



LOVELAND UTILITIES COMMISSION

REGULAR MEETING

July 27, 2016 - 4:00 p.m.
Service Center Board Room
200 North Wilson Avenue



AGENDA

4:00 pm - CALL TO ORDER
4:05 pm - APPROVAL OF MINUTES – 06/15/2016
CITIZENS REPORTS

Anyone in the audience may address the LUC on any topic relevant to the commission. If the topic is an item on the Consent Agenda, please ask for that item to be removed from the Consent Agenda. Items pulled will be heard at the beginning of the Regular Agenda. Members of the public will be given an opportunity to speak to any item on the Regular Agenda during the Regular Agenda portion of the meeting before the LUC acts upon it. If the topic is an item on the Staff Report, members of the public should address the Commission during this portion of the meeting as no public comment is accepted during the Staff Report portion of the meeting.

Anyone making comment during any portion of tonight's meeting should identify himself or herself and be recognized by the LUC chairman. Please do not interrupt other speakers. Side conversations should be moved outside the Service Center Board Room. Please limit comments to no more than three minutes.

4:15 pm - CONSENT AGENDA

1. 2016 2nd Quarter Goals Report – Bob Miller
2. Contract Award for the Foothills Substation Block Wall – Christine Schraeder

4:30 pm - REGULAR AGENDA

3. Power Cost of Service Study Update – Jim Lees
4. Contract Award for Foothills Substation Switchgear for FEMA Alternate Project – Christine Schraeder
5. Council Resolution on Acquiring an Additional 2,000 acre-feet of Windy Gap Firming Project Storage Space – Larry Howard

5:30 pm - STAFF REPORT

6. Quarterly Financial Report Update – Jim Lees

5:45 pm - 7. COMMISSION / COUNCIL REPORTS

- Re-appointment of LUC board members Dave Schneider and Randy Williams – July 5, 2016

6:00 pm - 8. DIRECTOR'S REPORT – Separate Document

6:15 pm - ADJOURN

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Commission Members Present: Dan Herlihey, David Schneider (Vice Chair), Gary Hausman, Gene Packer (Chairman), Larry Roos, Jennifer Gramling, Randy Williams

Commission Members Absent: Dave Kavanagh, (excused), John Rust Jr. (excused)

Council Liaison: Troy Krenning (left during item 3)

City Staff Members: Alicia Calderón, Allison Bohling, Alan Krcmarik, Bob Miller, Christine Schraeder, Daniel Daneshka, Frank Lindauer, Jim Lees, John Beckstrom, Lindsey Bashline, Larry Howard, Michelle Stalker, Roger Berg, Steve Adams

Guest Attendance: Mark Beauchamp

CALL TO ORDER: Gene Packer called the meeting to order at 4:03 pm.

APPROVAL OF MINUTES: Packer asked for a motion to approve the minutes of the May 18, 2016 meeting.

Motion: Dan Herlihey made the motion to approve the minutes of the May 18, 2016 meeting.

Second: Gary Hausman seconded the motion. The minutes were approved unanimously.

NEW EMPLOYEE INTRODUCTION – Daniel Daneshka

CONSENT AGENDA

Item 1: Intergovernmental Agreement for Demand Side Management and Distributed Energy Resource Program Partnership – Lindsey Bashline An Intergovernmental Agreement (IGA) for Demand Side Management (DSM) and Distributed Energy Resource (DER) Program Partnership has been mutually drafted by staff of Platte River Power Authority (PRPA) and the municipalities of Estes Park, Fort Collins, Longmont and Loveland.

Recommendation: Adopt a motion recommending that City Council approve the Intergovernmental Agreement with Platte River Power Authority for Demand Side Management and Distributed Energy Resource Program Partnership.

Motion: Gary Hausman made the motion to accept the consent agenda as written.

Second: Dave Schneider seconded the motion. The motion was approved unanimously.

Comments: Larry Roos pulled Item 1 from the agenda. Adams requested the discussion for this item be moved after Item 3 in order to accommodate our guest speaker, Mark Beauchamp.

After items 2 and 3 had been completed, Jim Lees passed out a PowerPoint presentation that was reviewed by Mark Beauchamp and Jim Lees. Roos asked if this agreement is fair to Loveland Water and Power (LWP) customers and to the utility, and protects everyone's interest in renewable energy. Lindsey Bashline mentioned that there is not a specific project being proposed, but that this IGA has been vetted with PRPA and the four cities. Adams reviewed the purpose of the IGA. Schneider expressed his support for this the IGA process in creating fairness among the partnering cities.

REGULAR AGENDA

Item 2: Power Cost of Service – Mark Beauchamp and Jim Lees The purpose of this item is to provide the LUC with an overview of the Power Cost-of-Service Rate Study and get recommendations from the Commission on rate design.

Recommendation: Listen to the presentation and be ready to make a recommendation on rate design.

Comments: Roos agreed with Beauchamp about increasing the cash reserve on the projected rate track. Adams mentioned that he would like to hear more information about this topic later. Roos asked for more information about how this relates to the age of LWP's assets. Lees said he would follow up with Roos about this topic and provide him with the information he requested. Adams asked for details about the types of catastrophes that the minimum cash reserve projections would help cover. Beauchamp mentioned that it could be weather related incidents including ice storms, wind storms, etc. He reviewed the time consuming efforts to receive funds from Federal Emergency Management Agency (FEMA). He stated that the number one priority for customers is to have reliable electric service.

Roos asked if Beauchamp has heard of or is worried about cyber security issues. Beauchamp stated it has been a concern; however, to his knowledge we have not had issues yet within the power utility. Adams discussed previous weather related issues that have impacted LWP and how that affected our assets. He added that our insurance provider, CIRSA, helps LWP with other costs related to catastrophes not covered by FEMA. Beauchamp mentioned that his financial projections for the minimum cash reserve are projected to last approximately 110 days. Roos asked if there is any concern about keeping too much in cash reserves. Beauchamp mentioned that yes, there are practical limitations on the size of a cash reserve, and he reviewed those limitations.

Beauchamp provided more information about the rate of return and how the rate track is calculated to help board members understand the background calculations. Packer asked how LWP determines asset life expectancy. Beauchamp stated that LWP references industry standards to gather this information.

Schneider asked if Beauchamp tracks the differences in failures and risks with the methodology of doing frequent small rate increases versus steep rate increases less often. Beauchamp mentioned that there is always risk with projections, but small periodic rate adjustments help a utility become more secure and help provide a buffer. Roos reviewed the rate track plans that are in place to help with capital improvements and asked how that effects all the utility industries. Beauchamp reviewed factors which make it difficult to project rates. Staff and board continued to discuss issues facing the utility that can impact future rate projections including solar panels, battery storage and net metering.

Beauchamp asked if the board approved of the suggested rate track increase of 6.5%. Lees and Adams mentioned that this percent is the same that LWP projected in its 10-year financial projects. Adams reviewed how this correlates to PRPA's projected rate increase. Lees stated that rates increased 5.83% in 2015. Next, the board and staff discussed how this rate increase can be dispersed, and information about this topic was displayed in the PowerPoint presentation. Staff and board discussed this topic. Adams mentioned that LWP's small general rates are not close to Xcel Energy's rates and asked why that is. Beauchamp mentioned that it is due to the PIF charge. Adams reviewed what the PIF charge is and why LWP chooses to continues to use this fee. Adams reviewed how this charge also impacts water users using more than a 2 inch line.

Roos stated that with the recommended rate track it does not increase the cash reserves to the previously recommended amount. Staff and board discussed how this would be a goal over time to increase cash reserves. Adams reviewed the expected growth of the city and how this could potentially change future projections and development of these targets.

Bob Miller asked if our smaller cash reserve would affect LWP getting bonds or if it would make a difference since we have multiple reserves for all our utilities. Beauchamp mentioned that he thinks they may have to stand on their own. Miller asked how this would affect a potential broadband utility. Alan Krcmarik mentioned that bonds for the broadband utility are generally based off of funds for the electric utility. Miller stated that he would like to see these rate recommendations next to the CAMU results with and without the PIF charge to see where our rates fall compared to others.

Adams stated that there was a different approach to lending for the water utility that LWP took advantage of in 2013 and asked Krcmarik to review how lending is happening in other utilities. Krcmarik reviewed the loan that LWP worked out in 2013 for the water utility and that other utilities are currently doing the same thing. He reviewed the stipulations of this particular loan. Krcmarik also reviewed debt service reserves and cash reserves processes and LWP's potential rate indications.

Adams mentioned that the data on the monthly customer charges is helpful and mentioned that he would like to see more stability in case of weather fluctuations. Lees summarize and stated that for Large General LWP should go to cost of service and for Small General and Residential LWP should take about a half step towards cost of service. Beauchamp recommended that LWP not push to change any seasonal rates at this time and reviewed why. Schneider stated that LWP could use a different metric for summer and winter rates that would be more consistent. Beauchamp reviewed the current differential between the summer and winter rates. Schneider mentioned that he believes the seasonal rates should correlate to temperature not necessary the calendar date. Adams mentioned that there is a signal sent from PRPA to determine summer and winter rates and that LWP has accounted for the lag of when we bill our customers in comparison to when the electricity was actually consumed. Schneider added that there are more factors other than dates that can help LWP with rate structures.

Lees summarized his understanding from the feedback from LUC and Beauchamp. Staff and board reviewed the pros of each option. Beauchamp recommended moving towards cost of service, but not entirely so that there are not too large of rate increases at once. Beauchamp's overall recommendation was an overall 6.5% rate increase (plus or minus 1%), increase customer charges \$1.50 for residential, and increase commercial about \$2.50 and move everything else to be true cost of service. The seasonal rates will move more in that direction. There was consensus from the group in supporting Beauchamp's recommendations.

Miller asked how much PRPA is moving the seasonal differential. Lees stated that it is unknown, but LWP should try to stay close or match their changes. The results of the input given will be incorporated into the item that will be presented at the July, 27 2016 meeting. A recommendation will be given from staff at that point and a motion made by the LUC at that time. The LUC gave their blessing to move forward in this direction.

Item 3: 2017 Budget Review for Water, Wastewater and Power – Jim Lees The purpose of this is to ask the LUC to adopt a motion recommending that City Council approve the proposed 2017 Water and Power budget.

Recommendation: Adopt a motion recommending that City Council approve the proposed 2017 Water and Power budget.

Motion: Randy Williams made the motion.

Second: Gary Hausman seconded the motion. The motion was approved unanimously.

Comments: Schneider asked if LWP's new Development Coordinator will be housed at the Service Center or downtown. Adams mentioned that she has already been hired and her office is at the Service Center, but she will be back and forth at both locations.

