



**William Biddlecombe** Councilmember    **Joe Dike** Councilmember    **Sam Artino** Councilmember    **Monty Tapp** Mayor    **Mark Claus** Vice-Mayor    **Matt Grieves** Councilmember    **Joel Hagy** Councilmember

**CITY COUNCIL UTILITIES COMMITTEE — COMMITTEE MEETING**

Wednesday, August 2, 2023 @ 5:00 PM  
Huron City Hall - Main Conference Room

**I. Call to Order**

**II. Roll Call**

**III. Approval of Minutes**

**III.1** Minutes of the January 11, 2023 Utilities Committee meeting.

**III.2** Minutes of the March 1, 2023 Utilities Committee meeting

**IV. Old Business**

**V. New Business**

**V.1** Update on South Main Street Watermain Replacement

Project Description: Construction in 2024. Water main replacement, along with resurfacing on:

- Portions of South Main (south of Valleyview), approx. 775ft
- Portions of Huron Avery from the Mudbrook intersect to city limits, approx. 1300ft
- Portions of Mudbrook Road, approx. 650ft
- Full replacement on Forest Hills, Valleyview, and Hickory Drive, approx. 2332ft in total
- Full replacement on Mill Street, approx. 342ft
- Partial replacement on Huron Street, approx. 605ft

Project Budget: The full estimated project cost, including street resurfacing is \$3,800,518.

**V.2** Updated on 2M Gallon Water Tower

Total Est Budget: \$8,850,000  
Grant: \$5,000,000  
Local: \$3,850,000

**VI. Other Business**

**VII. Adjourn**

CITY OF HURON UTILITIES COMMITTEE  
Minutes of the Meeting  
January 11, 2023 – 5:00pm

The Huron Utilities Committee was called to order by Committee Chair, Joel Hagy, on Wednesday, January 11, 2023 at 5:04pm at the Main Conference Room at Huron City Hall, 417 Main Street, Huron, Ohio 44839.

MEMBERS PRESENT: Stuart Hamilton, Joel Hagy, Stephanie Walls and Mike Spacek (via teleconference). Matt Grieves and Mitch Swanbeck are not in attendance and are excused.

Approval of Minutes

None.

Old Business

None.

New Business

Huron Public Power Demand Response Program

Mr. Hamilton explained that he and Mike Spacek have been throwing around a couple of different ways of operating HPP. Through Mike's history, and even since Mr. Hamilton came to the City, they have run into some fundamental process issues, communication issues and customer issues. Demand response (DR) is one of the things that some of our bigger customers have been asking for. What it is, is when there is a high load on the system, or a low supply, then DGM, which is the transmission supplier, can call a curtailment. What that does is triggers DR providers to talk to their customers to share the load, so they are not pulling as much off the grid. By doing that, they get paid. The customer gets paid through the DR provider through DGM – the load they save they will actually get dollars back. Mr. Hagy said, so you're saying I am using X amount of MW, you call me and say, dude can you scale it back and go to Y amount.... Mr. Hamilton added, you get paid for that delta, and that price changes depending on how much they need to shed and how quickly they have to shed. Mr. Hagy asked if it is still voluntary. Mr. Hamilton answered that if you sign a contract, it is no longer voluntary, you can actually get fined if you don't shed.

Mr. Spacek (via teleconference) said, for example, when we had that clip of really cold weather, there were calls. There are 2 types of calls – an economic call and an emergency call. For an economic call, you get up to 3 hours' notice, and there's no penalty if you don't comply. In an emergency, it can be down to 90 minutes notice, and you must comply. Over the Christmas weekend, there were nearly 40 hours of emergency interruption calls. I always tell people – you will be called to interrupt. It sounds really simple, but over the Christmas break there was nearly 40 years of emergency curtailment required. The system was very, very close to collapse – just in case anyone didn't know that. Mr. Hagy asked, by compliance, do you mean them scaling back on use? Mr. Spacek answered, that helped a lot for the curtailment. He thinks we were very lucky because a lot of people weren't working while we were still in jeopardy and curtailments had to be done. If somebody like Mucci, Firelands Scientific or Humanetics were operating in the burn, they would have been required to get down to their contracted load. Mr. Hamilton added that each contract has a contracted load written in it, between the DR provider and the customer, and they have to reduce to that, or they can get fined. We don't offer this right now, so that's where we are going. On paper, it sounds like a win-win situation – if you save some power, you get

