ASHLAND CITY COUNCIL
SPECIAL STUDY SESSION MINUTES
Wednesday, December 17, 2025

Mayor Graham called the meeting to order at 5:30 p.m.
Council Present: Mayor Graham, Councilors Bloom, Dahle, DuQuenne, Hansen, Kaplan, and Sherrell.
Council Absent: none
Staff Present:

Sabrina Cotta	City Manager
Alissa Kolodzinski	City Recorder
Tom McBartlett	Director of Electric
Bryn Morrison	Interim Finance Director

I. Call to Order

II. Reports and Presentations

a. *Electric Rate Presentation and Proposal*

McBartlett, presented along consultants Mark Beauchamp and Mike Johnson from Utility Financial Solutions (UFS) (presentation attached). Morrison was also present to answer questions.

Beauchamp noted that Ashland's electric utility is in good financial position with low debt and adequate cash reserves but faces challenges with aging infrastructure (approximately 59% depreciated) and is currently spending $1.5-2 million in cash reserves annually.

The presentation focused on three key components of a rate study:

1. Long-term financial projections (examining what revenue requirements are needed)
2. Cost of service study (identifying costs to provide service to each customer class)
3. Rate design (determining how to structure rates to achieve financial goals)

Beauchamp emphasized that Ashland has one of the lowest electric rates in the country, with average residential customers paying around $70 monthly compared to the national average of approximately $120. This was attributed to both BPA's hydropower supply and the efficient management of the distribution system.

Key financial metrics reviewed included:

- Debt coverage ratio (not currently applicable as Ashland is debt-free)
- Minimum cash reserves (calculated based on working capital needs, power supply costs, capital improvement funding, and emergency reserves)
- Operating income targets

The financial model showed that without rate adjustments, cash reserves would decrease annually and become negative by 2029. Current projections indicate operating losses of approximately $1.1 million, with those losses projected to grow each year.

UFS recommended a 3.9% annual rate increase over five years to maintain financial stability while minimizing customer impact. It was emphasized that delaying rate increases would ultimately require steeper increases later, about 5.5% annually if delayed by one year, and potentially double-digit increases if delayed further. For the average residential customer, the proposed 3.9% increase would result in approximately $3 more per month.

The cost-of-service study indicated that current rates are relatively well-aligned with actual costs across customer classes, with recommended adjustments falling within a tight range. The proposal included a modest $0.50 increase to the residential customer charge (from $16.25 to $16.75) and maintaining the inclining block rate structure with a 20% differential between blocks.

During council discussion, several questions were addressed:

- Councilors asked about the loss of cash reserves mentioned in the presentation given that financial statements showed positive net income in recent years. It was clarified that the projected cash loss was attributed to a combination of projected operational and capital expenditures.
- Councilors inquired how the minimum cash reserve requirements were calculated. The methodology was outlined which includes: 45-day working capital requirements, ensuring coverage for the largest power supply bill, incorporation of a 5-year capital improvement program, and a contingency for unexpected events.
- Councilors questioned how the rate proposal would affect low-income discount programs. The current budget allocates approximately $265,000 annually for these discounts, allowing qualifying households to receive a 30% discount up to $400 per year.
- A question was raised about whether the proposed rate increase would be used to fund recently approved staff salary increases. Cotta clarified that all electric utility revenue is allocated toward electric utility expenses.

Council discussion also included the importance of making modest, planned rate increases now rather than facing steep increases or infrastructure failures later. It was noted that unlike for-profit utilities, Ashland's municipal utility has maintained high reliability and avoids outages common to surrounding areas. The council credited the City's continued affordability and efficiency to effectively managing the municipally owned utility system and the approach of gradual rate adjustments.

Council reached the decision to direct staff to prepare a rate resolution based on the recommended 3.9% annual increase with a range of plus or minus 1% (allowing adjustments between 2.9% and 4.9% for specific customer classes). The resolution will come to a future business meeting for formal consideration.