Adams stated that City staff have had more medical expenses in the last few years than they had in years past. The City is looking at different policy changes which will impact employees and these same increases in health insurance costs are being seen all over the nation. Adams provided an overview of how the sales tax shortfall will impact the general fund. He also provided an overview of the expenses incorporated in the cost allocation expenses.

Roos asked if the health insurance expenses will be in the administrative line item. Lees mentioned it will be split among several line items. Schneider asked for more information about the cost allocation expenses. Adams added that these costs are pretty fixed and will stay within the department instead of passing them on elsewhere in the City. The board discussed percentage allocations for each staff general fund employee allocated to the utilities and how this impacts the general fund. Roos asked if all these changes had been incorporated into the cost of service study. Adams and Lees mentioned that it had been taken into consideration. Roos asked about the rate structure of health insurance, Adams reviewed that the rates are structured by how many people are on an insurance plan and the claims made. Schneider noted the total increase for capital costs in the last few years.

Schneider asked if other communities are participating in the investigation study on selenium levels. Roger Berg said he did not know if other cities are participating in such a study. Adams mentioned that LWP selenium levels are higher than normal, and LWP need's to figure out what the sources are, how we can change it, or if it is due to factors outside of our control. Staff and board discussed the potential for regulatory standards on selenium in the future.

Roos asked about page 41, line item administrative, he asked about why it has increased so much between 2015 and 2016. Lees said he would look into it and follow up, but the general increase is 3.5%. He also asked about the loan from raw water and when LWP will pay it back. Also, on page 43 line 15 he asked why there is a significant jump here as well. Lees stated he would also follow up with him on this line item as well. He addressed a few more line items that Lees will follow up with Roos specifically on. Miller asked if the commercial customer increase for efficiency programs are included in the rates in the cost of service. Lees stated he is not sure of the exact percent, but it is taken into consideration.

COMMISSION/COUNCIL REPORTS

Item 4: Commission/Council Reports

- Tri-City Meeting – May 19, 2016
- 2017 Water and Power Department Budget Process Meetings – May 24, May 25 and May 31, 2016
- Passport to Water and Power – June 9, 2016

Dave Schneider: He noticed fewer participants at the Passport to Water and Power event this year; however, he added that he had very good customer contact overall at this year's event.

Gene Packer: He complimented staff for the planning efforts at the Tri-City Meeting. Also, he stated that he enjoyed the budget process and the Passport to Water and Power event.

Gary Hausman: He commended staff for their efforts on planning the Tri-City Meeting. He added that he just got back from Hawaii and stated that they have very steep rates and slow infrastructure repairs, but he did enjoy his trip. He reviewed some activities he did while he was there.

Jennifer Gramling: Nothing to Report

Larry Roos: He summarized an article that he read from the Omaha, Nebraska newspaper about an old nuclear plant and the total decommissioning cost.

Randy Williams: He commended staff's efforts on Passport to Water and Power and the Tri-City Meeting.

Council Report: On Councilor Troy Krenning's behalf, Steve Adams provided an update on City Council items related to the Water and Power Department which have been seen by the City Council during their normal meetings scheduled since the last LUC meeting.

City Council Study Session & Study Session- May 25, 2016

- Nothing pertinent to Water & Power.

Regular Meeting – June 7, 2016

- Nothing pertinent to Water & Power.

City Council Study Session – June 14, 2016

- Presented the 2015 Comprehensive Annual Financial Report

Comments: Adams mentioned that on June 7, 2016 the City Managers contract has been terminated. There will be a possible special meeting on June 16, 2016 to discuss how to fill the position with an Interim City Manager. Schneider asked when council will speak out about the reasoning behind the termination. Adams mentioned that it will be coming up on June 28, 2016.

DIRECTOR'S REPORT

Item 5: Director's Report – Steve Adams

Comments: Staff reviewed the new May 2016 construction time-lapse video from the Foothills Solar and Substation – FEMA Alternate Project site.

INFORMATION ITEMS

Item 6: Financial Report Update – Jim Lees This item summarizes the monthly and year-to-date Preliminary financials for May 2016.

Staff Report only. No action required.

Item 7: Water Supply Update – Larry Howard Projection for raw water supply in 2016.

Staff Report only. No action required.

ADJOURN The meeting was adjourned at 7:21 pm. The next LUC Meeting will be July 27, 2016 at 4:00 pm.

Respectfully submitted,

Allison Bohling
Recording Secretary
Loveland Utilities Commission



CITY OF LOVELAND
WATER & POWER DEPARTMENT

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AGENDA ITEM: 1

MEETING DATE: 7/27/2016

SUBMITTED BY: Bob Miller, Interim Director

AB for BM

TITLE: 2016 2nd Quarter Goal Updates Report

DESCRIPTION:

This is a quarterly review of our progress on our 2016 utility goals.

SUMMARY:

Review 2016 utility goals and the 2nd Quarter updates.

RECOMMENDATION:

Review enclosed 2016 2nd Quarter Goals and provide feedback to departmental staff.

REVIEWED BY DIRECTOR:

AB for BM

ATTACHMENTS:

- **Attachment A:** 2016 2nd Quarter Goals Update

Attachment A

2016 Goals & Quarterly Updates	Comp Plan #	Est. Completion	Actual Completion
1 Complete a Power Cost-of-Service Rate Study which will include a rate analysis of each customer class and current rates as well as explore new renewable rate concepts.	11C.1.5 - Power	March 2017	
Q2 Update: Mark came and presented to the LUC at the June 15, 2016 meeting and to seek direction on designing rates for 2017. Mark will be back at the July 27, 2016 meeting via videoconference to present proposed rates for 2017 and a rate track through 2021.			
2 Evaluate options to find the best level of participation and funding strategy for the Windy Gap Firming Project (WGFP).	11B.2 - Water	January 2017	
Q2 Update: Funding strategy options are being studied by a consultant, and discussed with participants. Loveland expects to have an option before Council soon to increase its participation by 2,000 AF of storage, bringing its total storage participation up to 9,000 AF.			
3 Support the completion of the FEMA Alternate Project by installing the Foothills solar facility by December 30, 2016 to take advantage of the 3x State credit, start the construction and the bidding process for equipment at the Foothills substation with the goal of completing the entire project by September 2017.	11C.3.2 - Power	September 2017	
Q2 Update: Construction on the Foothills site is going really well. The galvanized chain link fence has been installed around the entire site. The contract for the transformers was approved by LUC. Monthly videos have been updated to the Foothills website for the public to be able to view the progress and retrieve important notices. Shadow Play has been collecting footage for a video on snake mitigation and the entire FEMA project. Namaste is 25% complete with the pile driving to install the racking for the solar panels. Road construction for Rio Blanco is 50% complete.			
4 Complete reliability, safety, and capacity capital improvements at Water Treatment Plant (WTP).	11B.3.2 - Water	August 2016	
Q2 Update: The project is 95% complete. Start up is complete for the new chemical facilities, the sand drying beds are complete however we are still running tests to optimize their performance. The new filter building and soda ash silo will be complete and online by early August 2016, final completion of all work is scheduled for August 19, 2016. We will have a ribbon cutting ceremony, tours and lunch on Wednesday, August 24th from 10:00 am till 1:00 pm. LUC members are invited to attend.			
5 Begin design of regulatory, reliability, and capacity capital improvements at Wastewater Treatment Plant.	11D.3 - Wastewater	End of 2018	
Q2 Update: We have been conducting twice monthly design meetings with the consultants and the Contractor (Garney Construction), and expect to wrap up final design by the end of 2016. Garney completed a preliminary cost estimate that shows we are tracking roughly within our \$32.7M budget. Construction is expected to begin in February or March 2017 and continue through 2018.			

2016 Goals & Quarterly Updates	Comp Plan #	Est. Completion	Actual Completion
6 Redefine the Key Accounts Program by analyzing customer utility billing data, determining appropriate metrics that qualify businesses as a Key Account and justify a tiered approach for which services are offered to Key Accounts.		June 2016	
<p>Q2 Update: Staff met with the City Manager and Director of Economic Development about the restructuring of the Key Accounts program. Both managers were pleased and asked us to move forward with our plans. Staff is now developing a plan to introduce ourselves and our program to the new Key Accounts. We will also include the Economic Development department in our process.</p>			
7 Update the 2012 Raw Water Master Plan to address current and anticipated trends and concerns.	11B.1.1 - Water	December 2016	
<p>Q2 Update: Work continues with Spronk Water Engineers (SWE) updating the Raw Water Yield Analysis model and making model runs to simulate potential operating scenarios.</p>			
8 Continue to support a city wide Priority Based Budgeting (PBB) approach which City Council will use to make future decisions on services and programs offered by the City.		On-going	
<p>Q2 Update: The Budget Office has been dedicating its efforts to prepare for department reviews with the City Manager, so the PBB effort continues to be on hold.</p>			
9 Continue to further develop the Asset Management Program for Loveland Water and Power with a focus on critical infrastructure.	11B.3.3 - Water 11D.2.2 - Wastewater 11D3.1 - Wastewater	On-going	
<p>Q2 Update: Staff is working through risk mitigation meetings at the Wastewater Treatment Plant. The risk mitigation plans include actions such as creating and revising standard operating procedures, implementing preventative maintenance work orders, increasing training efforts, determining which items to keep spares on-hand and creating replacement plans.</p>			
10 Continue to provide support of a city wide broadband initiative through staff representation on the Broadband Project Team in conjunction with representatives from Information Technology, the City Manager's Office, the Public Information Office, Finance and the City Attorney's Office.	11C.3.3 - Power	On-going	
<p>Q2 Update: Brieana Reed-Harmel has been appointed as the full-time Project Manager for the broadband project in Loveland. Brieana will be taking over this role that was previously performed by Steve Adams. Denver-based consulting specialist Magellan Advisors has been selected to perform the Broadband Assessment and Feasibility Analysis for the City of Loveland. The internal Broadband Project Team and Magellan Advisors have already begun work towards this effort and public outreach and engagement is expected to begin within the next few weeks. The Broadband Task Force, comprised of representation from local business and community members with an interest in the broadband initiative had their second task force meeting on Thursday, July 7, 2016. This meeting was hosted by the Thompson School District at the Loveland High School Library. At the first meeting on Thursday June 2, 2016, Mindy McCloughan with the Loveland Chamber of Commerce was elected as the Chairperson for the Broadband Task Force and Dr. Dan Maas with the Thompson School District was elected as Vice-Chair. Future meetings will be held the first Thursday of each month from 10:00 a.m. to Noon. The locations for each meeting will rotate to the various Task Force member sites for hosting. John Fogle will represent Loveland City Council at these meetings as the appointed liaison to the Broadband Task Force.</p>			

