

HASTINGS UTILITY BOARD AGENDA

**Council Chambers - City Hall Building
220 North Hastings Avenue
June 9, 2022
9:00 AM**

ROLL CALL:

PLEDGE OF ALLEGIANCE:

MOTION TO ADOPT CURRENT AGENDA FOR June 9, 2022 REGULAR MEETING.

PUBLIC NOTICE - Official Notice of the Regular Meeting was published in the Hastings Tribune on Tuesday, June 7, 2022. Pursuant to Nebraska Revised Statute Section 84-1412, the public is advised that a copy of today's agenda and all reproducible written material which will be discussed at today's meeting is located at the back of the Council Chambers. Also, a current copy of the Nebraska Open Meetings Act is posted on the south wall of the Council Chambers which is accessible to members of the public.

MANAGER'S COMMUNICATIONS:

BOARD CHAIRMAN'S COMMUNICATIONS:

BOARD MEMBERS' COMMUNICATIONS:

CITIZEN COMMUNICATIONS:

CONSENT AGENDA:

1. All Consent Items.
 - (a) Approval of the minutes of the Hastings Utility Board Meeting of May 12, 2022.

REGULAR AGENDA:

2. Unfinished Business of Preceding Meeting.
3. General Business.
 - (a) Finance
 - i. Cost of Service, Water/Wastewater
 - ii. Capital Budget, Large Projects Heads-up

iii. Staff Additions for Budget

- (b) Production
- (c) Operations
- (d) Administration
- (e) Other

4. Possible Closed Session (if necessary or requested).

ADJOURN:

The Hastings Utility Board reserves the right to enter into an executive session at any time during the meeting, in accordance with the Nebraska Open Meetings Act, even though the closed session may not be indicated on the agenda. It is the intention of the Hastings Utility Board to take up the items on the agenda in sequential order. However, the Hastings Utilities Board reserves the right to take up matters in a different order to accommodate the schedule of the Utility Board Members, persons having items on the agenda, and the public.

CITY OF HASTINGS, NEBRASKA
MINUTES OF UTILITY BOARD REGULAR MEETING
Thursday, May 12, 2022

Pursuant to due call and notice thereof, a Regular Meeting of the Utility Board of Hastings, Nebraska was conducted in the Council Chambers - City Hall Building, 220 North Hastings Avenue, on May 12, 2022.

ROLL CALL:

The meeting was called to order at 9:00 a.m. in Regular Session by Chairman Hitesman with the following members present: Bill Hitesman, Jeanette Dewalt, Mark Hemje, Susan Meeske. Absent: Shayne Raitt.

Also in attendance: Corey Stutte, Kevin Johnson, Shawn Hartmann, Brandan Lubken, Keith Leonhardt, Robin Ginn, Lori Hartman, Derek Zeisler, and Roger Nash.

PLEDGE OF ALLEGIANCE:

The Chairman led the group in recital of the Pledge of Allegiance to the United States of America.

MOTION TO ADOPT CURRENT AGENDA FOR May 12, 2022 REGULAR MEETING.

Moved by Jeanette Dewalt and seconded by Susan Meeske to adopt the current agenda for May 12, 2022. Roll Call: Ayes: Bill Hitesman, Jeanette Dewalt, Mark Hemje, Susan Meeske. Nays: None. Absent: Shayne Raitt.

PUBLIC NOTICE - Official Notice of the Regular Meeting was published in the Hastings Tribune on Tuesday, May 10, 2021. Pursuant to Nebraska Revised Statute Section 84-1412, the public is advised that a copy of today's agenda and all reproducible written material which will be discussed at today's meeting is located at the back of the Council Chambers. Also, a current copy of the Nebraska Open Meetings Act is posted on the south wall of the Council Chambers which is accessible to members of the public.

MANAGER'S COMMUNICATIONS:

None

BOARD CHAIRMAN'S COMMUNICATIONS:

None

BOARD MEMBERS' COMMUNICATIONS:

None

CITIZEN COMMUNICATIONS:

None

CONSENT AGENDA:

1. All Consent Items.

- (a) Approval of the minutes of the Hastings Utility Board Meeting of April 14, 2022.

Moved by Jeanette Dewalt and seconded by Mark Hemje to approve the minutes from the meeting on April 14, 2022. Ayes: Bill Hitesman, Jeanette Dewalt, Mark Hemje, Susan Meeske. Nays: None. Absent: Shayne Raitt.

REGULAR AGENDA:

2. Unfinished Business of Preceding Meeting.

3. General Business.

- (a) Finance

- i. Budget Planning & Schedule

Roger and Robin to remind us of the budget schedule.

Roger- the schedule will be similar to last year's. The Utility Board will review the budget at the August meeting.