III. Adjournment of Study Session

The meeting was adjourned at 7:34 p.m.

Alissa Kolodzinski | Tonya Graham

City Recorder Alissa Kolodzinski | Mayor Tonya Graham

City of Ashland Electric Department

UFS UTILITY FINANCIAL SOLUTIONS, LLC

Electric Cost of Service Study/Financial Projection

Mark Beauchamp
President, Utility Financial Solutions, LLC
mbeauchamp@ufsweb.com
616 403 5450

Analytical Steps of Setting Rates

Financial Projection — Define Revenue Requirements – Cash or Utility Basis – revenues needed to properly fund the system

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Cost of Service — Equitably allocates the revenue requirements between the various customer classes

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Rate Design — Design rates for each class of service to meet the revenue needs of the utility, along with any other rate design goals and objectives

Objectives

- Financial Projection
  - Debt Coverage Ratio – No Debt
  - Minimum Cash Levels
  - Target Operating Income
- Rate Adjustment Plan
- Review Cost of Service Results
  - Class Cost Results
  - Customer Charges
- Sample Rate Designs

Significant Assumptions

Fiscal Year	Inflation	Growth	Energy/Demand Change	Transmission Change	Investment Income	Utility Funded Capital
2026	3.1%	0.2%	-1.6%	17.6%	3.0%	1,000,000
2027	3.1%	0.2%	0.0%	0.0%	3.0%	1,000,000
2028	3.1%	0.2%	-0.3%	0.0%	1.0%	1,000,000
2029	3.1%	0.2%	1.0%	1.0%	1.0%	1,000,000
2030	3.1%	0.2%	3.0%	3.0%	0.5%	1,000,000

Not Meeting Debt Coverage

- Technically in default even if making payment but not meeting Debt Coverage Ratio

DEFAULT OF LOAN

- Affects ratings and ability to issue bonds in future
- Affects interest rate in the future = higher risk
- If you participate in projects through a Joint Action Agency, may have significant impacts on future bond ratings of the Agency and other participating utilities

COS Summary Financial Results (without rate change)

Fiscal Year	Projected Rate Adjustments	Debt Coverage Ratio	Adjusted Operating Income	Optimal Operating Income	Projected Cash Balances	Recommended Minimum Cash
2026	0.0%	N/A	$ (1,142,821)	$ 996,073	$ 5,622,148	$ 4,478,794
2027	0.0%	N/A	$ (1,500,131)	1,058,363	$ 3,745,991	4,570,550
2028	0.0%	N/A	$ (1,812,554)	1,119,832	$ 1,466,206	4,646,324
2029	0.0%	N/A	$ (2,241,281)	1,180,747	$ (1,225,103)	4,750,793
2030	0.0%	N/A	$ (2,855,228)	1,241,305	$ (4,505,022)	4,900,950

Debt Coverage Ratio (No Rate Change)

Informational: No Debt

Description	Projected 2026	Projected 2027	Projected 2028	Projected 2029	Projected 2030
Debt Coverage Ratio					
Net Income	$ (799,336)	$ (1,201,466)	$ (1,645,094)	$ (2,096,619)	$ (2,725,228)
Add Depreciation/Amortization Expense	305,309	325,309	365,309	405,309	445,309
Add Interest Expense	-	-	-	-	-
Cash Generated from Operations	$ (494,026)	$ (876,157)	$ (1,279,785)	$ (1,691,309)	$ (2,279,919)
Debt Principal and Interest	$ -	$ -	$ -	$ -	$ -
Projected Debt Coverage Ratio (Covenants)	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Minimum Debt Coverage Ratio	**1.4**	**1.4**	**1.4**	**1.4**	**1.4**

Reasons for Minimum Cash

- Pay Bills
- Catastrophic Events
  - Wind, Ice, Equipment Failure
- Changes in Power Supply (PCA helps)
- Capital Costs
- Debt Service

