

**WILLMAR MUNICIPAL UTILITIES MINUTES**  
**MUNICIPAL UTILITIES AUDITORIUM**  
**OCTOBER 23, 2017**

The Municipal Utilities Commission met in its regular meeting on Monday, October 23, 2017 at 11:45 a.m. in the Municipal Utilities Auditorium with the following Commissioners present: Justin Mattern, Abdirizak Mahboub, Dan Holtz, Nathan Weber, and Bruce DeBlieck. Absent were Commissioners Carol Laumer and Ross Magnuson.

Others present at the meeting were: General Manager John Harren, Director of Finance Denise Runge, Customer Service Supervisor Stacy Stien, Line Supervisor Todd Graves, Power Production Supervisor Jon Folkedahl, Facilities & Purchasing Supervisor Kevin Marti, Power Resources Analyst Michelle Marotzke, Staff Electrical Engineer Jeron Smith, Water & Heating Supervisor Joel Braegelman, Compliance/HR/Safety Officer Janell Johnson, Energy Services & Marketing Rep Mary Kosbab, Administrative Secretary Beth Mattheisen, City Councilmember Shawn Mueske, City Attorney Robert Scott (via teleconference), and West Central Tribune Journalist Shelby Lindrud.

Due to the absence of Commissioner Laumer (President), Commissioner Mattern (Vice President) opened the meeting by requesting the Commission to offer a resolution to approve the Consent Agenda. Following review and discussion, Commissioner Holtz offered a resolution to approve the Consent Agenda as presented. Commissioner Mahboub seconded.

**RESOLUTION NO. 38**

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

- ❖ Minutes from the October 9, 2017 Commission meeting; and,
- ❖ Bills represented by vouchers No. 171773 to No. 171858 and associated wire transfers inclusive in the amount of \$1,917,070.51.

Dated this 23<sup>rd</sup> day of October, 2017.

\_\_\_\_\_  
Vice President

Attest:

\_\_\_\_\_  
Secretary

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

Commissioner Weber (LC Vice-Chair) reviewed with the Commission the minutes from the October 13<sup>th</sup> WMU Labor Committee meeting (see attached). Agenda items included: 1) pre-labor negotiations discussion; 2) decommissioning package approval; and, 3) consideration of legal representation during negotiations. Following review and discussion, Commissioner Holtz offered a motion to approve the minutes of the October 13<sup>th</sup> WMU Labor Committee meeting as presented. Commissioner DeBlieck seconded the motion which carried by a vote of five ayes and zero nays.

In conjunction with the minutes of the Labor Committee meeting, the Commission was requested to approve the Memorandum of Agreement (MOA) between WMU and IBEW Local Union #160 for acceptance of the decommissioning package being offered to WMU's Power Plant and District Heating employees. General Manager Harren reviewed with the Commission the components of the MOA which had been ratified by IBEW. The decommissioning package was created to assist in the retention of qualified employees throughout the District Heating decommissioning process and throughout the closing of the Power Plant, if a closing was to occur. Following discussion, Commissioner Mahboub offered a resolution that the Memorandum of Agreement between Willmar Municipal Utilities and IBEW Local #160 for the decommissioning package offered to the Utility's Power Plant and District Heating employees be approved as presented. Commissioner Holtz seconded.

#### **RESOLUTION NO. 39**

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

Commissioner Mattern (PC Chair) reviewed with the Commission the minutes from the October 16<sup>th</sup> WMU Planning Committee meeting (see attached). Topics of discussion included: 1) Priam Substation Wetland Mitigation update; 2) firm gas pricing contract; 3) property adjacent to WMU property; and, 4) rate adjustments. Following discussion, Commissioner Holtz offered a motion to approve the minutes of the October 16<sup>th</sup> WMU Planning Committee meeting as presented. Commissioner DeBlieck seconded the motion which carried by a vote of five ayes and zero nays.

Related to the discussion regarding the need for rate adjustments, General Manager Harren informed the Commission that a significant change in addressing the rate adjustments would be whether or not to line item the City's franchise fee on the monthly utility bills. The franchise fee is based on actual megawatt usage and would provide transparency for the Utility customers. Harren further reviewed five scenarios being presented for consideration (3 for electric rates and 2 for water rates). It was further noted that in order to proceed in a timely manner, the scheduling of a public hearing to present the proposed adjustment(s) would be required. Following review and discussion, Commissioner Mattern offered a motion to concur with the Planning Committee's recommendation to proceed with the rate adjustment process and to schedule a public hearing for November 13<sup>th</sup> at 11:50 a.m. (WMU Auditorium) to discuss the proposed rate adjustments. Commissioner Holtz seconded the motion which carried by a vote of five ayes and zero nays.

Facilities & Purchasing Supervisor Marti informed the Commission of an opportunity which had been presented to staff regarding property that was to be listed for sale in the near future. This property was adjacent to Utility's current facilities. The Planning Committee had requested staff to provide data to the Commission to assist in the development of a directive for the future WMU facility. Historic and current property information along with numerous site illustrations (including various utilities, permanent required infrastructure, setback requirements, property size constraints, etc.) were presented for discussion. Following discussion, Commissioner Mattern offered a motion to decline pursuing the option to acquire the property adjacent to WMU property. Commissioner Holtz seconded the motion which carried by a vote of five ayes and zero nays.