Cost of service recommendations will be in June.

Robin- Finishing the March financials next week. Getting out budget sheets so everyone can get started on their projections and budget process.

- (b) Production

- i. WEC Spring Outage Updates

Derek gave updates on the WEC spring outages. Both outages went very well. Unit 2 finished last night. Mainly cleaning and inspecting. The market looks to be turning after tomorrow. Unit 1 was longer went almost the whole month of April. There was more build up than usual. We were able to get a company in to vibrate the ashes and help them clean better. Control valve issues after this were brought up, but have been successful ever since the repairs.

(c) Operations

i. Water Code Changes, Updated

Clarify misconceptions and modifying proposals and recommendations.

Brandan - adjusting the code and moving away from shared materials with lead. Lead replacement program. Shared liability is about 30 per year. Abandoning that shared liability. A very small percentage of water line is under the street. We are willing to keep the shared liability portion to help keep things fair when it comes to the price of paying. Recommend the curb stop. Really want to get the lead liability language in code.

Bill: is that a disclosure that has to be given when a home is purchased? No, as far as he knows, that has never been disclosed.

Jeanette: Do you know what the budget is? It was around \$75,000 a year. Last year, it was upped to \$100,000.

Mark: Do you guys find or dig up the water stops on the property line? If the stop is actually on the property side, who takes care of that? The line of demarcation is the property line under the current code. If the line is on our side, we will pay for it, if the line is on their side, they will pay for it.

Kevin: Let's remember that this is not utility money. If one customer does not pay for this, all the other customers will pay for it.

(d) Administration

i. Central Plains Energy Project #5

Derek presents a slide show.

Currently, there are 3 active CPEP projects with Hastings purchasing gas from CPEP #2 and CPEP #4.

CPEP #2 accounts for roughly 32% of our yearly gas purchases.

CPEP #4 would account for roughly 23% of our yearly gas purchases.

CPEP #5 would account for roughly 8% of our yearly gas purchases.

We pay monthly for the gas we use. Volumes vary from month to month as needed.

Saved over \$140,000 last fiscal year.

Jeanette: Our current #2 and #4, do they have expirations coming up? Yes, potential to end the agreement.

Bill: Have we locked in a new contract or are we going to do that? This is asking for a recommendation to take to the city council.

(e) Other

i. APPA National Conference June 13-15 in Nashville, Board Member attendance option.

In the last few years, it has been done online because of covid. We put in the budget for 1 or 2 board members to attend. The deadline to sign up is 5/13/22 if you would like to attend.

This session is from Friday to the following Wednesday.
Primarily public power and electricity.

4. Possible Closed Session (if necessary or requested).

ADJOURN:

Moved by Susan Meeske seconded by Mark Hemje there being no further business to adjourn at 9:27 am. Roll Call: Ayes: Bill Hitesman, Jeanette Dewalt, Mark Hemje, Susan Meeske. Nays: None. Absent: Shayne Raitt. Meeting Adjourned.

APPROVED:

Board Secretary



Utility Board Meeting 2022

Cost of Service / Rate Design Studies – Water and Wastewater Utilities

Hastings Utilities Advisory Board

June 9, 2022

Presented by:

John A. Krajewski, P.E.

Overview of Presentation

- Introduction
- For each utility
 - Projected Financial Results
 - Cost of Service
 - Rate Design
 - Comparison to HU's Peer Group
 - Recommendations

Background

- HU has not completed cost of service / rate design studies for either water or wastewater utilities since 2013
- JKEC was retained to study rates for the water and wastewater utilities

Purpose of Studies

- Review financial performance of the water and wastewater utilities
- Develop rates that reflect the cost of service and accomplish other goals established by HU
 - Long-term financial integrity
 - Fair, reasonable and non-discriminatory rates
 - Competitive rates compared to HU's peer group
 - Recognize cost of service for each rate class

Water COS/RDS Results

Projected Financial Results

- Purpose
 - Compare revenues and expenses for current budget and future years through FY 2026
 - Determine need for future rate increases
- On a cash basis, deficits of \$2.0 million in FY 2022 increasing to \$2.7 million by FY 2026
- Major cause of deficit is tied to planned capital expenditures

Proposed Rate Plan

- Use of cash reserves and implementing a modest rate increase provides rate stability while keeping cash reserves above the HU's targeted amount
 - Cash reserves would remain at 125% of operating expenses, which is above HU's target

Cost of Service

■ Findings

- Cost of service for all customer classes are more than existing revenues being collected from existing rates
- Indicates rates should increase for all rate classes
 - Variances between revenues collected and the cost of service ranged between 0.5% and 6.5% depending on rate class and usage