Maintain Stable Rates for Customers

- Allows the utility to draw down on reserves for an unexpected event rather than issue debt or substantial rate increases
- Allows the ability to phase in large rate adjustments
- Reduces the chance of a significant transfers to city to reduce cash levels

Minimum Cash (No Rate Change)

Description	Projected 2026	Projected 2027	Projected 2028	Projected 2029	Projected 2030
Minimum Cash Reserve Allocation					
Operation & Maintenance Less Depreciation Expense	12.3%	12.3%	12.3%	12.3%	12.3%
Purchase Power Expense	10.1%	10.1%	10.1%	10.1%	10.1%
Historical Rate Base	3%	3%	3%	3%	3%
Current Portion of Debt Service Payment	83%	83%	83%	83%	83%
Five Year Capital Improvements - Net of bond proceeds	20%	20%	20%	20%	20%
% Plant Depreciated	58%	58%	57%	57%	56%
Calculated Minimum Cash Level					
Operation & Maintenance Less Depreciation Expense	$ 1,182,383	$ 1,226,387	$ 1,264,711	$ 1,304,223	$ 1,344,959
Purchase Power Expense	869,753	871,295	870,936	881,404	909,662
Historical Rate Base	589,268	619,268	649,268	679,268	709,268
Current Portion of Debt Service Reserve	-	-	-	-	-
Five Year Capital Improvements - Net of bond proceeds	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Maintain 90 Days Cash	837,390	853,600	861,410	885,898	937,060
Minimum Cash Reserve Levels	**$ 4,478,794**	**$ 4,570,550**	**$ 4,646,324**	**$ 4,750,793**	**$ 4,900,950**
Projected Cash Reserves	**$ 5,622,148**	**$ 3,745,991**	**$ 1,466,206**	**$ (1,225,103)**	**$ (4,505,022)**

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Should public power have a rate of return?

Adequate rate of return on investment to help ensure current customers are paying their fair share of the use of the infrastructure and not deferring the charge to future generations

- Fund interest expense
- Fund inflationary increase on historical investment of system

Optimal Income (No Rate Change)

Description	Projected 2026	Projected 2027	Projected 2028	Projected 2029	Projected 2030
Optimal Operating Income Determinants					
Net Book Value/Working Capital	$ 8,166,900	$ 8,761,591	$ 9,316,281	$ 9,830,972	$ 10,305,662
Outstanding Principal on Debt	-	-	-	-	-
Contributed Capital Estimated NBV	670,000	590,000	510,000	430,000	350,000
System Equity	$ 7,496,900	$ 8,171,591	$ 8,806,281	$ 9,400,972	$ 9,955,662
Debt:Equity Ratio	0%	0%	0%	0%	0%
Optimal Operating Income Allocation					
Interest on Debt	0.00%	0.00%	0.00%	0.00%	0.00%
Contributed Capital Estimated	11.42%	12.97%	15.00%	17.79%	21.86%
System Equity	12.27%	12.02%	11.85%	11.75%	11.70%
Optimal Operating Income					
Interest on Debt	$ -	$ -	$ -	$ -	$ -
Contributed Capital Estimated	76,500	76,500	76,500	76,500	76,500
System Equity	$ 919,573	$ 981,863	$ 1,043,332	$ 1,104,247	$ 1,164,805
Optimal Operating Income	**$ 996,073**	**$ 1,058,363**	**$ 1,119,832**	**$ 1,180,747**	**$ 1,241,305**
Projected Operating Income	**$ (1,142,821)**	**$ (1,500,131)**	**$ (1,812,554)**	**$ (2,241,281)**	**$ (2,855,228)**
Rate of Return in %	**12.2%**	**12.1%**	**12.0%**	**12.0%**	**12.0%**

