

BOARD OF PUBLIC WORKS

Public Hearing

Monday, September 9, 2024
Time: 5:30p.m.

Present:

John Ortwerth
William Fisher
Darrell McCoy
Kellie Cookson

President
Vice President
Secretary
Board Member

Darrin Gordon
Courtney Harris
Mathew Munzlinger
Matthew Jones
Paul Trenhaile
Jared Stewart
Erica Mitchell

General Manager
Administrative Support Specialist
Director of Operations
Senior IT Specialist
Finance Director
Superintendent of Lineman
Coordinator of Customer & Community Relations

Barry Louderman
Mike Dobson
Nathan Munger
Scott Haycraft
Robert Koehn
Melissa Cogdal

Mayor
Mayor Pro Tem
City Councilman
City Councilman
City Councilman
City Clerk

Maria Kuhns
Alan Bowen
Wesley Neff
Leonard Rosenkrans
Rebecca Romig

Director, Northeast Economic Development
Hannibal Citizen
Hannibal Citizen
Hannibal Citizen
Hannibal Citizen

At the appointed time, Mr. John Ortwerth called the Public Hearing to order.

Darrin Gordon reported after receiving the preliminary Cost-of-Service study from Utility Financial Solutions and comparing numbers, the HBPW will be proposing a 15% electric rate increase to begin October 1, 2024. Mr. Gordon voiced the proposal is due to an increase in capacity costs, meeting the rate covenants requirement, and for operations and maintenance of the electric department. Mr. Gordon presented a high-level overview of what capacity and transmission is, an explanation of the MISO market, the historical/current charges projected, the status of the electric lease, and outlined cutbacks and expenses. Mr. Gordon noted although this is unfortunate for the utility to project a raise of the electric rate, it is necessary in order to pay the capacity costs and meet the rate covenant requirement. Mr. Gordon thanked everyone for coming.

Paul Trenhaile presented the preliminary Utility Financial Solutions (UFS) Cost of Service Study and the proposed Schedule of Rates & Fees. Mr. Trenhaile noted the purpose of the Public Hearing was to receive public comment on the following changes the HBPW is proposing to take effect October 1, 2024:

- Increase electric rates by utility 15% to return to compliance with the rate covenant along with recommendations from United Financial Solutions cost-of-service study conducted recently.
- Increase water rates by 3% to continue with the recommendations from Utility Financial Solutions according to the Cost-of-Service study from 2018.
- Increase the maximum penalty for a late utility payment from \$20 to \$50.
- Add a service charge for notification for extreme weather conditions. This is also known as a “door tag” that alerts the customer their utilities were not disconnected due to the external temperature, but utilities will be disconnected five days later.

- Increase the customer requested service call outside regular hours from \$80 to \$100.
- Include the meter tampering charges in the Schedule of Rates & Fees.

Customer Comments

Alan Bowen asked if on August 29th, the HBPW posted the customer charge was projected to be \$43.25? Mr. Trenhaile noted that amount has changed, and they will be informing everyone later in the presentation as to why.

Robert Koehn asked if all the AMI meters have been replaced, and if so, why is there a \$1.25 increase on the meter charge if we do not have staff that goes out to read them anymore? John Ortwerth replied yes, the meters have all been replaced, and the automated meter is one small portion of the infrastructure that is covered by the customer charge. Mr. Gordon voiced the HBPW has been doing the best we can with inflation, but that is a factor as well.

Wesley Neff voiced last year we had a 9.5% electric rate increase and this year we are facing a proposed 15% electric rate increase. This is a 25% increase in a year. Mr. Neff noted he moved back to Hannibal and appreciates all the HBPW does but voiced this a cost burden for himself and many others. Mr. Neff noted everyone has to make considerations, but the increase is a hardship on his family. Mr. Gordon replied he is sorry that he is going through this and invited Mr. Neff to visit the HBPW office to review his account for possibilities available to help ease the burden.

Lennie Rosenkrans thanked Mr. Gordon and staff for making an incredibly complicated situation a little less complicated. Mr. Rosenkrans voiced he believes the higher percentage rate increase has caught everyone's attention. Mr. Rosenkrans noted due to the Board not raising rates on a consistent basis, we are now facing a huge increase. Mr. Rosenkrans recommended the Board consider increasing the rates a small percentage each year instead of waiting to show a large increase all at once.

