

WILLMAR MUNICIPAL UTILITIES MINUTES
MUNICIPAL UTILITIES AUDITORIUM
MAY 8, 2017

The Municipal Utilities Commission met in its regular meeting on Monday, May 8, 2017 at 11:45 a.m. in the Municipal Utilities Auditorium with the following Commissioners present: Justin Mattern, Nathan Weber, Dan Holtz, Bruce DeBlieck and Ross Magnuson. Absent were Commissioners Carol Laumer and Abdirizak Mahboub.

Others present at the meeting were: General Manager John Harren, Director of Finance Denise Runge, Power Supply Manager Chris Carlson, Customer Service Supervisor Stacy Stien, Power Plant Supervisor Jon Folkedahl, Supervisor of Facilities & Purchasing Kevin Marti, Administrative Secretary Beth Mattheisen, Power Resources Analyst Michelle Marotzke, City Councilmember Shawn Mueske, City Attorney Robert Scott (via teleconference), WC Tribune Journalist Shelby Lindrud, and Michael Kum, Manager of Public Power Services, LLC.

Due to the absence of Commission Secretary Mahboub, Commission Vice President Mattern opened the meeting by appointing Commissioner Holtz to serve as Acting Secretary. Following the appointment, Commissioner Mattern requested the Commission to offer a resolution to approve the Consent Agenda. Following review and discussion, Commissioner DeBlieck offered a resolution to approve the Consent Agenda as presented. Commissioner Holtz seconded.

RESOLUTION NO. 14

“BE IT RESOLVED, by the Municipal Utilities Commission of the City of Willmar, Minnesota, that the Consent Agenda be approved as amended which includes:

- ❖ Minutes from the April 24, 2017 Commission meeting; and,
- ❖ Bills represented by vouchers No. 170698 to No. 170783 and associated wire transfers inclusive in the amount of \$408,401.97.

Dated this 8th day of May, 2017.

Vice President

Attest:

Acting Secretary

The foregoing resolution was adopted by a vote of five ayes and zero nays.

Commissioner Mattern reviewed with the Commission the minutes from the May 4th MUC Work Session (see attached). Topics of discussion included: 1) proposed Financial Assistance Program and tentative timeline related to the decommissioning of district heating; 2) Cooling Tower #2 repairs/investment & potential capacity revenue; 3) power agreement proposals (selling of extra capacity on the market). Following review and discussion, Commissioner Holtz offered a motion to approve the minutes from the May 4th MUC Work Session as presented. Commissioner DeBlieck seconded the motion which carried by a vote of five ayes and zero nays.

In conjunction with the MUC Work Session, General Manager Harren was requesting the Commission to approve the proposed Financial Assistance Program and tentative timeline for the district heating decommissioning process. The program would be available to assist district heating customers' transition to an alternative heat source. It was noted that City Attorney Scott has reviewed and concurred with the presented program and timeline. It was further noted that at this time, only the decommissioning of district heat is being considered. Following discussion, Commissioner DeBlieck offered a motion to approve the preliminary Financial Assistance Program and set the tentative date for the decommissioning of the district heating system for June 2020. Commissioner Magnuson seconded the motion which carried by a vote of five ayes and zero nays. (Note: The Financial Assistance Program and decommissioning process timeline will be subject to review by Attorney Scott.)

General Manager Harren informed the Commission that the WMU will be conducting a meeting with CenterPoint Energy and HVAC contractors on May 9th to discuss the decommissioning process and proposed timeline. The meeting will be held at 10:00 a.m. in the WMU Auditorium.

Director of Finance Runge reviewed with the Commission the need to determine the amount of liability limits they wish to set regarding the League of Minnesota Liability Insurance renewal. Staff was recommending that the Willmar Municipal Utilities does not waive the limits on municipal tort liability established by Minnesota Statutes 466.04. If WMU does not waive the statutory tort limits, an individual claimant would be able to recover no more than \$500,000 on any claim to which the statutory tort limits apply. The total which all claimants would be able to recover in a single occurrence to which the statutory tort limits apply would be limited to \$1,500,000. If WMU waives the statutory tort limits and purchases excess liability coverage, a single claimant could potentially recover an amount up to the limit of the coverage purchased. The total which all claimants would be able to recover for a single occurrence to which the statutory tort limits apply would also be limited to the amount of coverage purchased, regardless of the number of claimants. Following discussion, Commissioner Holtz offered a resolution to not waive the limits on municipal tort liability established by Minnesota Statutes 466.04. Commission Weber seconded.

