CITY OF HASTINGS, NEBRASKA
MINUTES OF UTILITY BOARD REGULAR MEETING
Thursday, July 13, 2023

Pursuant to due call and notice thereof, a Regular Meeting of the Utility Board of Hastings, Nebraska was conducted in the Hastings Public Library, 314 North Denver Avenue, on July 13, 2023.

ROLL CALL:

The meeting was called to order at 9:00 am by Bill Hitesman with the following members present: Jeanette Dewalt, Mark Hemje, Susan Meeske, Scott Snell.
Kevin Johnson, Erik Nielsen, Kirk Layton, Keith Leonhardt, Jaci Higgins, Derek Zeisler, Karl Block, Brian Strom, Jesse Oswald, Butch Eley, Noel Nienhueser, Marty Stange, Brandan Lubken, Roger Nash, Shawn Hartmann, Larry Fox, Shawn Letcalf, Lori Hartman.

PLEDGE OF ALLEGIANCE:

Bill Hitesman led the group in the recital of the Pledge of Allegiance to the United States of America.

MOTION TO ADOPT CURRENT AGENDA FOR July 13, 2023 REGULAR MEETING.

Moved by Meeske and seconded by Dewalt to adopt the current agenda for the July 13, 2023 regular meeting. Roll Call: Ayes: Hitesman, Dewalt, Hemje, Meeske, Snell. Nays: None. Absent: None. The motion carried.

PUBLIC NOTICE - Official Notice of the Regular Meeting was published in the Hastings Tribune on Tuesday, July 11, 2023. 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 Hastings Library. Also, a current copy of the Nebraska Open Meetings Act is posted on the south wall of the Hastings Library, which is accessible to members of the public.

MANAGER'S COMMUNICATIONS:

Full agenda today.

BOARD CHAIRMAN'S COMMUNICATIONS:

Welcome Scott. He is replacing Shayne, who ended his term in June. We did not have a meeting in June.

BOARD MEMBERS' COMMUNICATIONS:

Jeanette would like to thank the Utilities for the opportunity to go to the APPA National Conference in Seattle. A lot of knowledge is to be learned at those meetings.

CITIZEN COMMUNICATIONS:

None.

CONSENT AGENDA:

1. <u>All Consent Items.</u>

(a) Approval of the minutes of the Hastings Utility Board Meeting of May 11, 2023

Moved by Hemje and seconded by Meeske to approve the minutes for the May 11, 2023 meeting.. Roll Call: Ayes: Hitesman, Dewalt, Hemje, Meeske, Snell. Nays: None. Absent: None. Minutes approved.

REGULAR AGENDA:

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

None.

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

(a) Finance

i. Q2 Financial Review

Jaci presents a power point on quarter two financials.
Electric Summary: Still seeing impacts from a strong market in Oct-Dec. Market strength did slow down in Jan-Mar.
Gas Summary: Purchased gas-Majority of gas is purchased during winter months. December was a particularly high gas purchase month.
Hastings Utilities Headcount -Customer service: Meter reader retirements in customer service has decreased current headcount.
Heating Degree Days: Fairly stable winter but with a colder than normal March.

ii. Capital Budget Review

Brandan, Derek, and Noel each speak on the power point for this.
Gas Capital Ask is $1, 394, 792 for FY 23/24.
Highlights -$220,000 Purchase of new gas meters: Additional funds for smart meter program through 24/25. $260,000 CCC Phase 3: Final upgrade phase of community college system (code compliance). $150,000 gas relocation NDOT Hastings Southeast Project: Hiway 6 widening, 80% refundable in 24/25. $100,000 Utecht Ave. 39th to 33rd: Development Driven.
Other Notes - Cathodic Zone discovery to set future capital schedule. -Development Investment Recovery
22/23 Capital Execution: -22/23 capital ask $1,161,390. Forecasted spend $1,086,441. 93.55% Execution
Water Capital Ask $6,215,620