	2016 Goals & Quarterly Updates	Comp Plan #	Est. Completion	Actual Completion
11	<p>Participate in the discussion with the four cities and PRPA to explore the feasibility, the best location, and the best implementation practices on how to deploy a community solar garden program which would provide our customers with another renewable energy option.</p> <p>Q2 Update: The intergovernmental agreement that included distributed energy resource partnership between Platte River and the Municipalities was adopted by the Loveland City Council at the July 5, 2016 meeting. Platte River has since been meeting with each individual Municipality to receive input on and revisit potential program design.</p>	11C.2.1 - Power	Late 2017	
12	<p>Develop a Loveland Water & Power Strategic Plan which will include discussion on a community vision, the City's mission, LWP's mission and the departments strategic focus areas which may include public health and safety, connectedness, public infrastructure, innovation and legacy, excellent service, honor the public trust and high performance while integrating information technology through all strategic initiatives.</p> <p>Q2 Update: Staff completed the interviews with three consultants and has followed up with each on additional questions. We are ready to move forward with a decision when the time is right.</p>	11B.1.2 - Water 11C.1.2 - Power 11D.1.2 - Wastewater	December 2016	
13	<p>Assist in the development of Platte River Power Authority's (PRPA) Integrated Resource Plan (IRP) which will be adopted by Western Area Power Administration in 2017 and will encompass resource planning, demand side management program results, the direction on demand response, and the future of energy efficiency goals along with the evolution of the Environmental Protection Agency's (EPA) Clean Power Plan (CPP).</p> <p>Q2 Update: Staff approved the 2016 Strategic Plan that contained near term strategies in another step toward the completion of the IRP, which is not due to WAPA until 2017. Platte River experienced some staffing changes that slowed the process. We continue to wrestle with the EPA's clean power plan but meet quarterly to continue the draft scenarios of the IRP.</p>	11C.1.2 - Power	2017	



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AGENDA ITEM: 2

MEETING DATE: 7/27/2016

SUBMITTED BY: Christine Schraeder, Electrical Engineer

TITLE: Contract Award for the Foothills Substation Block Wall

DESCRIPTION:

Award of a contract to Walsh Construction for Foothills Substation Block Wall Bid 2016-43. Through the Municipal Code, City Council has previously authorized LUC the option of approving contracts exceeding \$500,000. This authorization reduces the number of items that go to Council for consideration and increases the City's efficiency. Under these circumstances, the City Manager then signs the construction contract after LUC approval. This contract approval is being brought forward for LUC action.

SUMMARY:

On July 14, 2016 the City of Loveland received sealed bids for the construction of a 12 foot Allan Block (AB) wall around the perimeter of the Foothills Substation site. The Foothills Substation is part of the FEMA Alternate Project and is to be completed by September 2017. There was a lot of interest in the bid during its posting as forty prospective bidders downloaded documents relating to this bid. Ultimately we received only a single bid, from Walsh Construction. Fortunately, Walsh Construction has a stellar reputation both within the City and with surrounding communities. Walsh has successfully completed numerous projects with the Public Works & Parks & Rec departments as well as the Cities of Longmont & Fort Collins. Walsh's bid was compliant with our specifications and slightly below our anticipated budget. Based on these factors, Walsh Construction is recommended for award due to being the lowest responsive, responsible bidder.

RECOMMENDATION:

Adopt a motion recommending that Loveland Utilities Commission approve the award of the contract to Walsh Construction for the construction of a 12 foot Allan Block (AB) wall around the perimeter of the Foothills Substation site on Rio Blanco Avenue in an amount not-to-exceed \$496,711.00 and authorize the City Manager to sign the contract on behalf of the City.

REVIEWED BY DIRECTOR:

AB for BM



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AGENDA ITEM: 3

MEETING DATE: 7/27/2016

SUBMITTED BY: Jim Lees, Utility Accounting Manager

TITLE: Power Cost of Service Study Update

DESCRIPTION:

The purpose of this item is to get a recommendation from the Loveland Utilities Commission on a proposed 2017 Power rate design and on a 5-year rate track for Power.

SUMMARY:

At last month's LUC meeting, Mark Beauchamp, President of Utility Financial Solutions, our power rate consultant, made a presentation of the first results for 2017 rate designs from the Power cost-of-service rate study and asked for direction from the LUC on three key rate study components. Those three components are:

- 1) Increasing the monthly base charge to reflect cost of service
LUC Direction: Move about halfway toward cost-of-service for the Residential and Small General Service classes and go to cost-of-service for the larger commercial classes.
- 2) Implement full cost-of-service results for each customer class, regardless of what those rate increases or decreases might be, or put some limitations on how much each customer class will be adjusted for 2017
LUC Direction: Take the overall average rate increase for 2017 of 6.5% and put a cap on how much each individual rate class would be adjusted in 2017 of + or - 1% of the 6.5% overall average increase.
- 3) Implement full cost-of-service results for each customer class, for the differential between the Summer and non-Summer seasons, regardless of what those rate increases or decreases might be, or continue to gradually step toward full cost-of-service differential between Summer and non-Summer rates
LUC Direction: Take a small step (using Mark's discretion) toward cost-of-service and continue the movement toward cost-of-service in succeeding years.

Updated cost allocation data was plugged into the model since the June LUC meeting, which resulted in a cost-of-service shift from the Residential class to the Commercial classes. As a result, for #1 above, Staff is now recommending to move to cost of service for the base charge in Residential in 2017, but still step about halfway towards cost-of-service for the base charge for the Small General Service class. Mark will be joining us this month by videoconference to present the proposed rate design for 2017, taking into account the input received from the LUC at last month's meeting.

Currently, the overall average rate increase for 2017 is 6.50%, which is a combination of passing through PRPA's 4.0% wholesale power rate increase (which translates to a 3.24% retail rate increase) and an additional 3.26% increase to address increased costs in Health Insurance, Cost Allocations, costs associated with the new solar project and the new Foothills Substation that will not be eligible for FEMA or State reimbursement and for additional capital needs. The 4.0% proposed wholesale rate increase will be presented to the PRPA Board at their August meeting, and the hope is that what is presented to the Board will be very close to or exactly what the actual wholesale rates will be for 2017.

The overall average rate increase for 2017 is 6.50%, and based on the proposed changes in the base, consumption and demand charges, the average rate increase by rate class is:

RATE CLASS:	% Increase
Residential	6.65%
Small General Service	7.31%
Large General Service	5.77%
Primary Service with Customer-owned Transformer	6.24%

Taking into account the direction from the LUC, here is a summary of the key rates Mark has developed for 2017:

SUMMARY OF KEY CHANGES

POWER: SUMMER MONTHS	July-Sept. 2016	July-Sept. Proposed 2017
Residential:		
Base Charge (per month)	\$13.36	\$14.41
Consumption Charge (per kWh including PILT)	\$0.08677	\$0.09238
Small General Service:		
Base Charge (per month)	\$21.38	\$25.38
Consumption Charge (per kWh including PILT)	\$0.09027	\$0.09730
Large General Service:		
Base Charge (per month)	\$96.10	\$134.87
Consumption Charge (per kWh including PILT)	\$0.04503	\$0.05040
Demand Charge (per kW)	\$14.26	\$14.50
Primary Service (with Customer-owned Transformer):		
Base Charge (per month)	\$105.07	\$152.12
Consumption Charge (per kWh including PILT)	\$0.04355	\$0.04917
Demand Charge (per kW)	\$13.73	\$13.80

POWER: NON-SUMMER MONTHS	Jan.-June,	Jan.-June,
	Oct.-Dec.	Oct.-Dec.
	2016	Proposed
Residential:		
Base Charge (per month)	\$13.36	\$14.41
Consumption Charge (per kWh including PILT)	\$0.07326	\$0.07786
Small General Service:		
Base Charge (per month)	\$21.38	\$25.38
Consumption Charge (per kWh including PILT)	\$0.08259	\$0.08677
Large General Service:		
Base Charge (per month)	\$96.10	\$134.87
Consumption Charge (per kWh including PILT)	\$0.04594	\$0.04721
Demand Charge (per kW)	\$9.93	\$10.50
Primary Service (with Customer-owned Transformer):		
Base Charge (per month)	\$105.07	\$152.12
Consumption Charge (per kWh including PILT)	\$0.04417	\$0.04639
Demand Charge (per kW)	\$9.50	\$10.00

If approved, the 6.50% rate increase would result in the following average monthly changes by rate class:

AVERAGE CHANGE IN MONTHLY POWER BILL	Overall Avg. Change	Summer Avg. Change	Non- Summer Avg. Change
Residential	\$4.36	\$5.36	\$4.03
Small General Service	\$13.55	\$18.73	\$11.83
Large General Service	\$208.72	\$327.59	\$169.10

There are only three Primary Service customers with very diverse energy usage profiles, so an average change for that class is not very meaningful.

In addition to the proposed rates for 2017, Mark also had a proposed 5-year rate track at the last meeting. That rate track was:

2017: 6.5%

2018: 4.0%

2019-2021: 3.0% per year

The current recommended rate track is the same, with the exception of 2018 changing from 4.0% to 5.0%. At last month's meeting, Mark referenced two targets for his long-range financial plan model: Adjusted Operating Income and Projected Cash Balances. With this rate track, the Adjusted Operating Income will fall short of the target in 2017-2020, but will be close to the target in 2021 and the Projected Cash Balances will also be short of the target in 2017-2020, but will be exceed the target in 2021.

RECOMMENDATION:

Recommend moving forward to City Council with the proposed rates for 2017 and the 5-year rate track for Power at the August 23, 2016 Study Session.

REVIEWED BY DIRECTOR:

JB for BM



CITY OF LOVELAND

WATER & POWER DEPARTMENT

200 North Wilson • Loveland, Colorado 80537

(970) 962-3000 • FAX (970) 962-3400 • TDD (970) 962-2620

AGENDA ITEM: 4

MEETING DATE: 7/27/2016

SUBMITTED BY: Christine Schraeder, Electrical Engineer

CJS

TITLE: Contract Award for Foothills Substation Switchgear for FEMA Alternate Project

DESCRIPTION:

Award of a contract to AZZ Switchgear Systems for Foothills Switchgear Bid 2016-35. Through the Municipal Code, City Council has previously authorized LUC the option of approving contracts exceeding \$500,000. This authorization reduces the number of items that go to Council for consideration and increases the City's efficiency. Under these circumstances, the City Manager then signs the construction contract after LUC approval. This contract approval is being brought forward for LUC action.