some money, but it's not quite that black and white, and if you don't fulfill curtailment, then you will get some heavy fines. Mr. Hagy asked how do you put the curtailment amount in a contract when you might not know.... Mr. Hamilton answered that it is a percentage based on what you use – it's an "up to" limit. Mr. Spacek Mucci provided an example: if Mucci's 1,500KW is too high, what they do is a Peak Load Contribution ("PLC"). What is their load when our system is the highest, and those peak days are assigned by our grid operator. Firelands Scientific's 1,500KW load may have a PLC of 1,200KW, so that's where we start. Their contribution on our system has been 1,200KW, and now they can contract with a third-party supplier (HPP doesn't do it). All HPP does is provide the metering vehicle for the third-party demand response provide to be able to offer them a contract. PGM might say they think can get 500 KW of capacity, so that would mean that when the grid calls for demand response – they are at 500KW and we gave them a 1,500KW billing load, but assigned them a PLC of 1,200KW – they say they have 500KW to give, so we are looking for the providers to be at 700KW on their meter. In that instance, HPP does provide that. We provide a third-party provider access to the metered data, where they are simultaneously reading the meter. That's how they verify if they complied, and HPP does is give them access to the parallel reading of our meter. Mr. Hamilton said that there really is nothing for HPP to do in this compliance. Mr. Spacek said that when they change the meter for them to have access to it, they charge them for that. Mr. Hamilton continued, the first thing we have to do as a utility is to pass an ordinance. PGM requires us to pass an ordinance saying we are going to allow DR on our utility. He has that legislation ready, and he will probably take that to Council at the second meeting of this month. It is just a formality – you are not committed in. It is something we give to PGM, and PGM says okay, now you have said we are all good for DR. At that point, there are two ways of looking at it: AMP has a sole provider, which is C Power, so the customers could just go with C Power through AMP, the same as we get our power through AMP, or we can let our customers direct to the DR providers. This does not mean they quit using HPP, this is just for demand response. If there is a call the end user has to drop. Ms. Walls was glad that point was clarified. Mr. Hamilton said that while he won't speak for Mr. Spacek, because he speaks for himself quite well, the reason we don't like the C Power AMP option is because the customers still have to come to us, we have to go to AMP, AMP goes to C Power, and it comes all the way through. You've got a whole lot of people in the mix. This demand response is really not a magical thing – it never really lives up to what people expect it to be. By using C Power, we are stuck in the middle because our customers will come to us saying we promised this amount of power. Mr. Spacek added that C Power could be a third-party provider to our customers without having AMP involved. AMP creates a layer that looks like we're involved. What we're doing with the ordinance is we are saying HPP will allow our customers to pursue DR from third-party supplies. That has nothing to do with HPP, except for metering. If we have AMP involved, it looks like HPP is involved. If our customers want to sign a deal with a third-party supplier for DR because that is all on the transmission side, not the distribution side, we have no problem with that. If they ask who the City recommends, we do not recommend anybody because it's their deal. It has nothing to do with our supply or operation, we are just going to allow through our system, that vehicle to be conducted. Right now, that can't be done. There are four decent DR providers out there. Mr. Hagy said when this was all set up – he thinks Mr. Spacek was involved in the very beginning of HPP – it seems that a bid user like Mucci would say, great, there is no demand response. If there's a big load on the grid, I'm good to go and I can use as much as I want. Was there any discussion of DR? Mr. Hamilton said Mucci is one of the customers looking at DR – they have said they want it. The customers want it because if they can afford to shed load, they make money. Mr. Hagy said that's great, as long as they are not going to have a problem. Mr. Hamilton said what he and Mr. Spacek are trying to do is, because it's such a fishy contract web, they don't want HPP to be stuck in the middle. They would rather step out of the way. They don't make any money of it, regardless, so why would they put themselves in the middle? Mr. Spaced added, it doesn't cost us anything, and we don't make anything – let's keep it that way. If they want to go through a third party, please do. If they want

to use more energy efficient equipment and save power and money, go ahead, but HPP is not responsible if for some reason that didn't save them any money. They would be making their own deal outside of HPP. Mr. Hagy asked if they are going to have to go to DR in any event, whether they do it through us or a third party. Mr. Hamilton responded that they don't have to. Mr. Spacek added that anyone can go to DR if the DR supplier has set it up. They can call HPP and set up a DR program. They would send HPP their request for the meter change-out, HPP will respond to the request with the fee to do that. The third party would tell HPP what metering information they want, and HPP would make their meter provide that to them. Mr. Hagy asked if an end-user says, no I don't want DR. Would they lose power if there is a big demand? Mr. Spacek explained that as it is now, HPP will provide power to them all the time. Mr. Hagy said that's really up to the end-user, as they can make a few extra bucks if they can dial it back. Ms. Walls asked what happens in the emergency situation. Mr. Hamilton answered that if the customer doesn't sign up with a DR provider, which is 100% voluntary, you only sign up with a DR provider if you want to make money and can afford to shed. The dentist's office is never going to do it, and they won't even know we do DR – nothing will change for them. Ms. Walls added that she had written down that if it was an emergency, that it was required, so that's only if you're under a contract. Mr. Spacek answered that if you are under contract with a demand response provider, you are under contract to interrupt your load for that provider. HPP is a distribution utility, so we take care of ourselves. We get our supply from the transmission grid, and the people working for the transmission grid can get a bunch of customer that can interrupt their load, which can alleviate your grid needs power. If the grid operator calls saying they need grid curtailment, then C Power will send to the customers under contract with them notice that they are going to start curtailment event, and ask them to please curtail. C Power recognized that probably not everybody is going to do that, so like an airline, they overbook people so that they can meet their requirement that they promised to the transmission provider. They are kind of a middle-man aggregating folks to get load off the grid through their system. Our customers that would sign up with a DR provider would be Mucci, Firelands Scientific and Humanetics (everybody else is too small). Mr. Hagy said we are just proposing legislation that makes DR available and allows third parties. Mr. Hamilton agreed, saying we are allowing a third party access to our meter for their DR program for our customer so they can save money. Mr. Hagy said electrical engineering was the hardest course he ever took in his life – how did you manage to make the selling of electricity even more complicated?

#### Huron Public Power Generation Supply Options

Mr. Hamilton explained that HPP purchases power through AMP. AMP then goes out and gets quotes for power for us, brings it back to us, and we say okay on behalf of customers, and AMP goes off and purchases power. Over the years, we have had a lot of issues with some customers where expectations and deliverables just didn't mesh. Some of our customers don't believe that AMP is responsive enough when he asks them for pricing for Mucci, and it takes me 2 weeks to get that pricing. We are running into some of these issues, and one of the options is called "opening the system up." Instead of forcing all of the customers, through HPP, to go through AMP or whoever else they end up going through, HPP can open the system up to allow the customer to either buy power from HPP or go directly to another provider. For example, Mucci could go direct to the one of the main generation providers and sign their own contract. They would still have to put the power through our distribution system. All HPP basically does is pass through the power to the customer, so they would still get their rider. This would take HPP out, sets it to the side, because there are certain customers that we just cannot keep happy. It doesn't matter what we do – we just can't keep them happy. They want this price, we get them this price, and then they want another price. We spend an extreme amount of time just trying to get pricing for them, even though it's never really going to satisfy what they are looking for. It sounds like a sensible move, but in talking to Bricker (our utility lawyer who is usually very conservative) they have concerns that if

