



Utilities Advisory Board Regular Meeting Minutes

August 5, 2025 at 12:00 PM

City Hall Commission Chambers
401 S. Park Avenue

Present

Alison Yurko, Michael Poole, Kathryn Sutton, Leon Huffman, Christopher Warshaw, Todd Weaver (Virtual)

Absent

Staff Present

Director of Electric Utility Jamie England, Director of Finance Wes Hamil, Deputy Director of Water and Wastewater Utilities Jason Riegler, Electric Utility Engineer Manager Mourad Belfakih, Integrated Resources Program Manager Lisa Vedder (Virtual), Utility Services Manager Ann Newhouse, Administrative Coordinator Lisa Vicente

1. Call to Order

The meeting was called to order at 12:01 pm.

Introduction of new board member Christopher Warshaw

2. Consent Agenda

- a. Approve the minutes of June 24, 2025

Mr. Poole requested the addition of "*Mr. Hamil agreed that the city would not submit a pro forma to a bonding company showing negative cash flow*" and "*...relative to 2026, due to the expiration of the Covanta contract*"

Motion made by Mr. Weaver to approve the minutes with the amendments, seconded by Mr. Poole. Motion carried unanimously with a 5-0 vote.

3. Public Comments (for items not on the agenda): Three minutes allowed for each speaker

4. Action Items

- a. Proposed FY 2026 utility budgets and rate increases

Ms. Sutton opened the floor for public comments before the discussion of the proposed FY 2026 utility budgets and rate increases.

Hattie Bryant, 1240 S Pennsylvania, read a prepared statement (on file with the city clerk's office) stating her opposition to a rate increase.

Mr. Hamil provided the updated water and wastewater tables to ensure that revenues and expenses aligned, resulting in a balanced budget approved at the previous

meeting. Mr. Hamil presented the proposed FY 2026 electric utility budget, including the rate increase, and explained the rationale for a 15.7% rate adjustment. It was noted that non-fuel rates have not increased since 2019. Mr. Poole stated that the commission approved a near penny (.009%) rate increase in 2022 to cover service line costs, and he has not heard that it was not implemented. Mr. Hamil will follow up confirming the rate increase was rescinded and will clarify that \$600K was refunded to customers who paid discounted rates for underground service lines.

Mr. Hamil presented Scenario one, pay-as-you-go pro forma, explaining a 40% non-fuel cost increase due to uncertainty with bulk fuel costs after contracts with OUC (2026) and FMPA (2027) expire. Mr. Poole noted undergrounding has been an elective capital expenditure, and this would be the first rate increase to fund it. He asked if the customer charge would rise; Mr. Hamil confirmed it would. Mr. Poole discussed a cost-of-service study showing \$1.99M allocated to customers, yet the city collected \$2.6M-\$2.9M over three years, suggesting that raising the customer charge without a study is unnecessary. Mr. Hamil stated that the funding from the customer service charge went to undergrounding.

Mr. Poole stated:

- Undergrounding capital rose from \$35M to \$52M in 3-4 months.
- Undergrounding costs increased by \$1.5M this year due to service lines.
- Estimated spending is \$400K this year, with a budget of \$8.1M. Reducing it by \$400K would leave \$7.6M, a \$1.6M increase.
- CIP budget increased by \$2M; Capital Other by \$600K. Total capital spending up by \$4M.

He cannot justify this spending and 15% rate increase when, based on the calculations, rates are expected to rise at least another 50% over the next five years.

Mr. Hamil explained that if rates are not increased, the undergrounding target date of 2030 might be delayed. The completion timeline could be extended to prioritize lower rates. Mr. England emphasized that undergrounding was a commitment. He also noted that starting and stopping the large-scale construction project could affect its overall completion.