RESOLUTION NO. 15

"BE IT RESOLVED, by the Municipal Utilities Commission of the City of Willmar, Minnesota, that the Willmar Municipal Utilities does not waive the limits on municipal tort liability established by Minnesota Statutes 466.04."

Dated this 8th day of May, 2017.

Vice President

Attest:

Acting Secretary

The foregoing resolution was adopted by a vote of five ayes and zero nays.

At this time, two utility-related reports were presented to the Commission for review and discussion. These reports and analyses included:

1. March 2017 Power Supply Report (Power Resources Analyst Marotzke)
2. April 2017 Wind Turbine Report (Power Production Supervisor Folkedahl)

Staff presented the Commission with additional data requested at the recent WMU Work Session (May 4th). Among the information and data provided were:

1. Power Plant Depreciation Schedule (Director Finance Runge)
2. Provided information related to the inclusion of power supply contracts in the 2014 Rate Study (Power Supply Manager Carlson)
3. Listing of the 20 Largest District Heating Customers (Director of Finance Runge)
4. Cooling Tower #2 repair costs & capacity value update (Director of Finance Runge)

Commissioner Mattern introduced Michael Kum, Manager of Public Power Services, LLC. Mr. Kum was on hand to answer any questions the Commission had regarding the proposals submitted to sell/market WMU's excess capacity if Cooling Tower #2 is rebuilt. It was also noted that decisions regarding the Cooling Tower #2 repairs and possible future marketing of the capacity would be determined at the May 22nd MUC meeting.

General Manager Harren informed the Commission that the Willmar Municipal Utilities had been named as a recipient of APPA's prestigious RP3 Designation Award. The RP3 program recognizes utilities that demonstrate high proficiency in reliability, safety, work force development and system improvement. Compliance Officer Janell Johnson is currently attending the APPA Engineering & Operations Technical Conference and would be receiving the award on behalf of WMU. Johnson will present an informational report regarding the significance of the RP3 designation to the Commission at their May 22nd meeting.

General Manager Harren informed the Commission of the winning entry submitted this year for the Tom Bovitz Memorial Scholarship sponsored by the Willmar Municipal Utilities and MMUA. Applicants are required to submit a 500-750 word essay entitled "*Municipal Utilities – Good for All of Us*". Participation in this program helps to increase awareness of public power while giving back to the community it serves. The entries are submitted by Willmar High School Seniors who reside in the City of Willmar. The scholarship winners for 2017 are Jessica Skindeliem (\$750) and Anna Backes (\$250). The scholarship awards will be presented at the WHS Cap & Gown Day ceremony.

General Manager Harren informed the Commission that requests to schedule both WMU Labor and Planning Committee meetings would be forthcoming. Topics of discussion will include: 1) review of the Water Treatment Plant preliminary design (Planning Committee); and, 2) various personnel issues (Labor Committee).

For information: Upcoming meetings/events to note include:

- MRES Annual Meeting – May 10-11 (Sioux Falls, SD)
- APPA National Conference - June 19-21, 2017 (Orlando, FL)
- APPA Webinar Series: Public Utility Governance & Electric Utility 101 (1:00-2:30 p.m. in the WMU Conference Room)
 - Board Policy Development & Policy Compliance – May 2
 - Electric Utility 101: Distribution – May 11
 - Strategic Planning for Long-Term Effectiveness – May 30
 - Board-Driven Performance Evaluation: Governance & Management – July 5
- MMUA Summer Conference – August 21-23 (Brainerd)

There being no further business to come before the Commission, Commissioner Weber offered a motion to adjourn the meeting. Commissioner DeBlieck seconded the motion which carried, and the meeting was adjourned at 12:18 p.m. by a vote of five ayes and zero nays.

Respectfully Submitted,

WILLMAR MUNICIPAL UTILITIES

Beth Mattheisen
Administrative Secretary

ATTEST:

Dan Holtz, Acting Secretary

WILLMAR MUNICIPAL UTILITIES COMMISSION
WORK SESSION MINUTES
MUNICIPAL UTILITIES AUDITORIUM
MAY 4, 2017

The Municipal Utilities Commission met in a scheduled Work Session on Thursday, May 4, 2017, at 12:00 p.m. in the Municipal Utilities Auditorium with the following Commissioners present: Justin Mattern, Dan Holtz, Abdirizak Mahboub, Nathan Weber, Bruce DeBlieck, and Ross Magnuson. Absent was Commissioner Carol Laumer.

