HASTINGS UTILITY BOARD
AGENDA

Council Chambers - City Hall Building
220 North Hastings Avenue
July 14, 2022
9:00 AM

ROLL CALL:

PLEDGE OF ALLEGIANCE:

MOTION TO ADOPT CURRENT AGENDA FOR July 14, 2022 REGULAR MEETING.

PUBLIC NOTICE - Official Notice of the Regular Meeting was published in the Hastings Tribune on Tuesday, July 12, 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. <u>All Consent Items.</u>

    (a) Approval of the minutes of the Hastings Utility Board Meeting of June 9, 2022.

REGULAR AGENDA:

2. <u>Unfinished Business of Preceding Meeting.</u>

3. <u>General Business.</u>

    (a) Finance

        i. Cost of Service; Water/Wastewater

        ii. Budget Reviews-Tentative Schedule

(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, June 9, 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 June 9, 2022.

ROLL CALL:

The meeting was called to order at 9:00 am by Jeanette Dewalt with the following members present: Mark Hemje, Shayne Raitt, Susan Meeske, Kevin Johnson, Erik Neilson, Butch Eley, Jeff Campbell, Derek Zeisler, Shawn Hartmann, Robin Ginn, Lee Vrooman, Clint Schukei, Lori Hartman, Roger Nash, Brian Strom, and Karen Rennick
Absent: Corey Stutte and Bill Hitesman

PLEDGE OF ALLEGIANCE:

Jeanette Dewalt led the group in the recital of the Pledge of Allegiance to the United States of America.

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

Moved by Raitt and seconded by Hemje to adopt the current agenda for the June 9, 2022 regular meeting. Roll Call: Ayes: Dewalt, Hemje, Meeske, Raitt. Nays: None. Absent: Hitesman. The motion carried

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:

Storm was bad enough, could have been worse.
Slight agenda adjustment, The Cost of service will be moved to next month. It will be done in time for the budget. Would really like for John to be here. Moved to July 14, 2022.

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 May 12, 2022.

   Meeske moved, Hemje seconded. Roll call: Ayes: Dewalt, Hamje, Meeske, raitt. Nays: None. Absent: Hitesman

REGULAR AGENDA:

2. Unfinished Business of Preceding Meeting.

3. General Business.

   (a) Finance

      i. Cost of Service, Water/Wastewater

   Moved to July 14, 2022 meeting.

      ii. Capital Budget, Large Projects Heads-up

   Lee Vrooman spoke on behalf of him and Keith Leonhardt. He discussed the presented slide for the Capital Budget Large Projects.
   Electrical
   -WEC, 7th St & B St Substation improvements
   -Feeder 242 to support Heartwell project
   -4.16 to 13.8KV conversion, been working on for many years
   -NDS Unit 4 & 5 upgrades
   -WEC Coal transfer tower electrical upgrade

   Jeff Campbell was introduced as the interim superintendent for Doug Baumgart as he retired. He has been here for 37 years and he will continue his crew chief job.

   Water
   -Main replacement program
   Sewer
   -Activated sludge basin

-Primary Anaerobic Digester

Questions?
Dewalt: Will the budget go up because of the cost of materials? I haven't gotten to that point yet, but would say it's somewhere in the same neighborhood.
Kevin: Capital meetings within the departments are starting next week.
Consultants are helping with water and wastewater cost of service. Cost of service studies have not been done very often here.

In addition to the review, you have been handed
Robin and Derek to discuss the report that is in every monthly budget
Derek: Everything we get we sell to the market, whatever we need, we buy back. Generation through sales, Agreement through CCC, community solar farm. Doesn;t show. Appreciate accounting is willing to change.
Robin: beginning of fiscal year, changed on financials. It didn't show the break out, need to correct it. Statements were put together a long time ago and have never been updated.
Hemje:Just to clarify, the kwh are not accurate? Correct.
Robin: more about kwh.
Kevin: New report will put things in transparency, shooting for the new fiscal year for this to be changed.
Butch: Is it normal to see that half way through the year we are losing money? Derek explained our strong months. Utility as a whole is seasonally based.
Mark: I appreciate you touching base, wanted to make sure was reading right.
Kevin: try to hit the market right when generating.
Jeanette: We are not here to make money, we are here to break even and serve our customers.

iii. Staff Additions for Budget

Reorganizing our electric group, breaking up 5 man crews into 3 man crews. Identify more closely 1 man work, 2 man work, small man crew work and large crew work. Adding two new line men. Engineering groups need more people as well.

(b) Production

(c) Operations

(d) Administration

(e) Other

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

ADJOURN:

Moved by Hemje and seconded by Meeske, there was no further business to adjourn at 9:30 am. Roll Call: Ayes: Jeanette Dewalt, Mark Hemje, Susan Meeske, Shayne Raitt. Nays: None. Absent: Bill Hitesman. Meeting Adjourned.

APPROVED:

____

Board Secretary

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

Hastings Utilities Advisory Board
July 14, 2022

Presented by:

John A. Krajewski, P.E.

JK Energy Consulting LLC

Overview of Presentation

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

JK Energy Consulting LLC

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

JK Energy Consulting LLC

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

JK Energy Consulting LLC

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

JK Energy Consulting LLC

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

JK Energy Consulting LLC

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

JK Energy Consulting LLC

Rate Design

- Primary change: Implement 5% overall rate change through combination of the following:
  - 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
  - Remainder of 5% increase collected through changes in usage rate

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

JK Energy Consulting LLC

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.

JK Energy Consulting LLC

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
- Rate change implemented through combination of base rate changes and a fixed monthly "Infrastructure Fee" offers benefits, including segregation of funds for specific capital projects

JK Energy Consulting LLC

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

JK Energy Consulting LLC

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

JK Energy Consulting LLC

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

JK Energy Consulting LLC

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.

JK Energy Consulting LLC

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

JK Energy Consulting LLC

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

JK Energy Consulting LLC

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

JK Energy Consulting LLC

Contact Information

John Krajewski, P.E.
JK Energy Consulting, LLC
74408 Road 433
Smithfield, NE 68976
Phone: 402-440-0227
Email: jk@jkenergyconsulting.com

JK Energy Consulting LLC