Highlights -$2,607,000 LSL & Main Replacement Program (Carryover Materials). $500,000 Water relocation NDOT Hastings Southeast Project.80% refundable. $400,000 ASR Extraction Well & piping (Carryover, awaiting data): Wells that used to feed ASR are now cleaning up, need to strategize location and construct new ASR feed well. $350,000 Backup power generator for Municiap Well 24 (carryover materials): Gets us back to 4 wells with back up power.
Other notes -Realtime Nitrate Analyzing for Municipal Wells -NDEE recently approved Lead Service Replacement Program Loan Amendment (awaiting language).
22/23 Capital Execution -22/23 Capital Ask $6,418,368. Forecasted Spend $3,611,862. 56.27% Execution
Are our generators protected against hackers? Yes, our skitters are protected against everyone.We also have state and federal protocols.
Sewer Capital Ask $5,612,461
Highlights -$2,500,000 Phase 1 Activated Sludge Basin Switch (Carrtover, contractors). $1,000,000 Maxon LogoonDresging: Primary hauling has filled west cell. Dredge, fry, haul to landfill. $450,000 New sewer jet truck w? camera: gives us 2 all-season sewer trucks and delays need of replacement of more costly sewer vac/jet combo truck.
Other notes -Increasing sewer O & M budget to video 1/20th of sewer system per year. Capital relining projects to follow. -After Basin project, forecast looks good to shift some capital focus from PCF to Collections. -Primary Digestor Project Complete!
Capital Execution -22/23 Capital Ask $5,364,246. Forecasted Spend $4,185,850. 78% Execution.
Electric Budget
Carry over - $3,850,000 B St 34.5 KV Substation Renovation. $4,234,000 WEC Distribution Substation Addition. $3,800,000 7th Street Substation Addition. $1,500,000 New 3 phase feeder from 7th St to WEC. $1,100,000 Conversion from 4160 to 13,800 VAC•$15,284,000 Total Carryover
New Capital - $500,000 to begin Required Electrical Relocation for NDOT. $525,000 Conversion from 4160 to 13,800 VAC distribution. $243,000 Rebuild Overhead line on Highland. $350,000 Engineering for new 21 MVA 115 KV Transformer. $19,024,000 Total Distribution/Substation with carryover
WEC 1 Highlights: •$250,000 WEC1 MCC 1G_EIC_Rebuild 23/24: $750,000 in 24/25.•Replace and bring up to code. •$2,015,000 WEC1 Bottom Ash System 23/24: Carried over with $868,700 in 22/23. •Coal Combustion Residuals (CCR) Compliance. •$1,400,000 WEC1 Fly Ash System in 23/24. •Coal Combustion Residuals (CCR) Compliance. •$300,000 WEC1 Truck and Trailer for Fly Ash in 23/24. •Coal Combustion Residuals (CCR) Compliance
Other Production Assets Highlights: •$620,000 Replace NDS Unit 5 480V Switchgear 23/24: Carried over with $25,000 in 22/23. •End of useful life, difficult to find parts/repair due to age. •$665,000 NDS DCS Evergreen Upgrade 23/24: Carried over with $445,000 in 22/23. •System is outdated, upgrade needed. •$7,112,500 Solar Field Phase 2 in 23/24. Carried over with $2,015,000 in 22/23. •4.6 MW expansion to existing sold out solar farm. •IRA Rebate of $3,365,000 anticipated.
Other Notes: WEC1 facing large capital projects to meet compliance. •Elimination of sluicing ash to comply with CCR. •Pending environmental regulations on particulate could impact 2025 and beyond
•Evaluating additional opportunities while partial funding options are available. •Solar farm phase 3 in 2024/25. •Battery Storage in 2025/26.
22/23 Capital Execution - •22/23 Capital Ask $21,778,607. •Forecasted Spend $12,730,554. •58.45% Execution

Notes: -Over $15,000,000 in carryover from Electric Distribution/Substations -Allowed room in Capital for over projects to start early

iii. Budget Development Progress

Larry Fox makes some comments about the budget progress. The budget started before he arrived. The budget will continue to be updated through the end of July. Starting August 1, we will be finite tuning and finalizing. Aug 10, will be presented to the board. Aug 24 is a work session with the city council. On Sep 11, council will hold a public hearing. Once this is finished, there will be some meetings to discuss what worked and what didn't.
If you would like a one on one, we will set that up.

(b) Production

(c) Operations

i. Natural Gas Cost of Service (COS) Study Update

John Krajewski is our Cost of service consultant and he will be presenting a slide show on water and waste water rates.
Background: -Full cost of service study was last prepared in 2020. -Update to rates and Purchased Gas Adjustment (PGA) Clause in fiscal year (FY) 2022. -Increased PGA base from $2.00/MMBtu year-round to $2.70/MMBtu in the summer season and $3.49/MMBtu in the winter season. -The PGA rates approved in FY 2022 resulted in unplanned revenue reduction of approximately $1.6 million. -PGA collections reduced without corresponding increase in base rate collections. -Unplanned rate reduction help mitigate significant gas cost increases in 2022-23. -A portion of the FY 2022 rate reduction was recovered through a rate increase implemented in FY 2023.
Can you explain why the cost of service rate was partially raised and not fully? It was an internal decision to make. Derek explains we do not want the PGA to be higher than the rates. We are in the process of mitigating that issue.
Financial Projections: -Purpose is to compare revenues and expenses for the current budget and future years through FY 2027. Determine the need for future rate increases. -On both a cash and accrual basis, existing rates do not provide sufficient revenue to cover projected expenses, including capital improvements in FY 2023 through FY 2027. -Focus on analysis is Rate Stabilization Fund balance. -Another concern is "Unencumbered Cash Balance" of -$3.4 million. -At some point thisbalance needs to be restored to creates reasonable operating cash reserve in additional to rate stabilization fund.
Projected Financial Results: -Projected retail revenues for FY 2023 were approximately $13.4 million while projected test year expenses were approximately $15.4 million. -Without a rate change, the rate stabilization fund balance of $3.8 million would be exhausted in FY 2025. -Overall cash balance would be negative, given negative unencumbered cash balance. -Maintaining reasonable rate stabilization fund balance is important. -Gas cost volatility, such as occurred in February 2021.-Having rate stabilization fund enabled Hastings to spread recovery of increased costs over multiple years. -Target balance of $5 million is reasonable based on identified risk factors.