we open up our system, then we open up our system to FirstEnergy also. When we are no longer providing the power and distribution in the service, then we are no longer a closed system. In the worst-case scenario, what that would mean is that we would go into direct competition with FirstEnergy. Mike will preach to you all day long that FirstEnergy would never be able to provide the rates that we can provide to our customers. Mr. Hagy agreed that FirstEnergy can't compete. Mr. Hamilton said it's the riders (the additional charges on top of the power) that would be the problem. AMP would be taken out of the equation because Mucci would be allowed to go directly to the generation provider. Our distribution rate is very favorable compared to others. From a functionality point of view, and customer service point of view, the sensible thing is to open the system up. From a liability and a risk point of view, we are going directly head-to-head with FirstEnergy, and we don't know how they will react. They may be fine and say they are fine if HPP stays south of the tracks. Eventually, you want to serve everyone in the City, and right now, state law says that FirstEnergy is not allowed to pick up any new customer or any new resident in the City of Huron without our express permission. We have never enforced that, and they have never gone through that. What we would do by opening the system up is we would take all of those restrictions away. FirstEnergy already provides power to all of the residential and commercial industry. This is definitely not a decision for tonight – he just wants some feedback from the Committee. HPP is supposedly an economic development tool, first and foremost. HPP is supposed to be there to provide cheap power for our businesses, and eventually our residents, so they can be more profitable for the City. By letting them go direct, they can get the best price that they can get. They can negotiate their own contracts, multi-year contracts and they take on the financial liability on those contracts, and that power passes through HPP's distribution system. Again, there is still that risk of going head-to-head with FirstEnergy. If we open up, FirstEnergy could come down the Parkway or down University and start saying, we are just going to just take the customers. There is always that risk. He doesn't know how Ms. Walls and Mr. Hagy feel about the two options. Mr. Hagy said the risk is poaching, but you said that our distribution are so favorable, it's unlikely (not impossible)..., but that is the risk, which was confirmed by Mr. Hamilton. Mr. Hamilton thought there was some requirement that HPP had to use AMP in order to be a public utility – isn't AMP going to be sideways about this? Mr. Hamilton said that HPP would still use AMP for the customers that don't want to go with FirstEnergy. Mr. Spacek said that, regardless of opening up, HPP would still be a member of AMP. What AMP does for us now is they provide the generation power for HPP. If we had our own generator, we wouldn't need AMP's power. We only need AMP for the generation part of our business, and that's what we use them for. As we talked about DR to get third parties to provide a service to our customers, it has nothing to do with HPP's distribution revenue off our meter. This generation portion is strictly from AMP right now. We are suggesting that we say, well we don't want to have just AMP. We would like our customers to be able to acquire their generation services just like the FirstEnergy customer does. If FirstEnergy were to come in and poach, we get our generation the exact same way that our customers do – not being sole source to any of them. Whether it's FirstEnergy or us, they go out and get their own generation, so that's a fair fight. The difference is, the distribution cost, which we are fully 20-30% less than FirstEnergy. However, AMP costs sometime take us on parity, or higher, than a FirstEnergy customer might get because they can shop generation. We are limited – we don't shop our generation because we are beholden to the supply that AMP doles out to us at the price they dole out to us. We have a little bit of flexibility, but it's not that great. Frankly put, we don't need AMP. We like to work with AMP with the consortium method and the fact that we are power with 123 other municipalities under their belt, but again, their generation cost is not always lower than you can get in the open supply market. Mr. Hagy said that there wouldn't be a contractual problem – you don't think would be sideways if we did this? Mr. Spacek thinks might not be happy, but again, he can assure you that our customers aren't happy right now. He is not happy, which doesn't matter, and he knows Stu is not really happy. Why are they not happy? AMP. Let's make AMP unhappy, not HPP and its customers. They might

not be happy, but one other thing if we are really serious about making this happen. AMP could very well come to the table and ask what they can do to help. We would say, for the last 5 years we haven't been getting what we want in our generation supply. They are ruling the roost, and at times he feels that they are no better than FirstEnergy, at times. It's a really stiff organization. Mr. Hamilton said has grown over the last 5 years, and they have grown to a size where they are no longer agile and no longer flexible. Mr. Spacek agreed that they have changed a little bit over the years. They were instrumental, and he is beholden to them, in helping us form HPP 20-some years ago. They were very, very cooperative and very, very good. For our first 10 years, they were very instrumental in our development, but again, especially in the last 5 years, they have become a little bit more like a big utility company, which is not his forte. He left a big utility company because of their inability to really service a customer. Ms. Walls said that, obviously, Mr. Spacek and Mr. Hamilton are in the weeds with all of the specifics on how that works. What she got from this conversation is to maybe think of it in terms of why we started down this path in the first place. You talk about the long-term objectives of expanding HPP and how you hope to use that as a tool for economic development. Although there are issues right now with current customer who aren't happy, in your decision-making process, just make sure that we are not compromising any piece of the long-term objections to satisfy a short-term objective. She would just want to make sure that all of that lines up, because a lot of times when we are looking for a fix in the present, there are, obviously, unintended consequences that take us down a different path that we didn't mean to. To whatever extent it's helpful to you, think about where is it we hope to be? Would making this change compromise that, and how? Obviously, there are a lot of variables, things we don't know now, so what's the worst-case scenario? If that happened, would that be acceptable, and just try to keep that perspective as you think through it. She would hate to, if there was a long-term objective we have and we are committed to that, compromise that through a decision that we make now. Mr. Hamilton thinks a small part of that is, as we start to head down Sawmill Parkway, there are some larger customers down there, if we were ever to get them on our system, we are going to have to go back and try and rely on AMP to get them the power at the price they are looking for, and in the timeframe they are looking for. Or are they going to want to go shop themselves? These bigger customers are the ones that are going to fund the expansions – it is not going to be the smaller ones. It's not going to be the residential; it's going to be the bigger ones. That's what we are fighting with right now. We understand there is a lot of risk here, but we also understand that the core mission of HPP is to help the businesses. Mr. Hagy doesn't understand the risk, other than FirstEnergy poaching our customers, in which case we are still getting our distribution charge. Mr. Hamilton said that if FirstEnergy goes direct, then they can bypass HPP. FirstEnergy would do the distribution. Mr. Hagy asked if HPP is so competitive, why would the customer do that, because FirstEnergy would match us? Mr. Hamilton said FirstEnergy is not allowed to deflate their pricing just to compete, but they can offer you other add-ons that can make it attractive. There are other things they can do to make it attractive over a long term. Mr. Hagy used to do sourcing for GE, so the guys who are always coming to you saying, I want more, I want more – they are going to do that, they are just always going to do that. Ardagh is a big corporation, and they are going to do it. He doesn't see it so much as a risk as a necessary opportunity. You might be able to convince Ardagh or Mucci to stick with us for distribution out of civic pride, because I would imagine that is a smaller piece of the cost for them than the power itself. This give them an opportunity to stay civic-minded and keep getting distribution from HPP, but still get a better rate on the power – that's how he is seeing it. Mr. Spacek said that is his and Stu's goal right now – both of said it correctly, and yes, we will want to stay with HPP and use the same model that Ohio Edison, CEI, Ohio Power, etc. Ohio Edison is, actually, strictly a distribution utility – they do not self-power. All of their customers must go get a third-party generation supplier or go to the default, which we could be the default supplier, or they could be in an aggregation. But you have to go get that other piece. Right now, as a distribution supplier, HPP has our distribution rate, and that generation of power supply itself is not sole-sourced through AMP to our

