

Cumberland, Wisconsin
January 4, 2023

The monthly meeting of the Cumberland Municipal Utility Commission was called to order on Wednesday, January 4, 2023, at 9:00 a.m. in the Utility Conference Room located at 1265 2nd Avenue, Cumberland, Wisconsin, by Utility Commission President, Craig Turcott. The following commissioners were present: Craig Turcott, Gerald Thon, John Anderson, Louis E. Muench and Thomas Goldsmith. Also in attendance was General Manager Dean Bergstrom, Office Manager Lori Nyhus, Utility Billing Clerk Amanda Cook, Mayor Dan Shoemaker, Alderperson Bill Lussier, Alderperson Jim Schullo, Alderperson Butch O'Dell, Amanda Mboga from Baker Tilly, Chris Mlejnek and Jennifer VanDoorn from Northwest Builders, Inc., Tom Schroeder, Mike Benjamin, Deb Goldsmith, Abby Baril, Michael Furseth, Mark Ruppel and Todd Roeschlein.

Amanda Mboga, from Baker Tilly, reviewed the 2021 audit with commissioners and all that were present. Amanda provided a handout in advance of the meeting and reviewed the comparisons of the electric kilowatts sold for the past year. There was not a large change in total kilowatt sales over the last five years. In the water comparison of gallons sold, there has been a decrease over the last five years with a 7.47% decrease in sales from 2021 to 2022. This decrease is mainly in the Industrial area, which is heavily dependent on Seneca's water usage. On the sewer side, the gallons have been close to the same over the past three years. We only have the past three years of history, as that is when the Utility acquired the Sewer Utility. In the Electric Department, our authorized rate of return is 5.1%. Over the last five years, our rate of return was down in 2017, and after we had a rate increase, it went up to 11.56%. Over the next couple of years it decreased and it finally went back up again in 2021. The rate of return is a key indicator of financial results in any regulated Utility such as the Electric Utility. Any growth in plant requires the rates to cover the cost of providing service, otherwise the Utility will be weakened financially in the long run. Current rates were put into effect in September of 2017. Our rate of return in 2021 was 6.75%. When looking at the water rate of return for the same five years, the authorized rate of return is 5.25% and there has not been a huge fluctuation. In 2017, we had a rate of return of 5.83% and in 2021, we were at 4.25%. Again, the rate of return is an indicator of financial results in a regulated Water Utility. Our current rates were implemented in July of 2013. Next, we looked at the Electric and Water unrestricted funds on hand. It is recommended to have a target of three months of revenue in reserves. At this point, the Cumberland Utility has approximately 5.73 months of billings on hand. Looking at the Sewer Department's unrestricted funds on hand, again, it is recommended to have three months of minimal operation cash on hand. The Sewer Department only has 1.69 months of unrestricted funds on hand. We will continue to work to get to that three month goal in future years. Looking at the Electric and Water Utility net assets versus net plant, it is the target to have 50% of net plant funded by equity or have 50% or less of the net plant funded by debt. At this point, the Utility has 88% funded by equity and 12% funded by debt, which means we are in a good range for both the Electric and Water Utilities. Looking at the Sewer Utility, the same target is proposed and we are at 49% funded by equity and 51% funded by debt, which means that we are right on the edge of where we should be in investments and how they are funded. Baker Tilly then looks at reporting and insights of the 2021 audit. There were some communications that happen every year as far as material weakness for internal control environment and weaknesses of internal control over financial reporting. Being a small Utility and having only a few people in the office to perform certain duties, this is always a weakness that is presented every year during the audit. All in all, the Cumberland Utility is in sound financial position. The Utility Commission President thanked Amanda for her presentation of the 2021 audit.

Next, we moved on to public comments. First to speak was Tom Schroeder. He mentioned that additional items should be added to the Tom Polacek presentation for the previous meeting minutes. This was in reference to the Needs Assessment for the Utility Shop and about not pancaking rates and trying to spread out rate increases between all three Utilities so it isn't a hit on the consumer all at once. He also asked if the Utility looked at what customers want and/or need, especially on the Industrial side of concerns. He wondered if the Utility meets with

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the Industrial customers of the City to see how the Utility can better provide service to those customers. Next to speak was Mark Ruppel, regarding his business in downtown Cumberland and how our rates at CMU compare with other Utilities in the area. He also wanted to know how future projects will affect rates. Next to speak was Todd Roeschlein asking how a new Utility Shop would affect rates on larger businesses. Next to speak was commissioner Tom Goldsmith, who was not happy with how the previous Commission President, Muench, and General Manager Bergstrom handled the former IT company and how they were overseeing the monthly cost. Commissioner Goldsmith feels that we need to follow through with legal ramifications with said company for IT costs that are now occurring after the server went down in the Utility Office. Last to speak was Mike Benjamin, asking why we felt the water consumption was on a decline and how that will affect rates in the future. There being no further public comments, commissioners thanked everyone for their comments.

The commissioners reviewed the minutes from the December 19, 2022, meeting that were provided in advance. After discussion, a motion was made by Anderson and seconded by Goldsmith, to approve the set of minutes from December 19, 2022, as presented. All commissioners voted nay; motion failed. The minutes will be corrected and brought to the next meeting.