Rate Design

- Proposed changes to rate design
 - Increase base rates for most rate classes
 - Some rate classes received larger rate increases based on cost of service and usage
 - Implement a fixed monthly “Infrastructure Fee”
 - Assessed to all customers based on meter size
 - Funds collected to be segregated and tracked
 - Funds used on future infrastructure projects, such as main replacement, water treatment plant rehabilitation, well replacements
 - In FY 2023, proposed Infrastructure Fee would collect approximately \$287,000

Typical Residential Bill

- Proposed rates would increase typical monthly residential water bill from \$35.67 in FY 2022 to \$37.50 in FY 2023, or approximately \$1.84

Typical Water Bill Comparison

Residential 5/8" Meter, Summer Season

Rate Comparisons			
Utility	500 cf	700 cf	1,000 cf
Grand Island	10.50	12.58	15.70
Columbus	11.83	13.85	16.88
Norfolk	13.84	14.46	19.14
Lincoln	16.46	19.79	26.18
Fremont	19.74	21.48	24.23
Hastings	18.88	23.18	29.63
Omaha	21.53	24.94	30.73

Note: Typical bill sorted based on 700 cf usage.

Conclusions

- Existing rates projected to collect insufficient revenue to cover projected expenses
- Series of 5% rate increases in FY 2023 through FY 2026 are necessary to ensure adequate cash flow
- Implement proposed rate increases through a fixed monthly “Infrastructure Fee”
 - Provides benefits, including segregation of customer funds for use on specific capital projects

Recommendations

- Increase rates by approximately 5% on October 1, 2022 (FY 2023)
- Utility should consider annual 5% rate increases on October 1, 2023 through 2026
- HU should review rates on a regular basis, especially if an unexpected expense or change in usage occurs between now and FY 2026

Wastewater COS/RDS Results

Projected Financial Results

- On a cash basis, there is a projected shortfall of \$1.4 million in FY 2022
 - Primarily related to non-recurring capital expenditures
- In FY 2023 through FY 2026, HU is projected to have operating surplus
- Existing rates are adequate and no overall rate change is necessary

Cost of Service

■ Findings

- Except for Rate Class S-4 (Pollution Control Center), cost of service for all customer classes are comparable to the revenue currently collected
- An increase in the BOD, FOG and ammonia rates would provide a rate signal more consistent with the cost of service

Rate Design

- Increase Rate Class S-4 rate 10%
 - Consistent with the cost of service results
- High-strength surcharges (BOD, FOG and ammonia)
 - Component rates are approximately 25% to 55% more than the cost of service
 - Since intention is for surcharge rate to be a penalty, appropriate to increase to uniform 50% penalty rate
 - Increase BOD surcharge from \$0.647 to \$0.78 per lb.
 - Increase FOG surcharge from \$0.485 to \$0.53 per lb.
 - Increase ammonia surcharge from \$1.091 to \$1.11 per lb.

Typical Wastewater Bill Comparison

S-1 Urban

Rate Comparisons				
Utility	3 ccf	5 ccf	7 ccf	
Columbus	\$ 19.90	\$ 22.62	\$ 25.34	
Norfolk	\$ 20.32	\$ 24.76	\$ 29.19	
Fremont	\$ 19.55	\$ 27.09	\$ 34.63	
Hastings	\$ 22.88	\$ 28.46	\$ 34.04	
Grand Island	\$ 20.92	\$ 28.60	\$ 36.27	
Lincoln	\$ 29.41	\$ 31.92	\$ 36.94	
Omaha	\$ 45.38	\$ 51.58	\$ 57.78	

Conclusions

- Except for Rate Class S-4, existing rates are adequate and no overall rate change is necessary
- An increase in the BOD, FOG and ammonia rates provide rate signal more consistent with the cost of service and rate design goals

Recommendations

- Increase Rate Class S-4 rate by 10% on October 1, 2022 (FY 2023)
- Increases high-strength surcharge for BOD, FOG and ammonia
- HU should review rates on a regular basis, especially if there is a change to the system, including capital improvements or operating expense increases

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Utility Board Meeting 2022

Capital Budget Large Projects

Electric

- WEC, 7th St & B St Substation Improvements
- \$12 million over next two years
- Feeder 242 to support Heartwell project -
\$2 million
- 4.16 to 13.8KV conversion – \$1.5 million
- NDS Unit 4 & 5 upgrades - \$1 million
- WEC Coal Transfer Tower Electrical
Upgrades - \$1.5 million

Capital Budget Large Projects

Water

- Main Replacement Program - \$2 million carry over and \$2.5 million new work

Sewer

- Activated Sludge Basin - \$2 million over next two years
- Primary Anaerobic Digester - \$2 million carry over