John Ortwerth voiced we do have monthly meetings, and everyone is welcome to attend. Mr. Ortwerth noted if the purchase power demand goes down in the foreseeable future, we could adjust accordingly with a percent reduction. The reserves do not need to be too large, but there needs to be enough reserves to cover the costs and other factors.

Mr. Munger noted he was opposed to an increase in extra fees including the increase of customers inside city limits rather than the customers outside city limits. Mr. Munger also voiced if you're increasing disconnect and late fees, you're increasing hardship on those that are already struggling. Mr. Munger noted everything is going up except wages, and he would like to find a better solution for those proposed items.

Rebecca Romig stated she knew there was a Customer Care Fund but wondered if there was something that can be done to increase that fund to help struggling customers. Paul Trenhaile answered yes, we have the project Share and Care Program that averages around \$2600/month the HBPW gives to the Douglass Community Center. Mr. Trenhaile noted with the potential increase of the late payment penalty fee, there would be an associated increase in that donation to Douglass. Rebecca Romig asked, if a customer has a stellar payment history does the late payment ever get waived. Paul Trenhaile replied yes, we encourage everyone to call the business office if there are any questions about the late payment. The Customer Service Representatives can look at each account accordingly, and there is always a possibility of considerations made to waive the late fee with good payment history.

Melissa Cogdal voiced the information presented compared to what was given a week or two ago is vastly different, and it's very welcomed and great news. Mrs. Cogdal asked to verify that the fall season for capacity was September – November of this year with the projected increase that was presented. Mr. Trenhaile replied yes, the payment will be due in another two weeks but we're looking at a cost of \$2 million for the fall season.

Darrell McCoy asked if the UFS report is preliminary? Paul Trenhaile replied it is not incomplete, but it is preliminary. Mr. McCoy voiced he was not happy that the projected numbers were posted to the public before any information was given to the Board to review or study. Mr. McCoy noted there is a lot to look at, and it might be a good idea to start with a small increase in the electricity to get the utility through the next couple of months. If the upward cost trend continues, then we can come back to the public to discuss another rate increase. Mr. McCoy voiced he felt the HBPW should be coming up with more ways to cut costs internally, and that he is opposed to the increase of fees. John Ortwerth responded the information about the increase in capacity has been out there, and the Board members have been aware since the day that Mr. Gordon received the news. The increase and calculations to figure this out has been discussed for at least a month or two. Mr. Ortwerth voiced if the main issue is the customer adjustment, the study is not 100% buttoned up. The majority of the reasons have been known to him since the moment it happened, and Mr. Gordon treated the situation as an emergency. We

received the yearly rates, and the fact that it's not studied throughout the whole year is a function of the way the prices are given.

Wesley Neff asked if the Board knew there was going to be an increase at the last regular Board meeting. John Ortwerth voiced he knew the cost of power was going up and the capacity would be rising astronomically. Paying for power is very complex and complicated. Mr. Ortwerth noted for the last 9 nine days the cost of electricity has gone up, and the charges are being accrued right now. We know the invoice is going to be high, and we have discussed a number of different percentages, but it's a lot of math and that number was a moving target up until a couple of weeks ago.

Matt Munzlinger voiced when we received the capacity charges back in May, we revised our budget and knew of the possibility of a 15%-16% increase that was discussed at the May Board meeting. This increase is something that has been discussed since the budget was approved back in May. Mr. Munzlinger noted we are holding a Public Hearing tonight due to the requirements of the City Charter, but this is something that has been discussed since our budget was approved.

Kellie Cookson asked when the Board would begin to pay the capacity charge. Paul Trenhaile responded the fall capacity season begins September 1, 2024. The HBPW will receive an invoice on September 18, 2024, that will be the cost, and the funds will come out of the account the same day. Mrs. Cookson asked if it would be a possibility to divide the rate increase quarterly. Mr. Gordon responded, the HBPW needs to meet the covenants, and for the last two years the HBPW has not been able to do so. Mr. Gordon noted another downfall of not passing the proposed increase would be the bond holders litigating the issue and they could potentially grab and seize the assets. They could also take and re-market the HBPW's bond rating, which would change the amount of the debt the HBPW is currently paying. This could also influence and affect the city's bond rating as well. Mr. Trenhaile voiced due to having adequate cash reserves, the most likely scenario is they would retain legal counsel to place the HBPW on a mandated track. This is very expensive, detrimental, and would affect the cities bond rating as well. Mr. McCoy voiced that he did not agree with their statements, and what was stated was blatantly not true.