customers. That's what we have been doing and it has been fairly successful. This last year of energy inflation has really stimulated a lot of things, and we don't want to make a knee-jerk reaction that will harm us someplace else. Right now, he made the argument with the Bricker folks, we don't have customers to be poached. The only customers to be poached are FirstEnergy's customers by HPP. Would they be able to come into our industrial park and would our customers leave us for them? He finds that very doubtful because FirstEnergy would have to go get easements, they'd have to get back there (they'd have to put infrastructure in). They have a lot ahead of them, much as we do, too. Our distribution is substantially lower than FirstEnergy's distribution rate, and right now our AMP generation is a little higher than what the market is doing – that our customers could do. Now, a FirstEnergy could do a little bit better. We are still better on the distribution, but they are getting a better rate on generation, and that's what we've been talking to AMP about. What do we do there and how do we do that? Mr. Hagy asked if this is an "all or nothing" thing? In other words, can we say for these customers, you are allowed to out on the market and other's can't be touched by FirstEnergy? Mr. Spacek answered no, it's pretty much is or isn't. Mr. Hamilton said that we don't know what FirstEnergy is going to do. Once we are no longer the sole provider, then FirstEnergy can come to us and say, you are no longer the sole provider, so here we come. Mr. Spacek added that that hasn't been honored anyway, because on the other side of it, we are the sole supplier. HPP has a right to every customer in the City unless we agree not to. That's a small risk. Mr. Hamilton asked the committee to mull it over – this topic will come up again, as we keep walking around this, we are going to be looking at it a lot more seriously. He has read way too many memos from Bricker on this topic, about risk and how it works. The next time the committee talks about this, he will be bringing them a whole load of legal garbage to read. It will really help explain a lot of the case law that's out there, how the PUC has reacted to some of that, some of the ones that have won, and some of the ones that have lost against the big utilities. The committee can then get an idea of where we would sit and what protections we have once we do it. Mr. Spacek added that we buy our energy, whether our customers pay us or not. Mr. Hamilton explained that when we buy the contracts for our customers, we are the one that are liable for it. We have been over this before, especially with Mucci. If Mucci decided to switch off the lights, we are liable for the rest of his power purchased in his contracts. Mr. Hagy said we could sell it. Mr. Hamilton said yes, we can sell it, and we hope that we have a good contract and we hope the market stays higher than that contracted purchase agreement, or we are liable for that delta in there. We can't afford to carry that level of risk, because it could take every penny the City has. Mr. Hagy said that would mean Mucci would literally shut their lights off, not just say we don't like you any more, which Mr. Hamilton confirmed. Mr. Spacek said Mucci could stop paying us. Mucci paid us \$500,000 for last month's power, but when we bill Mucci, it is in arrears. If they don't pay us, we still owe AMP. We are dependent upon our customers paying after we have already bought the power from AMP, and if they don't, we are liable for that money. If they weren't producing, there is a second tier of this, we would (right now) want Mucci to shut down and go away because they are only \$0.03 per KWH for their power and the market is \$0.08 per KWH, so we'd ,ale \$0.05 per KWH on the 50 million KWH they didn't use. For one year, we'd be pretty happy about that. That's the good side of that story, but the bad side is if they use the power and didn't pay us, we are still paying for power. Mr. Hamilton said that is just another unfortunate risk. Mr. Spacek stated that that is because of AMP – they get paid and we assume the risk that they get paid. That's why AMP makes HPP sign the contracts, and not the customers. If we had a third-party supplier, if you don't pay Constellation Energy, Ohio Edison is not involved in. They don't guaranty your payment to Constellation Energy because they made a deal with you, personally, and Ohio Edison keeps delivering the power and it's Constellation's problem to get the money from their customer. That's what we want, we want the generation people to be our customer's customer. That way, that transaction is between them. Mr. Hagy agreed that's another reason to let them go third-party. As a municipality, you aren't going to be bankrupt over that, but you are going to be hurt pretty badly. It is an issue that we guaranty AMP's

purchase. Mr. Hamilton added that Mucci is not the only customer that has a large enough load to be a decent size – Humanetics and Firelands Scientific. It's how we manage that risk. This energy inflation year has opened up our customers' eyes. They have enjoyed an "all in" cost of HPP distribution and generation at \$0.07 to \$0.08 per KWH. Now they are \$0.10 - \$0.12 per KWH and, like Firelands Scientific, it hits them the hardest because they are using the most. We try to help those folks, and we have offered them some alternative strategies. It is not as if we are not trying to help them, and quite often, like Mr. Hagy said regarding your sourcing for GE, they will just keep banging at what you get. Something you have to do in the energy industry, is you have to do something. If they are unwilling to try to help themselves, we can't force them to utilize other products that we would try to source for them. We can only offer them, and if they don't accept them, quit blaming us for your problems. Mr. Hamilton said, again, the only thing we could really do was purchase some more power at a stable price to minimize their market risk. There is only so much we can do.