SUMMARY:

On June 16, 2016 the City of Loveland received sealed bids for the 15 kiloVolt (kV) switchgear and enclosure at our Foothills Substation. The Foothills Substation is part of the FEMA Alternate Project and is to be completed by September 2017. A comprehensive evaluation was conducted by a committee comprised of City of Loveland Water & Power and Platte River Power Authority engineers. The responsive, responsible bidders' were evaluated on criteria including price, adherence to technical specifications, expected delivery time, and effective warranty period. AZZ Switchgear Systems has been recommended by the committee for award due to being the bidder that best meets our standards based upon this evaluation.

RECOMMENDATION:

Adopt a motion recommending that Loveland Utilities Commission approve the award of the contract to AZZ Switchgear Systems for the 15 kV switchgear and enclosure including recommended spare parts, field services/testing, and delivery to the Foothills Substation site on Rio Blanco Avenue in an amount not-to-exceed \$1,278,937.00 and authorize the City Manager to sign the contract on behalf of the City.

REVIEWED BY DIRECTOR:

AB for BM

ATTACHMENTS:

- **Attachment A:** Bid Tabulation
- **Attachment B:** Switchgear Plan View Drawing # FTS-126

Attachment A

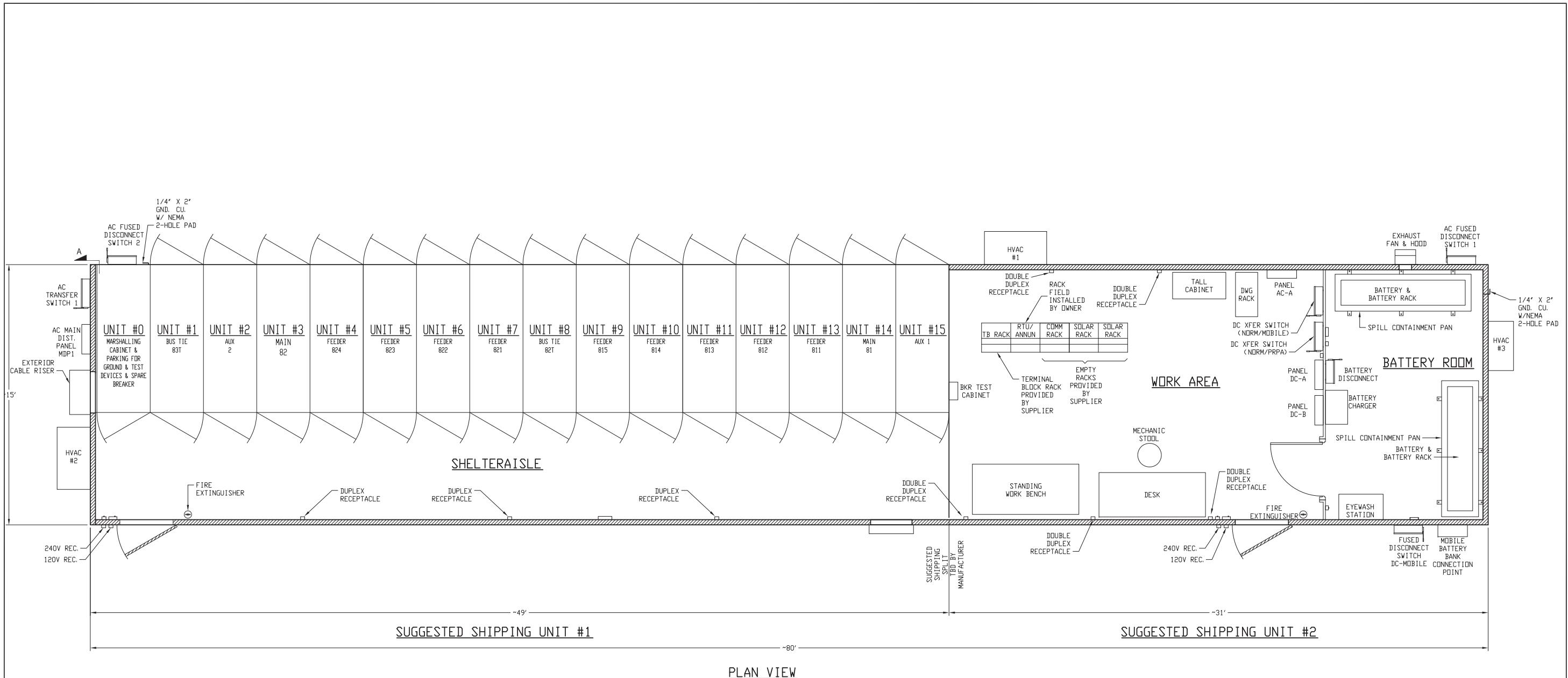
Bidder	Purchase Price
Electro-tech Industries	\$1,140,250.00
AZZ Switchgear Systems ¹	\$1,278,937.00
Meyers Power Products	\$1,299,705.00
Crown Technical Systems	\$1,312,532.46
Powell Electrical Systems	\$1,382,809.00
Eaton	\$1,406,279.00
Powergrid Solutions	\$1,448,010.00
Sturgeon Electric	\$1,532,024.00

¹Based upon the established evaluation criteria, AZZ Switchgear Systems was determined to be the lowest responsive, responsible bidder.

Attachment B

25

4



CITY OF LOVELAND Power Operations Division														
REVISION LETTER	DATE	REVISIONS		DFTR	APPRV'D	ENG								
O	5/19/16	ISSUED FOR SWITCHGEAR BID		D.J.	PEL	FWL								
CUSTOMER PLATTE RIVER POWER AUTHORITY FOOTHILLS SUBSTATION B1/B2; LOVELAND, CO. 80538 15 kV, 25 kA, 2000A METAL-CLAD SPECIFICATION #														
DRAWING TITLE SWITCHGEAR PLAN VIEW														
DRAWING STATUS		ISSUED FOR BID 5/19/16			DRAWN ~	CHK'D ~	DATE	DRAWING NO.						
		APPRV'D ~	SCALE NTS	3/28/2016	FTS-126									



CITY OF LOVELAND

WATER & POWER DEPARTMENT

200 North Wilson • Loveland, Colorado 80537

(970) 962-3000 • FAX (970) 962-3400 • TDD (970) 962-2620

AGENDA ITEM: 5

MEETING DATE: 7/27/2016

SUBMITTED BY: Larry Howard, Senior Civil Engineer

AB for LH

TITLE: Council Resolution on Acquiring an Additional 2,000 acre-feet of Windy Gap Firming Project Storage Space

DESCRIPTION:

The City of Loveland has the opportunity to acquire an additional 2,000 acre-feet of storage space in the Windy Gap Firming Project, which would increase the city's full participation in the project from its current subscription of 7,000 acre-feet to 9,000 acre-feet of storage.

SUMMARY:

The City of Loveland has the opportunity to acquire an additional 2,000 acre-feet of storage in the 90,000 acre-foot Windy Gap Firming Project, as the City of Longmont has reduced its participation in the Project by that amount. This would increase Loveland's full participation in the project from its current subscription of 7,000 acre-feet to 9,000 acre-feet of storage.

Modeling indicates that this storage acquisition would increase the city's overall firm yield value, available during drought conditions, by 500 acre-feet. At the currently estimated cost of approximately \$4,635/acre-foot of storage this would increase the city's estimated Project costs by \$9,270,000, or \$18,540/AF firm yield. By comparison, an acre-foot of firm yield from the CBT Project currently costs about \$26,000.

The city's current total Project cost for 7,000 acre-feet of storage, based on a February 9, 2016 estimate from Northern, is \$32,866,434, including \$2,084,608 already expended. Adding 2,000 acre-feet for a total of 9,000 acre-feet, thereby creating a total of 3,610 acre-feet of firm yield from the Project, would make Loveland's portion of the total estimated Project cost \$42,136,434, at an average cost of \$11,672/acre-foot of firm yield.

Twice during 2008 Council approved Resolutions directing Loveland Water & Power staff to pursue negotiations intended to lead to an increase in the City's participation level in the project. These are attached for your information. The first was #R-50-2008 (Attachment A) authorizing an increase from 6,000 acre-foot to 8,000 acre-feet. The second, #R-67-2008 (Attachment B) authorized up to 8,400 acre-feet. The storage acquisition opportunities then potentially available were 1,000 acre-feet from Platte River Power Authority (PRPA) and 1,400 acre-feet from the City of Lafayette. The 1,000 acre-foot acquisition from PRPA was completed, but negotiations on the 1,400 acre-feet from Lafayette were not successful. During those discussions, Council members expressed interest in having up to 10,000 acre-feet of storage in the Project, and requested that staff bring before them future opportunities for discussion and consideration.

A draft resolution for City Council consideration will be provided at the LUC meeting.

Acquiring additional storage has a financial impact on the City. Acquisition of this 2,000 acre-feet would require an immediate payment to Northern of \$319,702 through an addendum to the March 1, 2016 *Fifth Interim Agreement Between the Municipal Subdistrict, Northern Colorado Water Conservancy District Windy Gap Firming Project Water Activity Enterprise and City of Loveland for Participation in the Windy Gap Firming Project*. This would adjust Loveland's proportional share on the ongoing Project expenses for permitting and mitigation. Money is available in the 2016 budget for this purpose.

RECOMMENDATION:

Approve a motion recommending City Council to adopt a Resolution directing Loveland Water and Power staff to pursue increasing the city's participation in the Windy Gap Firming Project from 7,000 acre-feet to 9,000 acre-feet of storage. A draft resolution for City Council consideration will be provided at the LUC meeting.