Next on the agenda was to discuss the Utility Shop project with Chris Mlejnek and Jennifer VanDoorn. At the end of the discussion, a motion was made by Anderson and seconded by Goldsmith, to have Northwest Builders on hold for the project until we develop a Needs Analysis and determine how funding will be established and how this will affect rates moving forward. All commissioners voted yes; motion carried.

The commissioners reviewed the voucher listing for approval that was provided in advance. After a few questions, a motion was made by Muench and seconded by Thon, to approve payment of said vouchers numbered 13693 through 13725, with two automatic payment transactions, for total dollar amount of \$293,996.87. Motion carried; vouchers approved.

Next, Miss Cook presented the Utility Project Report. There were no significant changes other than updating the 2023 projects moving forward and showing an end to the projects that were completed in 2022.

Office Manager Nyhus then presented the Financial Report. Electric Department sales were up for the month of November. Sales went up a total of 216,355 kilowatts over last year at this time. 3M was up approximately 77,000 kilowatts for the current month, but were still down year-to-date 293,000 kilowatts. Our net income for the month of November was slightly over \$71,000.00 compared to \$12,600.00 last year at this time. Year-to-date, we are at \$422,548.00, whereas last year at this time we were at \$329,853.00. This was nearly a \$95,000.00 increase compared to last year. Water Department sales were up in Residential but slightly down in Commercial and Industrial. 3M is down approximately 99,000 gallons year-to-date and Seneca is up slightly over 9,000,000 gallons year-to-date. Our net income in the Water Department is \$9,206.00, whereas last year at this time we a negative \$473.00. Overall year-to-date, our income is \$97,854.00, whereas last year we were at \$113,973.00, so there is a slight decrease compared to last year at this time. In the Sewer Department, nothing has changed significantly in the metered sales and REC charges compared to last year. The total income less expenses for the Sewer Utility is slightly over \$3,000.00 for the month of November whereas last year at this time we were at almost \$43,000.00. Year-to-date we are at \$304,450.00 whereas last year at this time we were at \$224,695.00. For the November cash balance report, we have a total unrestricted balance for the Utility of \$3,818,000.00. Last year at this time, we were at \$2,474,000.00. There was a question regarding why there is such a large difference. Last year's balance was after money was loaned to the City, which has since been paid back. This explains why there was such a large difference in cash amounts. A motion was made by Goldsmith and seconded by Thon, to approve the Financial Report and Project Report as presented; motion carried.

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Next, the General Manager and Office Manager reviewed the proposed Electric and Water Budgets for 2023. With our rates staying the same for electric since 2017 and water since 2013, the proposed budgets don't change a lot from year to year. The biggest thing is to try to project the sales of both electric and water. Electric sales will be down slightly this year due to the hospital moving to their new location and using Excel Energy for their electrical needs. It is projected that our kilowatt sales will be down for the year 2023, not knowing what the total amount will be. In addition, our in lieu of tax expense will be higher in the coming year in both the electric and water payments. The General Manager went through some projects that are being proposed for 2023 and the upgrade of the electrical system. In addition, some maintenance will be needed for the Generation Plant and engines. The price of wire for underground installation has risen significantly over the past two years and power pole cost and fuel for generators has increased as well. In the Water Department, total water sales remain the same from year to year, but again, the tax expense will increase with the new watermain facilities that have been installed around the City of Cumberland and out to the new hospital, which all contributes to the in lieu of tax expense. We are still projecting a positive income for both the Electric and Water Departments. The Water Department income will be under the rate of return that is authorized by the Public Service Commission. We are looking at a water rate increase; this has been submitted to the PSC. We will wait to hear on the outcome of the water rate case within the next six months. After some discussion, a motion was made by Muench and seconded by Thon, to approve the 2023 Electric and Water Budgets; motion carried. The budgets were approved.

Next was to review and approve the 2022 audit proposals. One proposal was completed by Baker Tilly and the other was by Clifton Laursen Allen auditing firms. After some discussion, a motion was made by Goldsmith and seconded by Anderson, to approve Clifton Laursen Allen auditing firm for the Utility's auditing needs for 2022; motion carried.


Next on the agenda was review and approval of a reimbursement for a financial loss to Tom and Elizabeth Hodgson for a \$1,000.00 deductible that they paid for a electrical issue that was caused during the thawing of a neighbor's water line service. After some discussion and this being how a similar deductible issue was handled in the past, a motion was made by Goldsmith and seconded by Muench, to reimburse the \$1,000.00 deductible to Tom and Elizabeth Hodgson; motion carried.

The General Manager reported that the interest rate at Cumberland Federal Bank will now be 3.85% effective January 1, 2023.

It was noted that the next commission meeting date will be Wednesday, February 1, 2023 at 9:00 a.m. in the Utility Conference Room.

There being no further business, a motion to adjourn the meeting was made by Goldsmith and seconded by Thon. Motion carried; meeting adjourned.

Respectfully submitted,



Gerald Thon, Secretary