#### Sawmill Parkway Huron Public Power Easements

Mr. Hamilton explained that there are two parts of this. We have all of the easement information, all of the legal descriptions – everything he needs to start pulling utility easements to go up and down the full length of Sawmill Parkway. Once he can go out and start talking to those potential customers/property owners, and get those easements in place, then they can actually start expending HPP down Sawmill Parkway. Mr. Hagy asked if the copper was in. Mr. Hamilton answered, no. Mr. Hamilton said the first thing is to get the easements, because they are going to have to traverse the property owners' lands to get up and down the parkway. There are some decent sized customers, and as HPP picks them up, they can help pay for the expansion as they go. That is something he is working on in the background.

#### RFP/RFQ Updates

January 18<sup>th</sup>, RFP's went out for a third transformer, finally. We still think it's probably going to be \$1.5 Million to get it landed on the pad and get it up and tested. Mr. Spacek agreed that is probably a reasonable number. They originally did a quick pricing on the transformer of about \$995,000, but that was almost a year ago. You still have to get it here and spec it. Mr. Hagy asked if the third transformer is needed in order to service Sawmill Parkway. Mr. Hamilton answered that we need that additional transformer for redundancy for Mucci. Realistically, Mucci have paid for this transformer because Mucci went over its promised load, so the two transformers that were originally enough for redundancy to and provide all of the power we needed, are not enough, and we now need a third one so if we lose one of the original two, they can still supply Mucci with its power to grow. Mr. Hagy asked if we are going to borrow to purchase the transformer, which was confirmed by Mr. Hamilton. That \$1.5 Million is just the portion to get it here, then they will have to do another RFP to get it up and running. That will probably be another \$1 Million on top of that. Mr. Hagy asked if this is one of the loans you can get where it's backed by revenue so it doesn't count against our debt capacity. Mr. Hamilton said Mr. Swaisgood will have to dig into that. Because this is a utility, it doesn't usually go against the City's debt capacity, because this isn't in a fund that would actually affect the City's debt capacity. Mr. Hagy asked Mr. Hamilton to please confirm that with Mr. Swaisgood.

An RFQ has also been generated for the secondary water intake that is going to go out soon. They decided to do an RFQ for that because it's such a detailed project that the City would prefer to pick a partner rather than try and get the different specs because there are so many moving parts. This is the intake that will be installed over by the Boat Basin. That is a huge project. The RFP will go out, and they hope to get 4 or 5 responses, and they will then pick a partner.



By the end of the month, Mike and Jim are going to give him a big packet to finally get HPP under the train tracks. They are already running ahead getting easements on Sawmill Parkway, they don't even have power there, so they are trying to get that piece up and running to catch them up to where they want be. Once they get power to Sawmill Parkway, they are going to expand it as they pick customers up so it can be paid for as they go. There will be some smaller ones, so they are going to cherry pick the big ones first, and then go back for the small ones. To justify the investment, they are going to have to know they have revenue coming in. They don't want to just keep throwing debt capacity at it, they want to use those new customers to help pay that down. Mr. Hagy asked if anyone has talked to Ardagh yet. Mr. Spacek has had some conversations with them in the past. Ardagh's opinion is that we are too podunk to supply power to them. What Ardagh doesn't understand is their power comes in exactly the same way as ours does, except it was underground to our substation, and stays above ground to get to them. If we lose the line from Shinrock, we all lose power. They seem to think FirstEnergy would have a helicopter up for that. We are right around the corner – you wouldn't need a helicopter. He spends a little time there now with the Sawmill Parkway project, so he will keep working on him. He thinks it's more of an educational thing. They seem to think they need the big horse in town. If we can prove that we can provide the same power, if not better, and better service at a cheaper price, with the amount Ardagh uses, it's a no-brainer. Mr. Spacek added that HPP will have redundancy on the transmission line that FirstEnergy will not have, so not only will they have double redundancy on the 69 KV line that he currently has only one single tap going to it, and HPP will provide triple redundancy in our substation. Eventually, what will happen is that the radio's path is going to fail between FirstEnergy and them, and they are going to be madder than wet hens, no doubt, and that's when Stu will probably say, here's how we would have done that. When that line was down, did you notice that Mucci had lights and Firelands Scientific had lights? We have redundancy that you don't have. Mr. Hamilton said that he believes that we will, eventually, get Ardagh. They do want to be part of the community, he just needs to keep working on that relationship. They need a comfort level where they are willing to look over... there's a chance HPP may have to buy their transformer off of them, but again, that's going to be done with a return on investment. We are going to look at how much it would cost off, how long it would take to get a return on investment, and a lot of those things. To do that, they would have to tie them into a longer-term contract, especially if we are looking at opening the system up. If we are going to start throwing that kind of money around again, we've got to know that we are going to get it back. We can't keep operating the way we have been operating for years. We have been paying and just hoping people come.

#### Electric Rate Distribution Cost Study

Mr. Hamilton advised that they are getting close to finding a partner to do an electric rate distribution cost study. They are going to have a lot of talks coming up with Mucci as its contracts expire at the end of the year. We want to make sure that the rate structure we have in place is sufficient for (1) what we currently own, and (2) what we want to do. We want to make sure that our money is sound enough to allow us to do these investments. If it's not, we will need to either adjust it, which we really don't want to do, because we don't want to creep closer to FirstEnergy. That will help us scale and prioritize our project based on what we can find from that. That's something else that will probably come up in next month's meeting. We will go through it a lot more in depth.