REVIEWED BY DIRECTOR:

AB for BM

ATTACHMENTS:

- **Attachment A:** Resolution 50-2008
- **Attachment B:** Resolution 67-2008

Attachment A

RESOLUTION #R- 50-2008

A RESOLUTION DIRECTING THE LOVELAND WATER AND POWER DEPARTMENT STAFF TO PURSUE NEGOTIATIONS FOR AN INCREASE IN THE CITY OF LOVELAND'S PARTICIPATION IN THE WINDY GAP FIRMING PROJECT FROM 6,000 ACRE-FEET TO 8,000 ACRE-FEET OF STORAGE

WHEREAS, since the 1970s, the City of Loveland has been a participant in the Windy Gap Project, which is managed by the Municipal Subdistrict of the Northern Colorado Water Conservancy District ("Subdistrict"); and

WHEREAS, the City owns 40 units, which represent raw water, in the Windy Gap Project; and

WHEREAS, the Windy Gap Project water rights are junior, and won't supply water during drought without storage; and

WHEREAS, the Subdistrict and participants have been seeking ways to improve the reliability and yield of Windy Gap Project units (the "Windy Gap Firming Project"); and

WHEREAS, the City has been involved in the Windy Gap Firming Project, which has identified a possible reservoir site at Chimney Hollow; and

WHEREAS, on March 4, 2005 by Resolution #R-26-2005, the City specified a need for 6,000 acre-feet of storage in the Windy Gap Firming Project; and

WHEREAS, Loveland Water and Power Department staff, Loveland Utilities Commission members, and the City's outside water engineer, Spronk Water Engineers, recently identified a potential opportunity to increase the firm yield of the City's water portfolio by increasing the City's participation in the Windy Gap Firming Project from 6,000 acre-feet to 8,000 acre-feet of storage; and

WHEREAS, the City Council finds that increasing the City's participation in the Windy Gap Firming Project from 6,000 acre-feet to 8,000 acre-feet of storage will benefit the utility's customers and is in the best interests of Loveland's citizens.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LOVELAND, COLORADO:

Section 1. That Loveland Water and Power Department staff is hereby directed to pursue negotiations for an increase in the City of Loveland's participation in the Windy Gap Firming Project from 6,000 acre-feet to 8,000 acre-feet of storage.

Section 2. That this Resolution shall be effective as of the date of its adoption.

ADOPTED this 6th day of May, 2008.



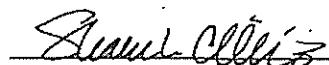
Eugene N. Pielin, Mayor

ATTEST:



Theresa H. Andrews
City Clerk

APPROVED AS TO FORM:



Daniel C. Ellis
Assistant City Attorney

Attachment B

RESOLUTION #R- 67-2008

A RESOLUTION DIRECTING THE LOVELAND WATER AND POWER DEPARTMENT STAFF TO PURSUE NEGOTIATIONS FOR AN INCREASE IN THE CITY OF LOVELAND'S PARTICIPATION IN THE WINDY GAP FIRMING PROJECT FROM 6,000 ACRE-FEET TO UP TO 8,400 ACRE-FEET OF STORAGE

WHEREAS, since the 1970s, the City of Loveland has been a participant in the Windy Gap Project, which is managed by the Municipal Subdistrict of the Northern Colorado Water Conservancy District ("Subdistrict"); and

WHEREAS, the City owns 40 units, which represent raw water, in the Windy Gap Project; and

WHEREAS, the Windy Gap Project water rights are junior, and won't supply water during drought without storage; and

WHEREAS, the Subdistrict and participants have been seeking ways to improve the reliability and yield of Windy Gap Project units (the "Windy Gap Firming Project"); and

WHEREAS, the City has been involved in the Windy Gap Firming Project, which has identified a possible reservoir site at Chimney Hollow; and

WHEREAS, on March 4, 2005 by Resolution #R-26-2005, the City specified a need for 6,000 acre-feet of storage in the Windy Gap Firming Project; and

WHEREAS, Loveland Water and Power Department staff, Loveland Utilities Commission members, and the City's outside water engineer, Spronk Water Engineers, recently identified a potential opportunity to increase the firm yield of the City's water portfolio by increasing the City's participation in the Windy Gap Firming Project; and

WHEREAS, on May 6, 2008 by Resolution #R-50-2008, the City Council directed Loveland Water and Power Department staff to pursue negotiations for an increase in the City of Loveland's participation in the Windy Gap Firming Project by up to 2,000 acre-feet, for a total of up to 8,000 acre-feet of storage; and

WHEREAS, since May 6, 2008, Loveland Water and Power Department staff has identified 2,400 acre-feet of available storage, and recommends that the City Council direct staff to pursue negotiations for an increase in the City of Loveland's participation in the Windy Gap Firming Project by up to 2,400 acre-feet, for a total of 8,400 acre-feet of storage in the Windy Gap Firming Project; and

WHEREAS, the City Council finds that increasing the City's participation in the Windy Gap Firming Project from 6,000 acre-feet to up to 8,400 acre-feet of storage will benefit the utility's customers and is in the best interests of Loveland's citizens.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LOVELAND, COLORADO:

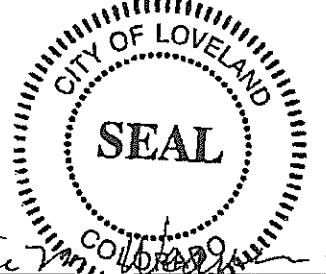
Section 1. That Loveland Water and Power Department staff is hereby directed to pursue negotiations for an increase in the City of Loveland's participation in the Windy Gap Firming Project from 6,000 acre-feet to up to 8,400 acre-feet of storage.

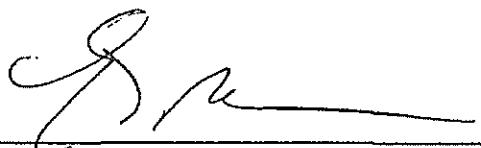
Section 2. That the City Manager is hereby authorized, following consultation with the City Attorney's Office, to execute any agreements or other documentation necessary to acquire up to 2,400 additional acre-feet of storage in the Windy Gap Firming Project.

Section 3. That this Resolution shall supersede and replace Resolution #R-50-2008.

Section 4. That this Resolution shall be effective as of the date of its adoption.

ADOPTED this 24th day of June, 2008.

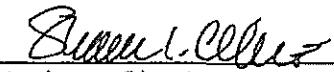


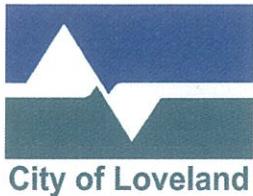

Eugene N. Pielin, Mayor

ATTEST:


Jennie V. Clark, CO
City Clerk Deputy

APPROVED AS TO FORM:


Daniel C. Clark
Assistant City Attorney



CITY OF LOVELAND
WATER & POWER DEPARTMENT

200 North Wilson • Loveland, Colorado 80537

(970) 962-3000 • FAX (970) 962-3400 • TDD (970) 962-2620

AGENDA ITEM: **6**

MEETING DATE: 7/27/2016

SUBMITTED BY: Jim Lees, Utility Accounting Manager

TITLE: Quarterly Financial Report Update

DESCRIPTION:

This item summarizes the monthly and year-to-date Preliminary financials for June 2016.

SUMMARY:

The June 2016 financial reports are submitted for Commission review. The following table summarizes the sales and expense results for the month of June, and the June Year-To-Date results in comparison to the same periods from 2015. The summarized and detailed monthly financial statements that compare June Year-To-Date actuals to the 2016 budgeted figures are attached.

		June				June Year-To-Date			
		2016	2015	\$ Ovr/(Und)	% Ovr/(Und)	2016	2015	\$ Ovr/(Und)	% Ovr/(Und)
		vs. 2015	vs. 2015			vs. 2015	vs. 2015		
WATER									
Sales	\$1,282,326	\$857,174	\$425,151	49.6%		\$4,937,432	\$4,357,529	\$579,903	13.3%
Operating Expenses	\$983,369	\$655,895	\$327,473	49.9%		\$5,559,511	\$5,828,937	(\$269,426)	-4.6%
Capital (Unrestricted)	\$641,315	\$698,501	(\$57,186)	-8.2%		\$2,317,480	\$4,509,449	(\$2,191,969)	-48.6%
WASTEWATER									
Sales	\$844,321	\$732,969	\$111,352	15.2%		\$4,798,655	\$4,374,029	\$424,626	9.7%
Operating Expenses	\$519,583	\$511,676	\$7,907	1.5%		\$2,942,754	\$2,992,944	(\$50,190)	-1.7%
Capital (Unrestricted)	\$402,883	\$865,686	(\$462,804)	-53.5%		\$1,172,584	\$1,951,451	(\$778,867)	-39.9%
POWER									
Sales	\$4,532,516	\$4,260,902	\$271,615	6.4%		\$26,924,272	\$25,758,547	\$1,165,725	4.5%
Operating Expenses	\$5,514,755	\$5,147,397	\$367,358	7.1%		\$24,966,912	\$24,356,540	\$610,372	2.5%
Capital (Unrestricted)	\$411,433	\$360,126	\$51,307	14.2%		\$3,853,398	\$3,141,172	\$712,226	22.7%

RECOMMENDATION:

Staff report only. No action required.

REVIEWED BY DIRECTOR:

AB for Bm

LIST OF ATTACHMENTS:

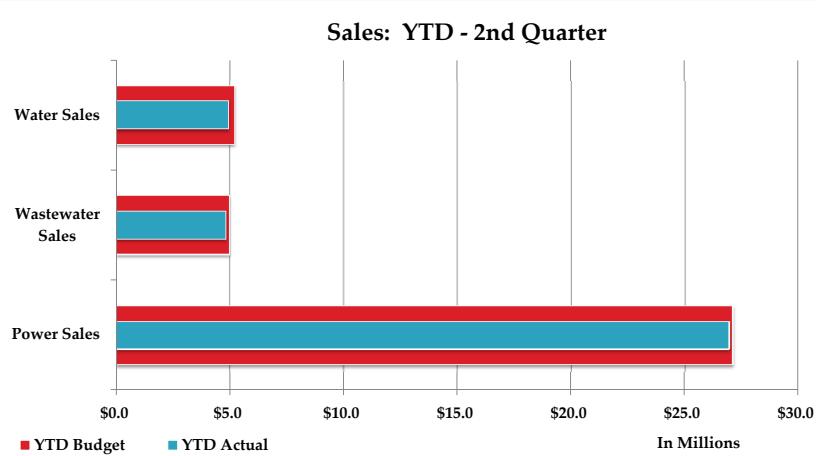
- PowerPoint Slides
- City of Loveland Financial Statement-Raw Water
- City of Loveland Financial Statement-Water
- City of Loveland Financial Statement-Wastewater
- City of Loveland Financial Statement-Power