Mr. England addressed the rise in capital expenditure over a short period. He discussed the need for vehicles, personnel, substation upgrades, and infrastructure camera surveillance. The infrastructure and personnel needed to respond effectively is lacking, indicating a resource issue. The \$9.2M increase in underground capital expenditure includes service conversion work. Last year, the overrun was \$1.5M, attributed to unfunded underground service work. The \$400K expenditure will fund work to connect customers whose service lines, approved in 2022, are still overhead, ensuring they are undergrounded by 2030 with the completion of the undergrounding project. Mr. England further explained that the 'completeness on the miles of Underground performed' chart covers primary and secondary lines, not service line connections.

Mr. Poole reviewed Mr. Hamil's internal spreadsheet sent for his assessment. He questioned the purchase power costs included in the budget. He observed that non-fuel rates are variable and are expected to rise by nearly \$2.7 million, while fuel costs—being passed through fully—are set to increase by 15%. Since fuel charges are 100% pass-through, they should not be incorporated into the base rate calculation. Mr. Hamil agreed that the fuel cost is consistent.

Mr. Poole observed that fuel rates rose from 13.1 to 15.8, leading to the discussion about increasing rates. However, the rate increases are actually due to capital expenditures, not fuel. Mr. Hamil acknowledged that non-fuel costs are increasing but are balanced by higher revenues, so they do not affect profits. He explained that two-thirds of the rise is due to extra capital spending and that keeping 2025 levels would necessitate a 4.63% increase in non-fuel rates. Mr. Poole stated that raising capex from \$3.75M to \$4.8M would only need about an additional million dollars, rather than a 15% rate hike that could bring in an extra \$5M in revenue. He clarified that the calculations were solely to justify a 2030 deadline for the undergrounding project, not to justify rate increases.

Ms. Yurko presented three key points: firstly, the cost of undergrounding does not become more economical; secondly, there is unequivocal equity in completing the underground project; and thirdly, ratepayers are being asked to pay higher rates to subsidize a benefit that they have all received. The rationale for the rate increase is justifiable. Mr. Poole stated that revenue will need to be increased to cover the cumulative amount over the next five years, approximately \$12 million. As a result, rates will need to be raised by 50 to 60% within that time frame.

Mr. Hamil explained that, with the bond option, he accelerated some capex due to available funding and intended to highlight its benefits. Small increases were planned for subsequent years after FY 2026. Mr. Poole noted that if Scenario one (pay-as-you-go model) stayed unchanged, but bonding was included, Scenario two would show positive cash flow. Since Scenario two indicates a deficit, you would not obtain funding from a bonding underwriter. Mr. Hamil stated that if you remove the accelerated capex that was added, then there would be positive years in the early period, providing the opportunity to either reduce rates or fund capital. Over a 20-year bond, it's clear that the total payment will be higher in the bonding scenario. Mr. Poole acknowledged that borrowing money always incurs extra costs, but it doesn't mean rates need to increase. The cost will be distributed among all future residents who benefit from the undergrounding. Mr. Poole mentioned that avoiding loans is a staff concern. The utility is valued at \$200M, with only \$35M in debt.

Ms. Sutton explained there are two choices: the first is to approve the budget with the proposed rate increase, understanding that this increase is mainly due to capex spending—particularly on underground projects—by 2030, which is an arbitrary deadline. The second option is to proceed with a bond issue, recognizing that there are still questions about the analysis's details, but it remains a viable alternative and could serve as a reason not to approve a rate increase at this moment.

Mr. Hamil suggested a third option: extending the deadline for completing the underground work and lowering the rate increase to another amount. Ms. Sutton requested a reasonable timeframe to complete the undergrounding, including the service conversion to the homes. Mr. Poole advised that the timeline would be extended by one more year to 2031. There would be no rate increase because expenditures will be reduced this year, next year, and the following year on capex. Deficits are approximately \$12 million over the next five years, carrying the deficits into subsequent years. Mr. Hamil mentioned that a rate increase will be necessary because operating costs will have grown. Additionally, there will be a scaled-back undergrounding budget for fiscal 2026. Mr. Huffman advised borrowing the money, obtaining the capex, and completing the entire project, including the service lines.