Others present at the meeting were: General Manager John Harren, Director of Finance Denise Runge, Water & Heating Supervisor Joel Braegelman, Power Production Supervisor Jon Folkedahl, Power Supply Manager Chris Carlson, Facilities & Purchasing Supervisor Kevin Marti, Administrative Secretary Beth Mattheisen, and Michael Kum, Manager of Public Power Energy Services, LLC.

- **Financial Assistance Program & Tentative Timeline (decommissioning of DH):**

Commission Vice President Mattern opened the meeting at 12:00 p.m. and introduced the first topic of discussion which was the proposed Financial Assistance Program and tentative timeline for the proposed district heating decommissioning process. The program would assist district heating (DH) customers' transition to an alternative heat source. General Manager Harren reviewed the proposed guidelines of the program along with the step-by-step timeline for the potential decommissioning process. It was noted that City Attorney Robert Scott has reviewed and concurred with the presented program and timeline.

Attorney Scott responded to an earlier question posed by the Commission regarding whether WMU may provide security for private bank loans. While this is permissible under Ch. 451, specifics of the arrangement were reviewed. Following discussion, it was the consensus of the Commission to not provide security (guarantee) for the loans. Additional items to be addressed and clarified would include: 1) payment schedules (1st utility bills & 2nd loan payments); 2) Cold Weather Rules; 3) early buyouts; 4) process for delinquent accounts.

While discussing the tentative timeline, a number of Commissioners felt the timeline was a bit aggressive. Therefore, the Commissioners requested Staff to provide additional information prior to establishing a potential timeline. Additional data requested included: 1) depreciation schedule (Power Plant); 2) determine if new GRE contracts were included in the rate study conducted by Dave Berg; 3) largest DH customers listing; and, 4) update capacity & market value of Cooling Tower #2 repairs.

General Manager Harren at the request of the commission reviewed information presented at the April 18, 2017 work session regarding potential Power Plant costs versus purchased power agreement costs if district heating and the Power Plant were decommissioned. The approximate annual savings would be approximately \$2,592,000. However at this time, only the decommissioning of district heat is being considered.

Water & Heating Supervisor Braegelman informed the Commission that if DH was not decommissioned, there would be substantial annual maintenance costs required to keep the system operational. Braegelman also noted that the number of current DH customers is currently under 200 (down from over 400). The Commission requested additional data related to the top DH customers (i.e. overall percentages, etc.).

- **Cooling Tower #2 Repair/Investment Summary & Potential Capacity Revenue:**

Director of Finance Runge reviewed with the Commission a summary of the Cooling Tower #2 repairs (investment) along with the Potential Capacity Revenue Contract. Runge noted that this data did not include the annual depreciation expense. Data will be modified to correlate with a potential district heat decommissioning timeline.

- **Additional Considerations**

Power Supply Manager Carlson informed the Commission of additional challenges facing WMU for consideration. These challenges include factors related to both gas and MISO affiliations. Related to the gas contracts consideration must be given to both the viability and curtailment related to capacity. Carlson further discussed MISO related-challenges of both behind-the-meter (BTM) and in-front-of-the-meter (High Level) generation. Carlson stated that a MISO Study could potentially be required and would cost roughly \$120,000 and 18 months to complete (NRIS process). If we stay as is (not sell to the market), WMU would not require NRIS (determine deliverability).

- **Power Agreement Proposals:**

Michael Kum of Public Power Energy Services, LLC, presented the Commission with three proposals to sell/market WMU's excess capacity if cooling tower 2 is rebuilt. Proposal are all in accordance with MISO Rules. The actual difference in the three proposals was the established terms limits. Thoughts related to pricing in the future and additional information was presented.

Recap: Provide the following data at the May 8th MUC meeting:

1. Discuss capacity proposals
2. Power Plant depreciation
3. GRE new contracts in last rate study
4. Percentage of largest DH customers
5. Compile cost of investment in Cooling Tower #2 and years for pay back

There being no further business to come before the Commission, Commissioner Holtz offered a motion to adjourn the meeting. Commissioner Magnuson seconded the motion which carried by a vote of six ayes and zero nays, and the meeting was adjourned at 2:03 p.m.

Respectfully Submitted,

WILLMAR MUNICIPAL UTILITIES

Beth Mattheisen
Administrative Secretary

ATTEST:

Dan Holtz, Acting Secretary