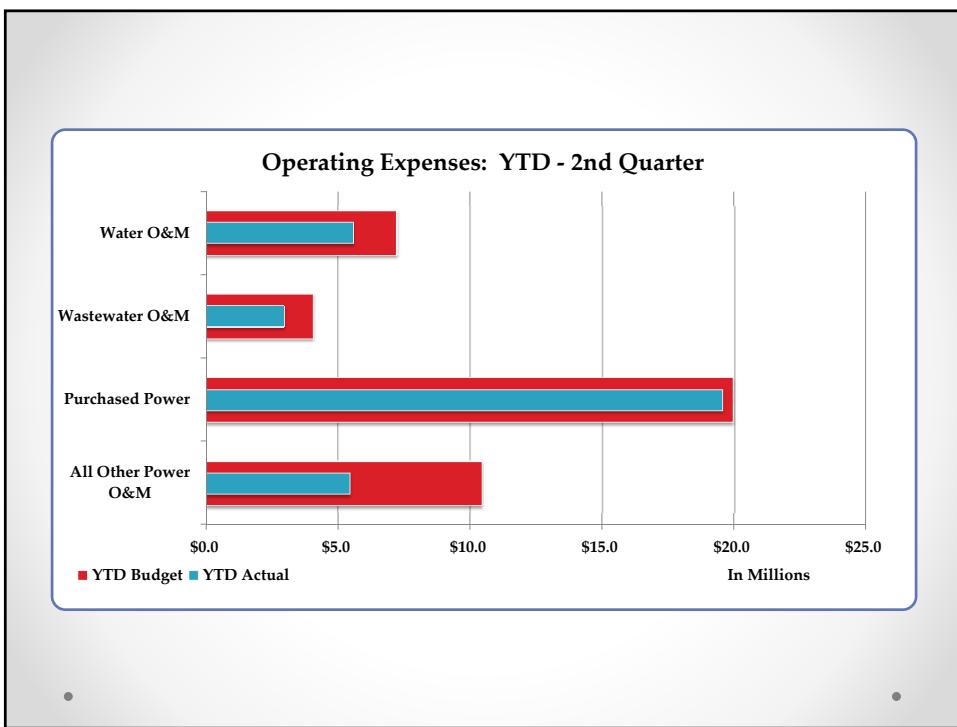
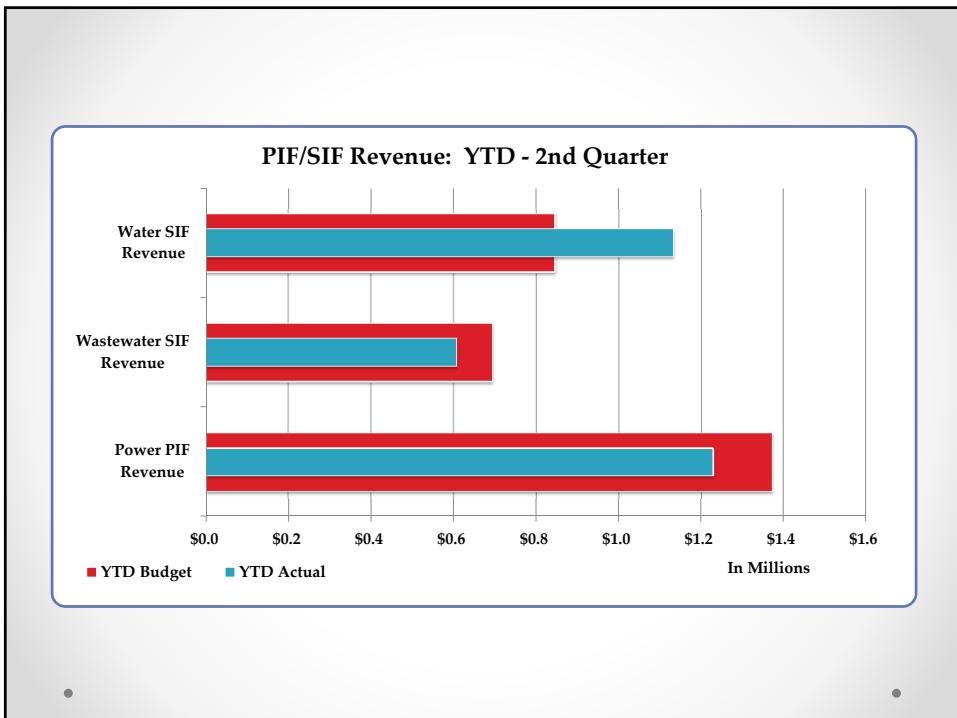


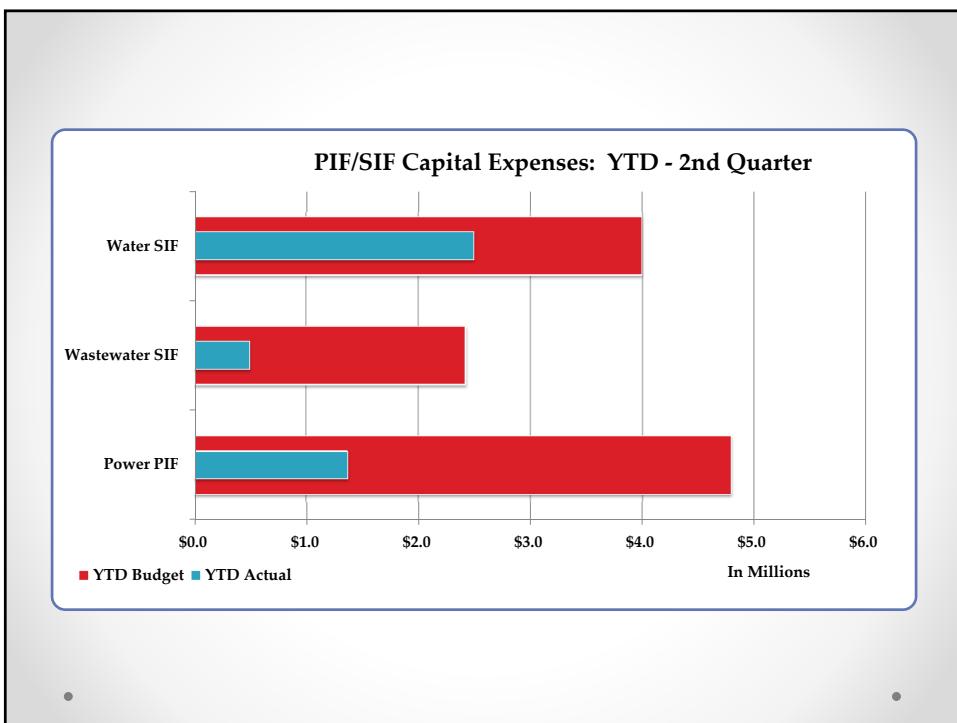
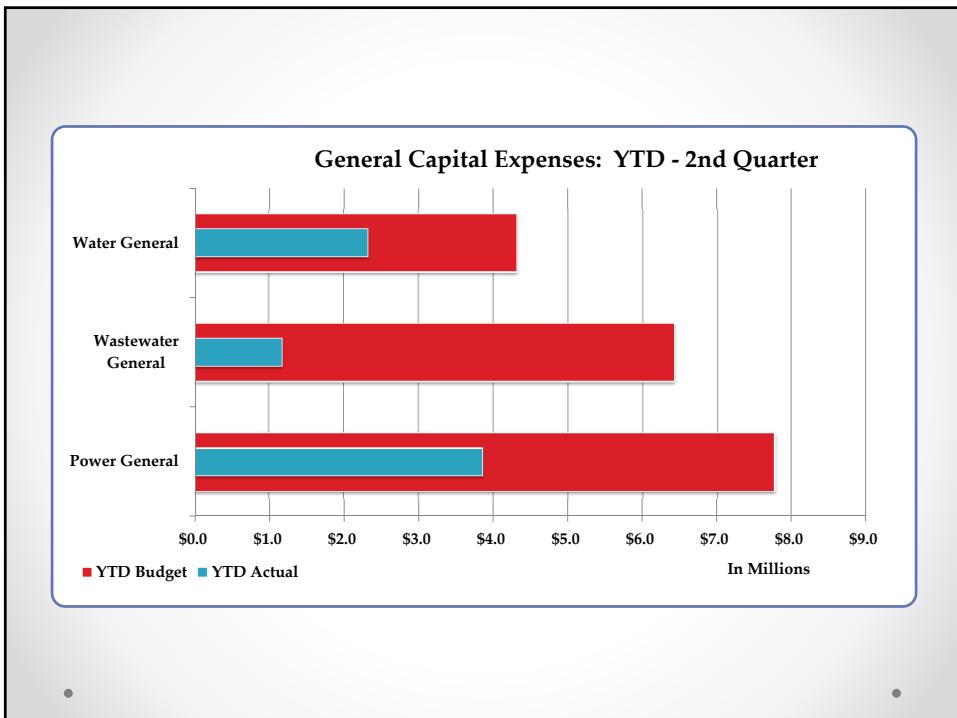
Water & Power Quarterly Financial Report

Loveland Utilities Commission

July 27, 2016







City of Loveland
Financial Statement-Raw Water
For Period Ending 06/30/2016

	* TOTAL BUDGET FYE 12/31/2016	YTD ACTUAL	YTD BUDGET	OVER <UNDER>	VARIANCE
1 REVENUES & SOURCES					
2 Hi-Use Surcharge	52,500	8,038	26,280	(18,242)	-69.4%
3 Raw Water Development Fees/Cap Rec Surcharge	337,610	214,079	191,220	22,859	12.0%
4 Cash-In-Lieu of Water Rights	250,000	171,242	124,980	46,262	37.0%
5 Native Raw Water Storage Fees	5,000	68,009	2,500	65,509	2620.4%
6 Loan Payback from Water	134,000	41,745	33,500	8,245	24.6%
7 Raw Water 1% Transfer In	396,080	148,123	156,120	(7,997)	-5.1%
8 Interest on Investments	237,270	115,771	118,620	(2,849)	-2.4%
9 TOTAL REVENUES & SOURCES	1,412,460	767,007	653,220	113,787	17.4%
10 OPERATING EXPENSES					
11 Loan to Water	9,000,000	0	9,000,000	(9,000,000)	-100.0%
12 Windy Gap Payments	856,080	856,023	856,080	(57)	0.0%
13 TOTAL OPERATING EXPENSES	9,856,080	856,023	9,856,080	(9,000,057)	-91.3%
14 NET OPERATING REVENUE/(LOSS) (excl depr)	(8,443,620)	(89,016)	(9,202,860)	9,113,844	-99.0%
15 RAW WATER CAPITAL EXPENDITURES	2,620,820	1,118,956	1,030,010	88,946	8.6%
16 ENDING CASH BALANCES					
17 Total Available Funds	*	*	11,472,888		
18 Reserve - Windy Gap Cash	*	*	1,709,169		
19 Reserve - 1% Transfer From Rates	*	*	5,232,101		
20 Reserve - Native Raw Water Storage Interest	*	*	1,596,686		
21 TOTAL RAW WATER CASH	*	*	20,010,844		
22 MINIMUM BALANCE (15% OF OPER EXP)	*	*	1,478,412		
23 OVER/(UNDER) MINIMUM BALANCE	*	*	18,532,432		

