

Kimball City Council
Joint meeting with Board of Public Works
February 18, 2014

A joint meeting of the Mayor and City Council and Board of Public Works was convened in open and public session at 6:30 p.m. on February 18, 2014 at the City Council Chambers. Mayor Schnell called the meeting to order at 6:33 p.m. Mayor Schnell and Council members Shields, Christensen and Morrison were present. Council member Warner was absent. Also present were City Administrator Ortiz, City Treasurer Strauch and Electric Utilities Superintendent Hinton. Also present were Board of Public Works members Jim Cederburg, Greg Robinson and Tim Klassen. The public was represented.

Notice of the meeting was given in advance by publication in the Western Nebraska Observer. Notice of the meeting was given to the members and a copy of their acknowledgement of receipt of notice and the agenda is on record at the office of the City Clerk. Availability of the agenda was communicated in advance notice and in the notice to the members. All proceedings hereafter shown were taken while the convened meeting was open to the attendance of the public except as otherwise indicated.

Schnell acknowledged the open meetings act poster.

Ortiz said for the past months, he has provided information on the pressures that the City's wholesale energy provider, MEAN, is under and information regarding the rate increase that the Board of Public Works has passed to go into effect in April. Andrew Ross, Municipal Services Engineer from MEAN, is present to provide much more detailed information on some of the pressures they are facing.

Ortiz commented on a summary from the U.S. Energy and Commerce Committee: At today's House Energy and Commerce Subcommittee on Oversight and Investigations hearing on the Department of Energy's clean coal programs, DOE Deputy Assistant Secretary for Clean Coal Dr. Julio Friedmann testified that carbon capture and sequestration (CCS) technologies could drastically increase energy costs. Rep. Joe Barton questioned how much CCS technologies could add to the cost of electricity and Friedmann expressed that for first generation technologies, there would be "something like a 70 to 80 percent increase on the wholesale price of electricity." He added, "It is, in fact, a substantial percentage increase in the cost of electricity but, in part, that's because the current price of coal is so low."

Ross explained that MEAN is a wholesale electric provider only. Kimball was one of the founding members and MEAN is a non-profit public power company. Ross said there are no investor owned utilities in the state of Nebraska.

There are three electric grids in the United States. In 2001, California tested deregulation and MEAN was a major benefactor of that. The deregulation also caused

the MEAN board to realize that they don't want to be exposed to that kind of grid and MEAN made the decision to move towards ownership.

Ross commented on power plants and said building a power plant takes a long time. MEAN entered into building a coal power plant and that plant didn't start producing test energy until over 10 years later. Ross said the natural gas supply in this country has exploded in levels never before seen and he also explained fracking. Because of the amount of natural gas in the country, it has tanked the price. Ross explained what this means for MEAN and said the coal came on line as the natural gas tanked. Ross also commented on the deregulation on coal and said it is a negative to the Nebraska economy. Using coal is very economical. There has been much more regulation without any output. There is a combination of regulations on the coal side and a restraint on commodities and to add to that, there are places building out their systems like never before.

There is 300 years' worth of power supply in the Powder River basin but the administration is moving against carbon based fuels and that is not good for a carbon based economy. On the transmission side, MEAN is not a transmission owner, but MEAN was exceptional at utilizing transmission rights to their advantage. Ross explained Regional Transmission Organizations (RTO), which are socializing the transmission. This means the cost of transmission is going up and now transmission is being regulated like crazy. Some of this legislation is having a serious impact on the region. The administration is controlling the things that are a by-product of burning coal and when that is looked at from a financial prospective, basically, less energy is being produced and this creates major challenges.

Ross said these are major challenges that are facing the industries as a whole as well as Kimball. There is some good news, however, in that Kimball has a large WAPA (hydro power) allocation. This means the challenges that are facing coal producing power suppliers don't translate to the federal hydro power. Currently, that federal hydro power is trying to extend the contract by 30 years, and Ross recommended that Kimball support that. He said it is a changing industry that is becoming more regulated and most of the impacts that are happening are negative to the Nebraska economy.

Ross said the RTO's impact how they are building the transmissions in the country. The rates were stagnant for a long time. Unfortunately, this is a challenging time in the industry. Ross commented on moving towards natural gas and nuclear power.

Shields commented on the other challenge of the usage going down when rates are increased and then losing the opportunity for revenue.

Ortiz expressed hope that the rate increase in April will be sufficient to get the city through the next few months. It is planned to have another rate increase in the fall. A rate study will be done and the recommendation from that study will be reviewed. Ortiz said the MEAN bill has been received for this month and there is a pooled energy adjustment amount of \$16,352 included in that bill. That amount brings the total PEA

paid to date of \$61,000. Ross explained the PEA. PEA's are a quick fix on a financial situation that is not anticipated to be forever.

Schnell thanked Ross for the information and commented that Ortiz has been good about keeping everyone informed. Ross said that Kimball has done a very good job in keeping up with the financials. He added that with the 12.8% rate increase, with the WAPA allocation, the impact is really only 6.6%, so the actual cost of electric utilities is going up 6.6%. He has a good feeling that come the fall, because Kimball has stayed on top of the financials, there won't be much shock.

There being no further business, Schnell declared the meeting adjourned at approximately 7:10 p.m.

James Schnell, Mayor

Margaret Strauch, Deputy City Clerk