vote. The meeting adjourned at 6:13 p.m.