Mr. Hamilton and Mr. Spacek opened up the meeting up to any questions. It has already been his goal for 20 years – getting a utilities committee here, and get the path set straight and questions, questions, and question – and get them answered. We do not want to results of unintended consequences. Nobody's going to be perfect, but we sure don't want to shoot ourselves in the foot. But we also want a safe, reliable, financially sound and stable HPP, and to be a great energy provider to our customers. Mr.

Spacek thanked everyone. He has been doing this a lot, and he has been doing this – they have run it, they have taken care of it, and when we walk into that corporate park, his name will come up – he’s the guy at HPP. What do need to determine what HPP really is in the utility world, and Stu should be the face of that, and he should take care of it. It has worked thus far, but we are going to bigger, and we need to get our process and routine a little bit better. Mr. Spacek left the meeting.

Mr. Hagy asked if Mr. Spacek is a City employee. Mr. Hamilton answered that he works for EPS. He fired up HPP with Mike Tann. He was with Mike Tann when they brought it up, and he has basically been HPP ever since. Mr. Hagy stated that HPP predates Andy White, which was confirmed by Mr. Hamilton. Mike Tann brought up HPP originally – he doesn’t even know how long ago that was. Mr. Hagy thought that would be 2004 or 2005. Mr. Spacek has always been the face of HPP. City employees never really wanted to do HPP. Mr. Hagy wasn’t surprised, as it is the most unnecessarily convoluted commercial thing in the world. Mr. Hamilton said that what he and Mr. Spacek are trying to do is to take a hard look at what it is they are doing, and how they can do it better. He comes from process orientation and sees there are so many layers in here you can’t even figure out what’s going on. That tells him it is broken. We need to fix it and get it to a point where we can run efficiently. As we expand, we are going to end up needing employees. We are going to need labor. We are going to need people... if something goes down, right now we call Fresch Electric. Eventually, we are going to want someone on staff who can do that, instead of calling Fresch every time.

The big one to mull over is opening the system up. It sounded like a no-brainer, but there is a lot of risk in that. They will talk about it again, and next time, it’s actually quite fun having Mike and Bricker on the same call as they are diametrically opposed on this one. Devin is extremely smart and he’s got our best interests at heart, but he is very conservative when it comes to risk. But that’s is why they have him. When the committee goes back at this again, they will have him on the call so they can ask him some hard questions.

Mr. Hagy adjourned the Utilities Committee meeting at 6:00pm.

Respectfully submitted,

Terri Welkener  
Executive Administrative Assistant/Clerk of Council  
(minutes were prepared from digital recording)

CITY OF HURON UTILITIES COMMITTEE  
Minutes of the Meeting  
March 1, 2023 – 5:00pm

The Huron Utilities Committee was called to order by Committee Chair, Joel Hagy, on Wednesday, March 1, 2023 at 5:04pm at the Main Conference Room at Huron City Hall, 417 Main Street, Huron, Ohio 44839.

MEMBERS PRESENT: Stuart Hamilton, Joel Hagy, Stephanie Walls, Mitch Swanbeck and Jack Evans. Motion by Joel Hagy to excuse Matt Grieves' absence. All in favor.

Approval of Minutes

Motion by Mr. Swanbeck to approve minutes of October 5, 2022 and November 2, 2022 as written. Seconded by Ms. Walls. All in favor.

Old Business

None.

New Business

Introduction of Jack Evans

The members of the committee introduced themselves to Jack Evans, the new Water Superintendent for the City of Huron. Mr. Evans came from Avon Lake. He started in Ottawa County, has been at Avon Lake for the last several years, and lives in Perkins Township. Mr. Hagy welcomed Mr. Evans to the City. Mr. Evans has been reading up on a lot of the projects. Size-wise from a production standpoint, Huron is smaller than Avon Lake, which is rated for 62 million gallons/day, but really only do about 35 million on a good day. Avon Lake sells about 85% of their water outside of Avon Lake. The Ottawa County plant is smaller, so he has experience at both small and large plants. There is some industry in Avon Lake, just like here, but they sell all the way down to Medina, Medina County, Grafton, Sheffield and Sheffield Lake. It is lot more complex because they you get into pump stations and the different towers and storage along the way. It is little easier to manage here. Mr. Hagy asked what Mr. Evans thinks his biggest headache will be in Huron. Mr. Evans answered that he doesn't see any headaches yet. The new intake project is exciting. He married his high school sweetheart, and they have three daughters – 7, 5 and 2. They really like it here; they are from Port Clinton and moved this way. They come to Sandusky for everything. Mr. Hamilton commented that it's only fair that Avon Lake took one of ours, so we took one of theirs. Jason Gibboney is available to Mr. Evans if he runs into any questions.

Update on Third Transformer

Mr. Hamilton advised the committee that yesterday, they closed on the bid for the third transformer. They got one respondent, which is very surprising – they thought they would get 4 or 5. The sole bidder is Atlas, who are the same people who put the other two transformers in, at \$1.5 Million, and their bid came in at just north of \$1 Million. It came in way cheaper than they thought it would. Mr. Spacek is currently going through their response, checking all the technical specs. He talked to him this after, and he has a couple clarification points. At that point, if he approves it, then we will move forward with it, award the contract and get it ordered. They don't believe they will receive it until 2025. The City does not have to pay for it until delivered. They were hoping to have it for a project in late 2024 because AMP-T is bringing in a second supply line for the substation. As part of that reconfiguration, they were going to try and do it all at once. They are going to have to play with that budget timeline, and hope one