Mr. Poole mentioned that, according to Mr. England, with bonding, it would take about 3 years to complete only the primary and secondary lines. Mr. Weaver inquired whether staff agrees that if we don't choose scenario one, adding a single year would be accurate. Mr. England confirmed that, if capital budgets remain unchanged, it would extend the timeline by at least one year.

Ms. Sutton asked Mr. Hamil to clarify the purpose of the vote. He outlined three options: first, approving the current budget with a 15.7% rate increase starting October 1, 2025; second, keeping the rate increase at zero and delaying the undergrounding project; third, taking out a loan for undergrounding, which would avoid immediate rate increases but result in higher costs over time due to interest on the debt.

Mr. Weaver proposed a fourth option to lower the bond amount and reduce the rate increase. Mr. Poole and Mr. Hamil agreed that the possibilities are endless. Mr. Poole stated he will oppose any plan that raises rates. Ms. Sutton asked if the board could acknowledge that undergrounding is a priority for both the city and the residents. Mr. Weaver agreed it makes sense to distribute the costs and avoid disruptions to the scheduled plan. He withdrew the fourth option.

Motion made by Ms. Yurko to approve the budget and the rate increase in accordance with the staff recommendation; Motion was not seconded.

Motion made by Mr. Poole to recommend to the City Commission to look at doing a bond to fund the undergrounding project and leave rates as they are; seconded by Mr. Huffman. The motion carried by a 5-1 vote.

5. Non-Action Items

- a. Financial report for the nine months ended June 30, 2025
- b. Cost of Service & Rate Study

Project Manager Craig Shepard from Leidos Engineering discussed the Cost-of-Service Study and Rate Design for the Electric Utility. The study begins with the 2026 budget, using its outcome to adjust and determine the test year revenue requirements. Additionally, the analysis will project the next five years, relying on the initial budget as a reference. Assumptions can be adjusted for different scenarios. The main goal of a

Cost of Service (COS) analysis is to determine each class's contribution to the overall cost. As part of this initiative, we will conduct a net energy metering analysis, undertake research and analysis on industry practices, administer a stakeholder survey, and perform a comprehensive review prior to making any recommendations regarding potential changes. If deemed necessary, we will revise rates in accordance with city policies, the Federal Energy Regulatory Commission, and the Public Service Commission. Our aim is to proactively prepare for any forthcoming legislation that may involve the PSC directly determining your rates.

This analysis will review your fuel adjustment policy, capital improvement plan, funding, and EV charger rates. Communication occurs biweekly with the city. Most costs are purchase power, other O&M, capital, minimal debt service and general fund transfers. COS allocations are split between demand (fixed), energy (variable), and customer-related. From the COS results, we'll identify revenues by customer class and their percentage differences. Currently, revenues are mostly variable, but costs are about 75% fixed. Rate design should cover fixed costs. The budget for this study is not to exceed \$109,000 over six months (September-February). The results will provide a defensible basis for electric rates and future planning. Mr. Poole suggested that Mr. England or Mr. Hamil forward the last completed COS study to the board members.

- c. IRP Roadmap Update

6. Staff Updates

- a. Electric Utility - Jamie England
- b. Water & Wastewater Utility – David Zusi
- c. Performance Measurement – Wes Hamil
- d. Educational Campaign – Clarissa Howard

7. Board Comments

Mr. Poole's comments were inaudible until he reached his third point, which was a request to discuss what transpired between the 12 to 18 months after Ms. Vedder was hired in October 2023, specifically focusing on strategies to expand residential solar power and EV programs. Ms. Sutton suggested moving this item to the September agenda. Ms. Vedder mentioned that her update covers net energy metering. Additionally, Mr. Poole announced a Commission work session scheduled for August 14 to review net metering and the Cost-of-Service study.

8. Upcoming Agenda Items

Mentioned in the previous item

9. Adjournment

The meeting adjourned at 2:09 p.m.

Approved by the board on September 23, 2025

/s/ Bahiyah Layton, Board Coordinator