Justifications for RSF Balance: -Bond ratings, $5 million provides operating cash of 260 days based on the 2020 budget and 130 days based on the 2023 budget. Assumes an unencumbered cash balance of zero. -Gas cost volatility, reduces likelihood of emergency borrowing or rate increase if an event like February 2021 or December 2023 price spike occurs. -Pre-2020, RSF balance was $7.5 million with $2.5million in unencumbered cash.
Projected Financial Results: -Primary cause of deficit. Unplanned revenue reduction in FY 2022. Reduction in other operating revenue when compared to study completed in 2020.
Cost of Service: -In general, results will be highly dependent on selected scenario. -Increases will likely be necessary in both customer charge and usage charges. Last study showed need to increase customer charge, cost of serving customers with no usage.
This is based on an annual cost divided by 12, correct? Yes
Does 100% of the rate increase go towards the rate stabilization? In the first year it will go towards eliminating, after that it will go towards rate stabilization. Kevin helps explain how this works.
What about unencumbered cash? Is there a reason we don't raise another 1%to get that back? There are a couple of different options. You could raise it right away, or wait four years to get it back.
General Recommendations: Staff would prefer to phase in rate changes to minimize adverse impacts on customers. -Preference would be to begin restoring rate stabilization fund to $5 million at some point. -Initially, would plan to follow scenario 4. The goal is to restore balance to current level $3.8 million by FY 2027. Consider making additional adjustments if necessary for FY 2026. Develop plan to replenish unencumbered cash balance after rate stabilization fund is replenished. -Overall rate change: 6.3%
Will council have to vote every year for the option chosen? We can do it in one vote or do it every year. It depends on how you would like to do it.There is flexibility, so if changes need to be made each year, then you can. But the recommendation is to choose a plan and go with that for the next four years.
Our recommendation is scenario four.
Next steps: -Proceed with Advisory Board recommended scenario. -Staff can finalize budget for August 10 meeting. _Complete rate design for FY 2024.
Jeanette recommends to move forward with scenario 4 and look at the options. Hemje seconds. Ayes: Hitesman, Dewalt, Hemje, Meeske, Snell. Nays: non. Abset: None.

ii. PFAS Regulation in Drinking Water

Marty and Brandan to discuss PFAS Regulations on drinking water. Marty presented a handout.
PFAS is Polyfluoroalkyl Substances.
1. Introduction: The fact sheet provides a summary of the discovery and application of PFAS.
2. Discovery and Manufacturing: PFAS chemistry was discovered in the late 1930s.
3. Emerging Health and Environmental Concerns. Awareness of Public Health Impacts. Awareness and Detection in the Environment. Phaseout of Long-Chain PFAS. Replacement Chemistry.
4. PFAS Releases to the Environment: PFAS are and have been used in many industrial and consumer applications that may affect the environment or receptors by various mechanisms and to various degree.

(d) Administration

i. New Customer Bill Template Preview

Karl presents and talks about the new customer bill template.
Process and Timeline
He explains the new addition and parts of the new bill template and how things will be laid out.
Approximately what percentage of our bills are paperless? Not as large as it should be.
Our next step after this is to drive to other ways to look at your bill.
Is there a possibility to have a code to scan on the new bill that will automatically go to paperless billing? It would be very helpful.
Will there be a way to look online to see the day to day comparisons?

(e) Other

4. <u>Possible Closed Session (if necessary or requested).</u>

Moved by Dewalt, seconded by Meeske to go into closed session. Went into closed session at 11:08 am. Roll Call: Ayes: Hitesman, Dewalt, Hemje, Meeske, Snell. Nays: None. Absent: None
Moved by Dewalt, seconded by Meeske to come out of closed session at 11:18 am. Roll Call: Ayes:Hitesman, Dewalt, Hemje, Meeske, Snell. Nays: None. Absent: None
Motion carried.

ADJOURN:

Moved by Dewalt, seconded by Meeske, there being no further business to adjourn at 11:18 am. Roll Call: Ayes: Hitesman, Dewalt, Hemje, Meeske, Snell. Nays: None. Absent: None.
Meeting Adjourned.

APPROVED:

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Board Secretary