of the transformers doesn't go down. If they lose one of our current transformers, they can't supply Mucci's load. They need both of them to supply Mucci, and that's one of the main reasons they are adding the third transformer. Once they get to point of install, the footprint of the substation will be expanded. They have plenty of room there. They will have to tear down the easterly fence wall and move out that way toward the back of the field. To bring the third transformer in and set it on its own concrete pad, they also have to extend the switching gear that runs along the north side of the substation. They will probably expand that at least another 1/4, if not another 1/3, in size. They will then have redundancy and will be able to provide backup in case they lose one of the existing transformers. If they have to add another transformer due to a user exceeding their allowed load, the City will not be paying for it. If they are putting a transformer in for a customer, the City will be signing the contract with that customer. Unfortunately, the history of HPP has bitten us a few times, and this is another one of those times where they are stuck in this situation, and have to deal with it. Normally, when you have to add an additional transformer to take a customer's load, the utility doesn't usually pay for that, or at least not in its entirety. You would go to the customer, advise them that they went over their load, and tell them that you can no longer supply them, unless a transformer is added at the customer's cost. At that point, the City can either go 50/50 on it, add an additional charge on their cost to recoup the cost, etc. Unfortunately, the way the contracts are written right now, we are supplying this transformer. In the future, this will be negotiated into the contracts. Because Mucci went beyond their promised load when they added Phase 3, they went over what HPP can handle with 2 transformers, forcing the need for redundancy. Initially, the second transformer was the redundant supply. Mucci just switched the lights on without telling us. When the bid is awarded, Mr. Hamilton will email the committee members letting them know that the bid has been okayed by Mr. Spacek, and are ready to forward to Council. The bid amount was \$1,079,000 and change, which is a good price. Those funds will be debted out, and that debt is just HPP, and doesn't affect the City's debt. As a reminder, that amount is only for the transformer itself – that is to order it, get it built, get it here, get it set and power it up and test it. They will then go out to bid again in 2024 for installation of all of the switching gear, configure it and bring it online. They could have bid them both together, but depending on the pricing, by the time we get to 2024 or 2025, it would be irrelevant. This additional transformer will also give HPP the capacity to go down Sawmill Parkway and bring on new customers, which will help pay for the transformer.

#### Alternate Intake

Mr. Hamilton advised that the bid closed yesterday on the RFQ for the secondary intake. They had two respondents. The RFQ is just a request for qualifications, which means the City is looking for a partner to go down this project path with. OHM and Poggemeyer responded. Mr. Hamilton, Mr. Evans and Mr. Gibboney will go through and score the responses, and whoever comes out on top will be who they will negotiate with for a proposal to do the design and bidding portion of the secondary intake. If they can't come to agreement on that proposal, then they will move on to option 2. At that point, it will be designed and then put out to bid to find out what it's really going to cost them. A portion of the boardwalk will be torn up for the project where they cannot go beneath it. If they do have to touch the boardwalk, they are going to do as much damage as they can so they can repair it as part of the project. There are certain things you can use that money for if you disturb. If they can do a full stretch of that boardwalk within this project, it would be a good use of either that zero percent loan or low-interest load. At the end of the day, they are going to have to figure out money to repair that whole Boat Basin. They are probably looking at a Columbus capital request of \$4-5 Million. They need to replace all of the docks, all the water, all the electric, and pretty much the entire boardwalk. They have been toying with the idea, and calling our representation. We were teeing up to do our capital request in Columbus, but now they have to start from scratch. It is a perfect capital request, either federal or state, but that amount of money is a high-profile project with a lot of competition for that money. They are not going

to be able to afford to do it on their own, so they are going to need to find someone to help them with it. Once they get a partner, they will negotiate, get a proposal, and then he will come back to the committee to go through it. The committee will look at the plans and the cost. Asked by Mr. Hagy if they anticipate any upset in the community by putting the building there, Mr. Hamilton answered that the structure will be very discreet. The actual pump station itself will be underground with access from the top. The only thing that won't be underground would be any backup generator. Being strategic in where they locate that and how they disguise it will be important. If there is a building there, they will make it look nice and try to match either the Boat Basin or make it blend in. It's not going to be an eyesore, and he doesn't think most people won't even notice. They will run it early in the morning – it's not near any residential – they will put that on a timer. Until the pump station is designed, they don't know what size of generator will be needed. Mr. Hamilton guesses the generator building will be 10' x 15'. Mr. Evans explained that the secondary intake is not for regular use, it is more for emergency situations. They would have access to it at any time. The generator and pump station will be tested regularly to make sure they are working properly. If this project is done right, they will be able to use both intakes at the same time by balancing the pressure. If you don't use pumps, they stop working. The pumps can be run without actually forcing the draw through. They will be exercising the intake regularly – it is going to be a big investment. They have an option in the RFO for a 24" main versus a 12" main, which would get them the capacity to expand the system in the future, if needed. If they are going to dig up the roads, they don't want to constrain themselves with a 12" main. If they ever ended up having to switch over to that long-term, you don't want to be stuck.

#### Trash RFP

Mr. Hagy said he doesn't think there is a good ending to this story. Mr. Hamilton explained that staff has spent the last month or so trying to work with Republic to use existing services while reconfiguring them and bringing up our fuel surcharge table, because that is what is killing us. The current fuel surcharge base is \$2.49/gallon, and diesel is \$4.29+/gallon. That fuel surcharge is killing them. They are trying to be smart and find a way within the contract to do it. The lawyers said it was too far off the original scope of the contract. They understood what we were trying to do, but there were too many steps outside of the written contract. If the contract doesn't point toward the possibility of this happening in it, then you can't do it. Just this week, in working with Republic and talking to Mr. Lasko, they determined that they are going to have to do a full RFP. They were trying not to get to this point, because they don't know what it's going to bring back. The good thing about doing this is (1) they will be able to tidy up the contract (the contract is kind of messy), (2) there are whole lot of handshake agreements from years and years of this contract that shouldn't be in there, (3) there's too much flexibility that makes it really hard to manage. When the RFP is put out, they will have them quote 20 different ways on services. They will come back to the committee and present what it would cost to supply exactly what we have right now, here's what it would cost to keep the price the same and here's the service level you're going to get, and everything in between. He has no doubt that they have to up the rates. Mr. Hagy said it will be interesting what they hear from the community regarding the upped rates, although it's understandable because it's all related to fuel costs. Ms. Walls stated that it seems that, especially compared with our neighbors, the service we get for what we pay is pretty good. She thinks there is at least some awareness that we have a good deal right now, but that isn't sustainable. Things have to be right-sized at some point. No one is enthusiastic about rates going up, but at the same time, we do have some room to move because what we are currently getting for what we are paying really isn't in alignment, either. Instead of characterizing it as, you are getting this and now you have to pay more. Huron has had a pretty good deal for a while, and it's really about right-sizing what we're paying for what we're getting. She thinks the most important thing would be to find a way to keep the level of service we have. We really do have a nice level of service, and she doesn't think people would want to give that up. It will be