Potential Rate Track

Fiscal Year	Projected Rate Adjustments	Debt Coverage Ratio	Adjusted Operating Income	Optimal Operating Income	Projected Cash Balances	Recommended Minimum Cash
2026	3.9%	N/A	$ (812,869)	$ 996,073	$ 5,952,099	$ 4,478,794
2027	3.9%	N/A	$ (128,325)	1,058,363	$ 5,457,647	4,570,550
2028	3.9%	N/A	$ 297,173	1,119,832	$ 5,304,706	4,646,324
2029	3.9%	N/A	$ 638,044	1,180,747	$ 5,531,107	4,750,793
2030	3.9%	N/A	$ 826,674	1,241,305	$ 5,960,746	4,900,950

COS Summary Results

Customer Class	Cost of Service	Projected Revenues	Effective % Change
Residential	$ 10,510,559	$ 9,282,505	13.2%
Seasonal Residential	74,631	67,685	10.3%
Outdoor Area Lighting	15,640	12,588	24.3%
Commercial/Telecommunications 1ϕ	1,789,424	1,602,736	11.6%
Commercial/Telecommunications 3ϕ	4,295,413	3,703,154	16.0%
Municipal/Government 1ϕ	244,696	235,129	4.1%
Municipal/Government 3ϕ	1,094,317	1,109,900	-1.4%
Government Large w/Base	731,377	649,891	12.5%
Government Large wo/Base	416,337	369,913	12.5%
Total	$ 19,172,394	$ 17,033,501	12.6%

What is a Customer Charge?

Recovers cost for connection to grid at zero kWh consumption

- Meter operation, maintenance and replacement costs
- Meter reading costs or AMR installation costs
- Billing costs
- Customer service department
- Service into customers facilities
- **Portion of distribution system**
  - Cost to get a wire from the sub-transmission system to customer
  - Based on minimum sizing (If all customers only used a single kWh)

Why is a Customer Charge Needed?

Stabilizes revenue

Reduces seasonal subsidies

May impact low-use customers

Low income may not be low use

Are Low-Income Customer's Low Use?

- Some use more and some use less electricity than the average residential customers
  - High or low number of people in home
  - Age, energy efficiency, own or rent
  - Mobile homes
- May consider low-income assistance or energy efficiency programs

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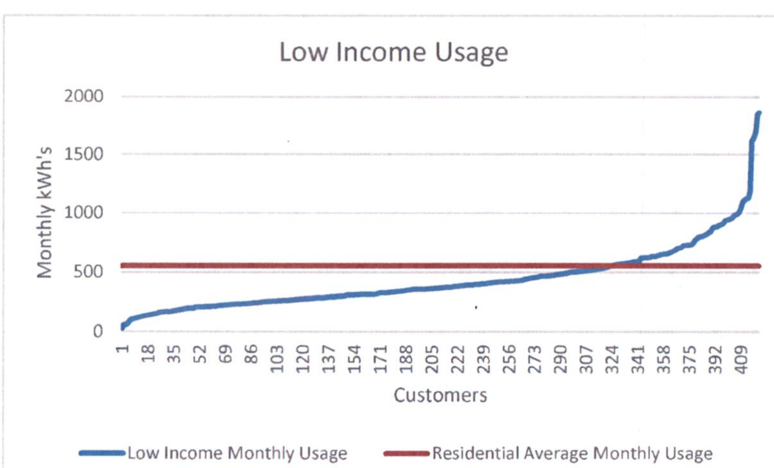
Average Residential Usage Compared with Low-Income



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Monthly Customer Charges

Customer Class	COS Customer Charge	Current Average Customer Charge
Residential	$ 17.05	$ 16.25
Seasonal Residential	24.55	16.25
Commercial/Telecommunications 1ϕ	38.02	25.21
Commercial/Telecommunications 3ϕ	75.97	52.50
Municipal/Government 1ϕ	38.57	25.56
Municipal/Government 3ϕ	119.02	53.31

Next Steps

Proposed Rate Change

- Planned 3.9%

Develop Bandwidth Rates (Rate Adjustment Plan)