NOTE: YTD ACTUAL DOES NOT INCLUDE ENCUMBRANCES TOTALING: 0

City of Loveland
Financial Statement-Water
For Period Ending 06/30/2016

	TOTAL BUDGET		OVER <UNDER>		
	* FYE 12/31/2016	* YTD ACTUAL	YTD BUDGET		VARIANCE
1 **UNRESTRICTED FUNDS**					
2 REVENUES & SOURCES					
3 Water Sales	13,202,610	4,937,432	5,203,800	(266,368)	-5.1%
4 Raw Water Transfer Out	(396,080)	(148,123)	(156,120)	7,997	-5.1%
5 Wholesale Sales	137,200	26,783	32,300	(5,517)	-17.1%
6 Meter Sales	51,530	57,276	19,700	37,576	190.7%
7 Interest on Investments	88,560	46,933	44,280	2,653	6.0%
8 Other Revenue	1,415,760	223,435	1,206,730	(983,295)	-81.5%
9 Federal and State Grants	1,560,135	928,404	1,560,135	(631,731)	-40.5%
10 Internal Loan Monies Received	1,753,832	750,000	1,377,592	(627,592)	-45.6%
11 External Loan Monies Received	2,793,406	2,963,732	2,793,406	170,326	6.1%
12 TOTAL REVENUES & SOURCES	20,606,953	9,785,872	12,081,823	(2,295,951)	-19.0%
13 OPERATING EXPENSES					
14 Source of Supply	3,304,490	872,389	1,671,868	(799,479)	-47.8%
15 Treatment	3,017,861	1,110,993	1,409,208	(298,215)	-21.2%
16 Distribution Operation & Maintenance	3,526,266	1,308,995	1,724,884	(415,889)	-24.1%
17 Administration	530,775	198,296	229,509	(31,213)	-13.6%
18 Customer Relations	339,276	111,319	163,490	(52,171)	-31.9%
19 PILT	896,460	335,252	365,538	(30,286)	-8.3%
20 1% for Arts Transfer	61,019	21,541	43,507	(21,966)	-50.5%
21 Services Rendered-Other Departments	1,147,987	532,930	578,245	(45,315)	-7.8%
22 Internal Loan Debt Expense	817,500	796,620	817,500	(20,880)	-2.6%
23 External Loan Debt Expense	292,151	271,176	203,786	67,390	33.1%
24 TOTAL OPERATING EXPENSES	13,933,785	5,559,511	7,207,535	(1,648,024)	-22.9%
25 NET OPERATING REVENUE/(LOSS)(excl depr)	6,673,168	4,226,361	4,874,288	(647,927)	-13.3%
26 CAPITAL EXPENDITURES	5,342,310	2,317,480	4,312,502	(1,995,022)	-46.3%
27 ENDING CASH BALANCE			8,701,981		
28 WATER DEBT FUNDS ENDING CASH BALANCE			178,616		
29 MINIMUM BALANCE (15% OF OPER EXP)			2,090,068		
30 OVER/(UNDER) MINIMUM BALANCE			6,611,913		
31 **RESTRICTED FUNDS**					
32 REVENUES & SOURCES					
33 SIF Collections	2,079,620	1,131,270	844,370	286,900	34.0%
34 SIF Interest Income	52,670	10,191	26,810	(16,619)	-62.0%
35 SIF Federal and State Grants	937,440	520,691	937,440	(416,749)	-44.5%
36 Internal Loan Monies Received	8,000,000	0	8,000,000	(8,000,000)	-100.0%
37 TOTAL SIF REVENUES & SOURCES	11,069,730	1,662,152	9,808,620	(8,146,468)	-83.1%
38 SIF Capital Expenditures	4,418,493	2,492,600	3,992,753	(1,500,153)	-37.6%
39 1% for Arts Transfer	97,229	24,688	61,997	(37,309)	-60.2%
40 Internal Loan Debt Expense	0	0	0	0	0.0%
41 SIF ENDING CASH BALANCE			1,769,245		
42 TOTAL ENDING CASH BALANCE			10,471,226		
NOTE: YTD ACTUAL DOES NOT INCLUDE ENCUMBRANCES TOTALING:			4,920,780		
43 Water Treated at WTP (in million gallons)			1,787		
44 Water Sold To Customers (in million gallons, includes Ranch Water & Hydrant Sales)	3,795	1,134	1,325	(190)	-14.4%

City of Loveland-LIVE
Financial Statement-Wastewater
For Period Ending 06/30/2016

	TOTAL BUDGET		OVER		
	FYE 12/31/2016	YTD ACTUAL	YTD BUDGET	<UNDER>	VARIANCE
1 **UNRESTRICTED FUNDS**					
3 Sanitary Sewer Charges	10,142,610 *	4,798,655	4,972,580	(173,925)	-3.5%
4 High Strength Surcharge	358,330 *	176,216	171,470	4,746	2.8%
5 Interest on Investments	103,760 *	61,825	51,900	9,925	19.1%
6 Other Revenue	127,160 *	80,580	77,710	2,870	3.7%
7 Bond Proceeds	16,000,000 *	0	0	0	0.0%
8 Federal Grants	148,787 *	36,592	148,787	(112,195)	-75.4%
9 State Grants	1,174,501 *	213,084	924,521	(711,437)	-77.0%
10 TOTAL REVENUES & SOURCES	28,055,148 *	5,366,952	6,346,968	(980,016)	-15.4%
11 OPERATING EXPENSES					
12 Treatment	3,600,906 *	1,411,853	1,746,774	(334,921)	-19.2%
13 Collection System Maintenance	2,661,141 *	779,186	1,269,813	(490,627)	-38.6%
14 Administration	380,718 *	122,195	145,587	(23,392)	-16.1%
15 Customer Relations	40,822 *	17,368	18,940	(1,572)	-8.3%
16 PILT	735,070 *	348,241	356,268	(8,027)	-2.3%
17 1% for Arts Transfer	176,935 *	7,061	134,025	(126,964)	-94.7%
18 Services Rendered-Other Departments	749,891 *	256,850	377,161	(120,311)	-31.9%
19 TOTAL OPERATING EXPENSES	8,345,483 *	2,942,754	4,048,568	(1,105,814)	-27.3%
20 NET OPERATING REVENUE/(LOSS)(excl depr)	19,709,665 *	2,424,197	2,298,400	125,798	5.5%
21 CAPITAL EXPENDITURES	19,819,871 *	1,172,584	6,415,830	(5,243,246)	-81.7%
22 ENDING CASH BALANCE		11,193,223			
23 MINIMUM BALANCE (15% OF OPER EXP)		1,251,822			
24 OVER/(UNDER) MINIMUM BALANCE		9,941,401			
25 **RESTRICTED FUNDS**					
26 REVENUES & SOURCES					
27 SIF Collections	1,517,660 *	606,565	693,650	(87,085)	-12.6%
28 SIF Interest Income	108,410 *	46,796	54,180	(7,384)	-13.6%
29 SIF Bond Proceeds	8,900,000 *	0	0	0	0.0%
30 TOTAL SIF REVENUES & SOURCES	10,526,070 *	653,361	747,830	(94,469)	-12.6%
31 SIF Capital Expenditures	10,949,788 *	491,653	2,417,595	(1,925,942)	-79.7%
32 1% for Arts Transfer	98,104 *	3,219	62,524	(59,305)	-94.9%
33 SIF ENDING CASH BALANCE		8,334,164			
TOTAL ENDING CASH BALANCE		19,527,387			
NOTE: YTD ACTUAL DOES NOT INCLUDE ENCUMBRANCES TOTALING		3,678,454			
34 Wastewater Treated at WWTP (in million gallons)	*	N/A *	1,235	N/A	
35 Wastewater Billed To Customers (in million gallons)	*	1,806 *	811	870	(59)
					-6.8%

City of Loveland
Financial Statement-Power
For Period Ending 6/30/2016

	TOTAL BUDGET	YTD ACTUAL	YTD BUDGET	OVER <UNDER>	VARIANCE
UNRESTRICTED FUNDS					
1 REVENUES & SOURCES:					
2 Electric revenues	\$58,665,860	\$26,924,272	\$27,078,720	(\$154,448)	-0.6%
3 Wheeling charges	\$240,000	\$114,070	\$120,000	(\$5,930)	-4.9%
4 Interest on investments	\$256,680	\$118,240	\$128,340	(\$10,100)	-7.9%
5 Aid-to-construction deposits	\$1,530,000	\$638,537	\$765,000	(\$126,463)	-16.5%
6 Customer deposit-services	\$260,000	\$152,444	\$130,000	\$22,444	17.3%
7 Late Payment Penalty Fees	\$415,000	\$250,890	\$207,500	\$43,390	20.9%
8 Connect Fees	\$160,000	\$82,923	\$80,000	\$2,923	3.7%
9 Services rendered to other depts.	\$5,890	\$0	\$2,945	(\$2,945)	-100.0%
10 Other revenues	\$387,220	\$268,070	\$193,610	\$74,460	38.5%
11 Federal Grants	\$3,500,000	\$0	\$1,750,000	(\$1,750,000)	-100.0%
12 State Grants	\$0	\$0	\$0	\$0	0.0%
13 Year-end cash adjustments	\$0	\$0	\$0	\$0	0.0%
14 TOTAL REVENUES & SOURCES	\$65,420,650	\$28,549,446	\$30,456,115	(\$1,906,669)	-6.3%
15 OPERATING EXPENSES:					
16 Hydro oper. & maint.	\$5,842,549	\$52,000	\$2,921,275	(\$2,869,275)	-98.2%
17 Purchased power	\$42,673,764	\$19,534,009	\$19,852,143	(\$318,134)	-1.6%
18 Distribution oper. & maint.	\$6,673,658	\$1,686,960	\$3,336,829	(\$1,649,869)	-49.4%
19 Customer Relations	\$1,305,442	\$424,507	\$652,721	(\$228,214)	-35.0%
20 Administration	\$841,837	\$270,368	\$420,919	(\$150,550)	-35.8%
21 Payment in-lieu-of taxes	\$4,120,990	\$1,864,232	\$1,973,954	(\$109,722)	-5.6%
22 1% for Arts Transfer	\$86,060	\$4,685	\$41,223	(\$36,538)	-88.6%
23 Services rendered-other depts.	\$2,184,721	\$1,130,151	\$1,092,361	\$37,790	3.5%
24 TOTAL OPERATING EXPENSES (excl depn)	\$63,729,021	\$24,966,912	\$30,291,423	(\$5,324,512)	-17.6%
25 NET OPERATING REVENUE/(LOSS) (excl depn)	\$1,691,629	\$3,582,534	\$164,692	\$3,417,843	\$0
26 CAPITAL EXPENDITURES:					
27 General Plant/Other Generation & Distribution	\$13,700,486	\$3,205,951	\$6,850,243	(\$3,644,292)	-53.2%
28 Aid-to-construction	\$1,530,000	\$520,236	\$765,000	(\$244,764)	-32.0%
29 Service installations	\$290,000	\$127,211	\$145,000	(\$17,789)	-12.3%
30 TOTAL CAPITAL EXPENDITURES	\$15,520,486	\$3,853,398	\$7,760,243	(\$3,906,845)	-50.3%
31 ENDING CASH BALANCE		\$21,520,501			
32 MINIMUM BAL. (15% of OPER EXP excl depn)		\$9,559,353			
33 OVER/(UNDER) MINIMUM BALANCE		\$11,961,148			
34 **RESTRICTED FUNDS**					
35 PIF Collections	\$2,741,830	\$1,227,522	\$1,370,915	(\$143,393)	-10.5%
36 PIF Interest Income	\$45,850	\$18,432	\$22,925	(\$4,493)	-19.6%
37 Water Loan Payback	\$913,050	\$796,620	\$913,050	(\$116,430)	-12.8%
38 Federal Grants	\$4,434,516	\$0	\$2,217,258	(\$2,217,258)	-100.0%
39 State Grants	\$0	\$0	\$0	\$0	0.0%
40 TOTAL REVENUES	\$8,135,246	\$2,042,575	\$4,524,148	(\$2,481,573)	-54.9%
41 PIF Feeders	\$2,800,000	\$746,610	\$1,400,000	(\$653,390)	-46.7%
42 PIF Substations & Solar	\$6,768,018	\$616,746	\$3,384,009	(\$2,767,263)	-81.8%
43 TOTAL EXPENDITURES	\$9,568,018	\$1,363,356	\$4,784,009	(\$3,420,653)	-71.5%
44 ENDING PIF CASH BALANCE		\$3,184,226			
45 TOTAL ENDING CASH BALANCE		\$24,704,728			