nice to see all of the options because if it seems that people are willing to maybe have a lesser level of service and not look at such a large price increase, that's something too. Mr. Hagy said that he feels the same way. Mr. Swanbeck said the provider, basically, has the City by the back of the neck – nobody else bids on it. Republic is the only operation that submits a quote. Mr. Hamilton explained the reason for that – they are the only company that can provide the residential recycling service. If we removed the recycling services, which the City's residents wouldn't put up with, then we would have more respondents. Cyclone does not do recycling. An option would be to have a centralized recycling center. Ms. Walls said she has lived that, and stressed that what we have is really very convenient. Where she lived in North Canton it was optional to recycle, but if you wanted to recycle you had to load it up and drive it to the recycling center. This is how they currently do it in Ottawa County. In North Canton, they also had centralized yard waste drop-off. The City of Sandusky ended up having to close down the east side recycling station because they got more garbage than glass and plastic. They moved it to the Service Center, and they had had only one location at that point, and it cost nearly \$75,000 in video cameras just to monitor it. It was so bad that he had to put a license plate camera on the building because they didn't have enough proof to cite these people for dropping all of their stuff. There's a whole host of problems that comes with centralized anything when it comes to dumpsters or recycling. Unless you actually have a dumpster that only has the bottle holes in it, then you are going to get everything in it. They would have their guys drive through the Service Complex, and there are signs up saying you are being monitored. They don't care.

Mr. Hamilton asked the resident members of the committee about our current billing process. Right now, they bill trash on the water bill. It's very cumbersome and it's now how you're supposed to bill trash. The accounting system doesn't like it. What a lot of places do is place an assessment on the property tax bill. What they would do is put your yearly trash bill as an assessment on your property taxes, and then on your two 6-monthly payments, you just pay half of that and the County then pays us for it. It would take that money off of your quarterly water bill and it would just be assessed on your property taxes. Mr. Hagy likes it because that water bill is going to be really small. Right now, it's \$150, and that would go down significantly, and he tends to think people aren't going to notice the line item and are just going to pay it. Mr. Swanbeck stated that most of the lending institutions are collecting the property tax in escrow on a monthly basis. If it's an addition \$20 per month to cover the trash, does that create an issue for the bank – that they are going to have to just what they are collecting? Ms. Walls answered that it wouldn't be any different than any other adjustment in the property tax. The County would then pass the money back to the City, which is a customary practice and not a problem. The City would get its first payment in March from the County. If there's an assessment on the property tax bill, everybody knows that, and the County will track it. It's a cleaner way of allowing the residents to pay that money, instead of trying to do it quarterly on the water bill and having multiple bills. What a lot of municipalities will do is, if the contract starts on the 1<sup>st</sup>, they will write in the contract that the first payment to Republic would be in March. You would pay 3 months in arrears, and on the March payment, they would get half the year's money. That would cover them for another 3 months. It's more stable for everyone because right now, the City generates those invoices and then chase people to pay them. If they don't pay their water bill, then they aren't paying their trash bill, either. By doing the assessment, it is automated and separates all of that out. Trash is not a City utility. We do the billing as a pass-through for Republic. Taking that out and just having your water on the bill – that is your utility bill. Rental properties will know the yearly assessment – we will let everyone know ahead of time. There are a lot of benefits. Staff hasn't decided yet, it's just something they are talking about, and wanted to see what the committee feels about it. Mr. Hagy asked if there is a downside administratively. Mr. Hamilton answered that this would be simpler. Right now, on your trash bills, the City adds on \$37,000-\$38,000 in administrative costs that are additional to what Republic charged, because they have to manage all of

those bills. When they go to assessment, they just do some simple math for the assessment, and off they go. Residents would be saving that administrative costs if they went to the assessment model. It's simpler for the City and would go a long way toward keeping costs down. The County charges a 1% fee. Ms. Walls sees it as a benefit. From her past experience, not only is the service nice, but it is centralized through the City and the City negotiations that for its residents. She sees that of a natural extension of that and wouldn't have to deal with that at all. If you are a landlord, you will know what your assessment up front, and you will up your rent by the same amount. Renters will still receive a water bill, so they will have to be forewarned that this is coming. Mr. Hamilton said this isn't something that would happen quickly. He knows that Mr. Swaisgood wants to do this. This would take that billing burden off of his staff, and have a more predictable way of getting that income. They know that they are going to receive the money from the County, versus everyone who doesn't pay their water bill, doesn't pay their trash and they have to chase them. If a renter is refusing to pay, the homeowner doesn't get a choice because it's on the property taxes. Ms. Walls commented that this will cost less money and will get more money – yes. There are some things they will look at to try to keep the costs down. One of them will be killing the winter garden pickup. How many people actually have yard waste in the winter? There would still be the holiday tree pickup, and all other special, just not the weekly yard waste in December/January/February. Another option would be to do recycling every 2 weeks versus every 1 week. For one-off times when someone would have yard waste during that time, there's always the County landfill. He plans to get the RFP out probably this month to get a response, and then will go from there. They may get some heat on this, and they would have to explain all the options – the hard thing is, they can't do a public outreach because they are too many opinions. They will try to find the middle line. What's the best service for the best bang for the buck?

Mr. Hagy asked if there was any other new business. There being none, Mr. Swanbeck made a motion to adjourn the meeting. All in favor.

The Utilities Committee meeting adjourned at 5:40pm.

Respectfully submitted,

Terri Welkener  
Executive Administrative Assistant/Clerk of Council  
(minutes were prepared from digital recording)