Melissa Cogdal stated the debt ratio is because the HBPW is spending \$18 million, collecting \$12 million, and the revenue has to match the spending on the electric side. Mrs. Cogdal voiced that is what she believed Mr. Trenhaile was stating earlier, and that building up the reserve would not help. Mr. Gordon responded yes you correct, it's a measure of revenue to debt, and the reserve is not revenue.

Mayor Louderman voiced what Darrin Gordon and Paul Trenhaile were discussing earlier with the bond holders is a possible outcome. If the bond holders decided to come after the Board due to the bond rating falling below, the chances of those outcomes discussed happening are slim. Mayor Louderman noted this is a government entity and you never know what they will do but encouraged the Board to base their thoughts not on possibilities but what they feel would be fair over the next 6-12 months for the citizens of Hannibal. Mayor Louderman voiced you are here to watch over the money you receive from the citizens taxes and payments but recommended the Board members spend their time thinking about what they can do to best serve the community of Hannibal.

Darrell McCoy wanted to verify this governing Board can raise rates at any time. Mayor Louderman responded, yes. Mr. McCoy voiced with all of the other increases looming in the community, he suggested breaking the percentage increase down instead of all at one time. Let's stair step to where we need to be, then we will minimize the financial burden as long as we can. Mr. McCoy noted the debt service needs to be rectified, but we can't mismanage or spend money we don't have and then expect the rate payers to cover that. Mr. McCoy noted that's not a reflection of Darrin Gordon or Paul Trenhaile, but in his opinion took many years to get us to where we are now. Mayor Louderman voiced around 25 years ago the utility payments were low. Mr. Louderman noted the HBPW is currently doing their due diligence with the information presented and voiced that is exactly what needs to be done.

Wesley Neff voiced if the increase has to be 15%, he understood, but noted maybe in the future talk about raising rates much sooner instead of all at one time. Mr. Neff shared his appreciation of what the HBPW does for everyone and thanked everyone.

Mike Dobson voiced the one bright spot he felt during conversation was the projected customer charge was incorrect, and the proposed \$1.75 is much appreciated. Mr. Dobson voiced the customer has control of that charge when turning things off with electric use within their home. He hopes people look at that and appreciate it and thanked the Board.

Rebecca Romig asked if solar panels for roofs could be beneficial for customers. Mr. Gordon responded yes you can sell it back. Mrs. Romig asked if the city is looking at doing any type of renewable energy. Mr. Gordon responded yes; we are currently working on the possibility of a solar project at the Hannibal Airport. Mr. Gordon noted we could take that generation and share it equally with every customer. This could potentially take the cost down some, and the HBPW Administration will continue looking into this moving forward.

Mike Dobson mentioned the agreement between the HBPW and the Grainbelt Express. Mr. Gordon voiced the project would be for 15MW of power, and the price is exceptionally good and very competitive. This would not affect or help capacity but would be a benefit and help bring prices down if and when it gets to the area. Mr. Gordon noted this is projected to happen between years 2028-2030 or beyond.

Matt Munzlinger voiced he appreciated the comments regarding the intent of keeping the rates lower for as long as possible. Mr. Munzlinger noted the \$4.6million has already been spent, and if we put the rate increase off that will make it a shorter time period to recoup the cost. Mr. Munzlinger voiced if this is delayed until December or January, we would be looking at a potential 20-25% rate increase instead of the proposed 15%. Mr. McCoy asked Mr. Munzlinger to please explain his math. Mr. Munzlinger responded we have already spent the capacity for the next year. The HBPW has to come up with \$4.6 million, and the proposed rate increase will keep the HBPW in compliance with the debt covenant that is a part of the lease agreement. If the money is collected over 9 months, that rate increase is a lot less than over a 6-month time frame that would be hitting citizens during the worst time of the year. John Ortwerth voiced it's definitely a math problem and not a political issue. If you own a business, there are expenses and in this case the bond covenant for the ratios will change. Mr. Ortwerth noted owning and operating a business is a lot different than dealing with the political taxing body.

Robert Koehn voiced his granddaughter is going to school in Maryville, and there are certain hours during peak times of the day they are paying attention to their electric usage. Mr. Koehn voiced we do not want to have rolling blackouts in our area like some other communities are dealing with.

There being no further comments from the audience, William Fisher made a motion to adjourn. Motion seconded by Kellie Cookson and carried unanimously. The Public Hearing was adjourned at 7:58p.m.



Darrin Gordon
General Manager



Darrell McCoy
Secretary