NOTE: YTD ACTUAL does NOT include encumbrances totalling \$11,601,450

46 Energy Purchased (in million kWh) from PRPA	742	354	353	0	4.2%
47 Energy Sold to Customers (in million kWh)	713	336	340	(4)	-1.1%



CITY OF LOVELAND
WATER & POWER DEPARTMENT
200 North Wilson • Loveland, Colorado 80537
(970) 962-3000 • FAX (970) 962-3400 • TDD (970) 962-2620

AGENDA ITEM: 7

MEETING DATE: 7/27/2016

SUBMITTED BY: Bob Miller, Interim Director

AB for BM

TITLE: Commission/Council Report

SUMMARY:

Discuss events that the Loveland Utility Commission Board members attended and any City Council items related to the Water and Power Department from the past month.

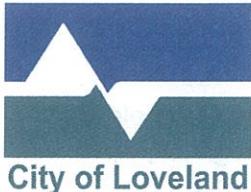
- Re-appointment of LUC board members Dave Schneider and Randy Williams – July 5, 2016

RECOMMENDATION:

Commission/Council report only.

REVIEWED BY DIRECTOR:

AB for BM



CITY OF LOVELAND

WATER & POWER DEPARTMENT

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AGENDA ITEM: 8

MEETING DATE: 7/27/2016

SUBMITTED BY: Bob Miller, Interim Director

AB for Bm

TITLE: Director's Report

SUMMARY:

- **South Platte Forum** — The 2016 South Platte Forum will be held in Loveland, Colorado at the Embassy Suites on October 26-27, 2016. Please let Allison Bohling know if you are interested in attending. For a copy of the preliminary conference schedule please visit the link below. — Allison Bohling
<http://www.southplatteforum.org/>
- **Loveland Youth Gardeners: Garden and Art Tour** — The 13th annual Loveland Garden Tour & Art Show, was held on Saturday, June 18, from 8:00 am to 3:00 pm. This event featured an array of lakeside gardens located in northeast Loveland that demonstrated sustainable gardening and conservation techniques, including: low-water landscapes, combinations of organic vegetable and flower beds and wildlife habitats. Loveland Water and Power was one of many sponsors for this event and had a booth to distribute energy efficiency and water conservation program information. — Allison Bohling
- **Joint Meeting with Fort Collins Energy Board and Loveland Utilities Commission** — Staff would like to gather feedback from board members regarding what topics would be of interest to discuss during this meeting. Fort Collins has suggested, to discuss each cities' electric energy values, goals, strategies, and current projects and areas of collaboration. The joint meeting is scheduled for October 27, 2016 at 5 pm located at 117 N. Mason, Fort Collins in the Utilities Board Conference Room. More details regarding logistics will be discussed as the meeting date gets closer. — Allison Bohling
- **2017 Budget Update on the 10-Year Capital Improvement Programs (CIP)** — City Council will receive a staff presentation on the entire 10-year CIP at the August 9, 2016 City Council Study Session. — Jim Lees

Significant upcoming dates for the budget process are:

- August 9, 2016: 2017 Budget City Council Study Session #1
- September 13, 2016: 2017 Budget City Council Study Session #2
- October 4, 2016: First Reading of 2017 City Budget
- October 18, 2016: Second Reading of 2017 City Budget

- **Water Treatment Plant Expansion Project Celebration** — Please see attachment A for the formal invite to the event. — Allison Bohling

- **Colorado Water Congress 2016 Summer Conference** — The conference will be held at the Sheraton Steamboat Resort in Steamboat, Colorado from August 24 through 26, 2016. The City will cover LUC board member costs of the registration (Includes the following meals: Wednesday lunch, Thursday breakfast and lunch and Friday breakfast and brunch.). Board members will be responsible for covering the lodging, transportation and additional meal expenses. See the following link for additional information. Please let Allison Bohling know if you are interested in attending. – Allison Bohling
<http://www.cowatercongress.org/summer-conference.html>
- **FEMA Alternate Project Update** — Namaste is approximately 25% complete with the pile driving on the solar site. The galvanized chain link fence has been installed around the entire site which is critical to keep the equipment and panels that are being delivered to the site safe. In addition, contractors are trenching to install conduit on the site. Staff is in the process of reviewing transformer drawings and LUC will approve two bids for the substation at the LUC meeting this month, for the block wall and switchgear. Lastly, Staff is working with PRPA on a new design for the transmission lines on the west side of the property. – Gretchen Stanford
- **Broadband Update** — Brieana Reed-Harmel has been appointed as the full-time Project Manager for the broadband project in Loveland. Brieana will be taking over this role that was previously performed by Steve Adams.

Denver-based consulting specialist Magellan Advisors has been selected to perform the Broadband Assessment and Feasibility Analysis for the City of Loveland. The internal Broadband Project Team and Magellan Advisors have already begun work towards this effort and public outreach and engagement is expected to begin within the next few weeks.

The Broadband Task Force, comprised of representation from local business and community members with an interest in the broadband initiative had their second task force meeting on Thursday, July 7, 2016. This meeting was hosted by the Thompson School District at the Loveland High School Library. At the first meeting on Thursday June 2, 2016, Mindy McCloughan with the Loveland Chamber of Commerce was elected as the Chairperson for the Broadband Task Force and Dr. Dan Maas with the Thompson School District was elected as Vice-Chair. Future meetings will be held the first Thursday of each month from 10:00 a.m. to Noon. The locations for each meeting will rotate to the various Task Force member sites for hosting. John Fogle will represent Loveland City Council at these meetings as the appointed liaison to the Broadband Task Force.

Regional cooperation meetings continue to be held between Loveland, Estes Park, Fort Collins, Longmont and Larimer County on a reoccurring basis. These meetings focus on discussing the broadband objectives in these respective communities.

For additional information on Loveland's broadband initiative please refer to the City's website at www.cityofloveland/broadband – Kim O'Field

- **Cherry Pie Festival** — The Cherry Pie Festival took place on July 16, 2016 from 5 pm to 8 pm at Peters Park and 5th Street adjacent to the Museum. The festival had children's activities, historical displays, and a cherry pie contest. Loveland Water and Power was one of many sponsors for this event and had a booth to distribute energy efficiency and water conservation program information. – Allison Bohling

- **Community Stewardship Lecture Series** – High Plains Environmental Center has partnered with Loveland Water and Power to bring you a free lecture series you won't want to miss! Every second Tuesday throughout the year, the public is invited to go to Grimm Brothers Brewhouse, 623 Denver Avenue Loveland, CO 80537 and learn from experts in the field about horticulture, energy, water, sustainability and more. Pre-registration is required. New topics announced monthly. For more information about the lecture series and how to sign-up, check out www.cityofloveland.org/LWPLectures. – Lindsey Bashline



Calendar of Upcoming Lectures:

- August 9, 2016 – Composting
- September 13, 2016 – Powering-up! Renewable energy options in Loveland
- October 11, 2016 – Reducing Nutrient Runoff in Stormwater Ponds

- **Northern Water Tours** — If you are interested in attending one of these tours please let Allison Bohling know as soon as possible. The tours are becoming increasingly popular some of the tours are full and accepting requests on a waitlist.

East Slope (7:30 a.m. – 4:30 p.m.)

Thursday, August 18, 2016

RECOMMENDATION:

Director's report only.

REVIEWED BY DIRECTOR:

AB for Bm

Attachment A

WATER TREATMENT PLANT EXPANSION PROJECT CELEBRATION



**PLEASE JOIN US TO CELEBRATE
the City of Loveland's single largest
completed capital improvement project
in its history. Join us for a ribbon cutting
ceremony, tours, food and refreshments.**

SCHEDULE OF EVENTS

10 AM.....	RIBBON CUTTING
10:30 AM	TOURS
11:30 AM - 1 PM.....	LUNCH

WEDNESDAY - AUGUST 24, 2016

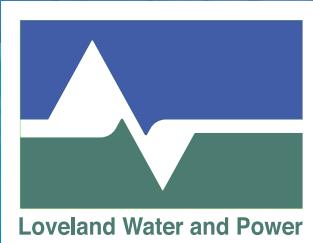
10 AM-1 PM at the LOVELAND WATER TREATMENT PLANT
3152 N. CR 29 - LOVELAND

Event is invite only and RSVP is REQUIRED.

To RSVP visit cityoflovleand.org/WTPCelebration

or call 970.962.3567

PARKING IS LIMITED, CARPOOLING IS STRONGLY ENCOURAGED.



Loveland Water and Power



Moltz Construction, Inc.



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