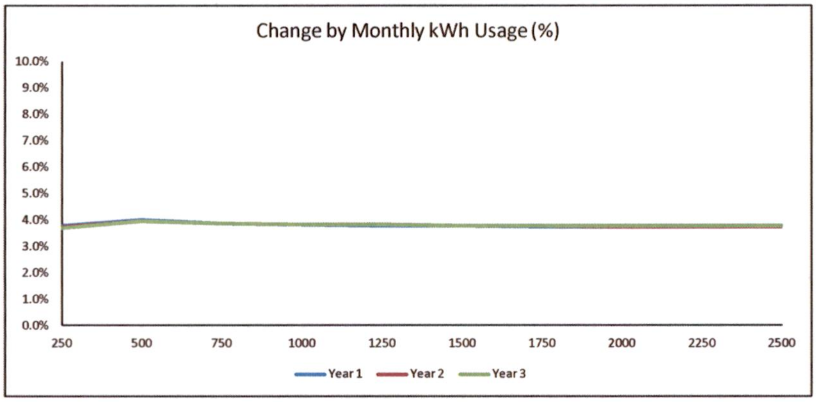
- 1% Bandwidth
  - Maximum Increase 4.9%
  - Minimum Increase 2.9%

Customer Charges

- Move toward Cost of Service
  - Residential $50c/Month

Sample Residential Rate

Rates	Current	Year 1	Year 2	Year 3
Monthly Facilities Charge:				
All Customers	$ 16.25	$ 16.75	$ 17.25	$ 17.75
Energy Charge:				
Block 1 (0 - 500 kWh)	$ 0.07570	$ 0.07903	$ 0.08251	$ 0.08615
Block 2 (501 - 5,000 kWh)	$ 0.09110	$ 0.09443	$ 0.09791	$ 0.10155
Block 3 (Excess)	$ 0.12940	$ 0.13273	$ 0.13621	$ 0.13985
Revenue from Rate	$ 9,282,505	$ 9,637,627	$ 10,006,334	$ 10,389,148
Change from Previous		3.8%	3.8%	3.8%



	Usage	Monthly Change Year 1	Year 2	Year 3
	250	$ 1.33	$ 1.37	$ 1.41
	500	$ 2.16	$ 2.24	$ 2.32
Average	750	$ 2.99	$ 3.11	$ 3.23
	1000	$ 3.83	$ 3.98	$ 4.14
	1250	$ 4.66	$ 4.85	$ 5.05
	1500	$ 5.49	$ 5.72	$ 5.96
	1750	$ 6.32	$ 6.59	$ 6.88
	2000	$ 7.15	$ 7.46	$ 7.79
	2250	$ 7.98	$ 8.33	$ 8.70
	2500	$ 8.81	$ 9.20	$ 9.61

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Questions?

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From:	noreply@civicplus.com
To:	Ashland City Recorder
Subject:	Online Form Submittal: City Council Public Comment Form
Date:	Tuesday, December 16, 2025 2:53:23 PM

[EXTERNAL SENDER]

City Council Public Comment Form

Public Comment
Use this form to submit public comment for City Council meetings. This form must be submitted by **10 a.m.** the day of the meeting to be on the record.

If you wish to speak to the Council in person at a meeting, you must fill out a Speaker Request form available on-site. Do not use this form.

Full Name	Jason Raehl
Meeting Date	12/17/2025
Email Address	[redacted]
Are you a City of Ashland resident?	Yes
Indicate if you want to provide written testimony, or if you want to speak via Zoom.	Written
Which agenda item would you like to address?	Electric Rate Increase
Comments (Leave this section blank if you are requesting to speak electronically.)	We currently pay $137.27 per month in taxes and fees for our electric and water bill before we even turn on a light bulb or use a drop of water. How much money is enough? Please be more fiscally responsible and manage the money you have instead of continuing to bleed the tax payers. People keep talking about affordable living in Ashland but continuing to raise rates and taxes is not helping. Ashland used to be a desirable place to live but now with the hospital closing, the rink not opening, homelessness and people living out of theirs cars everywhere, and the continuing rise of taxes and fees, it's probably time to move.