Power Resources Analyst Marotzke reviewed with the Commission the August 2017 Power Supply Report. Data presented included: 1) Power Supply comparisons; 2) Budget vs Actual; 3) Locational Marginal Pricing (LMP) comparisons; and, 4) gas prices.

Line Supervisor Graves presented the Commission with an update of the LED Street Lighting Replacement Project. Beginning in 2015, the Utility began switching out older street lights for the newly improvement LED lights. The LED's offer a reduction in glare by providing better directional lighting on streets and sidewalks, reduce maintenance cost through longer lamp life, and reduce

energy usage therefore reducing utility costs. To date, the Utility has replaced approximately 1,000 street lights with the new LED fixtures. New technology associated with the LED fixtures allow the ability to control the actual power usage of the fixtures at pre-determined intervals (i.e. 100% vs 50%). The Utility will continue to replace the outdated fixtures with the LEDs as needed.

Director of Finance Runge presented the Commission with a request to add Bremer Trust, N.A., to the Utility's list of financial providers. Approval of the *Notification To Broker and Certification By Broker* agreement is required to allow the financial institute to conduct investment transactions on behalf of the Utility. Following discussion, Commissioner DeBlieck offered a motion to approve the *Notification To Broker and Certification By Broker* agreement adding Bremer Trust, N.A. to the list of financial providers for the Willmar Municipal Utilities. Commissioner Holtz seconded the motion which carried by a vote of five ayes and zero nays.

General Manager Harren reminded the Commission that a joint-meeting of the Commission, City Council, Mayor Calvin, and management personnel has been scheduled for Tuesday, October 31<sup>st</sup> beginning at 12:00 p.m. at the Kandiyohi Co. Health & Human Services Building, Room #0030 (Multi-Purpose Room). Topics of discussion will include: 1) Intergovernmental Transfer; 2) rate adjustments; and, 3) capital improvements and the costs associated with them.

General Manager Harren informed the Commission that a meeting of the WMU Planning Committee has been scheduled for Friday, November 3<sup>rd</sup> at 12:00 p.m. Discussion items will include: 1) rates; 2) Priam Substation engineering services; 3) Operations Policies updates; and, 4) Commission self-evaluations. Harren also indicated that a meeting of the WMU Labor Committee would be forthcoming. An annual review of Personnel Policies will be conducted at that time.

For information: Upcoming meetings/events to note include:

- WMU Labor Committee Mtg. – today (Oct. 23<sup>rd</sup>) at 12:45 p.m. (WMU Conference Room)
- Labor Negotiations (1<sup>st</sup>) – Tues., Oct. 24<sup>th</sup> @ 9:00 a.m. (Willmar Conference Center)
- Joint MUC/City Council Mtg. – Tues., Oct. 31<sup>st</sup> @ 12:00 p.m. (Kandiyohi Co. Health & Human Services Bldg., Room #0030 (Multi-Purpose Room))
- WMU Planning Committee Mtg. – Friday, Nov. 3<sup>rd</sup> @ 12:00 p.m. (WMU Conference Room )
- Labor Negotiations (2<sup>nd</sup>) – Tues., Nov. 7<sup>th</sup> @ 9:00 a.m. (Willmar Conference Center)

There being no further business to come before the Commission, Commissioner Holtz offered a motion to adjourn the meeting. Commissioner Mahboub seconded the motion which carried, and the meeting was adjourned at 12:45 p.m. by a vote of five ayes and zero nays.

Respectfully Submitted,

WILLMAR MUNICIPAL UTILITIES

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Beth Mattheisen  
Administrative Secretary

ATTEST:

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Abdirizak Mahboub, Secretary



**WILLMAR MUNICIPAL UTILITIES  
MUC Labor Committee Meeting Minutes  
Friday, October 13, 2017 – 12:00 p.m.**

Attendees: Commissioners Nathan Weber, Ross Magnuson & Dan Holtz, General Manager John Harren, Director of Finance Denise Runge, Compliance/HR & Safety Officer Janell Johnson, and Administrative Secretary Beth Mattheisen.

Committee Vice-Chair Weber called the meeting to order at 12:00 p.m.

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**AGENDA ITEMS:**

General Manager Harren opened the meeting by informing the Labor Committee that the proposed decommissioning package (offer) for Power Plant employees had been approved by IBEW Local Union #160.

➤ **Pre-labor negotiations discussion & strategies:**

General Manager Harren stated that two session dates have been secured to conduct the upcoming labor negotiating process between WMU/IBEW (Oct. 24<sup>th</sup> & Nov. 7<sup>th</sup>). To proceed in a timely manner, it has been proposed that both parties exchange their initial offers prior to the actual meeting date. This will provide an opportunity for both entities to address their questions and concerns related to the offers being initiated. Following discussion, it was the consensus of the Labor Committee to support this strategy and approve the submittal of WMU's initial offer to IBEW prior to the October 24<sup>th</sup> meeting (as well, WMU will receive IBEW's offer.)

General Manager Harren reviewed with the Committee the 2018 Labor Committee Negotiation Proposal. This proposed three-year agreement would conclude at the end of 2020. A step-by-step review of the items for consideration related to the negotiating process were reviewed. Reference items presented for review included a listing of labor settlements by comparable bargaining units and additional trending factors.

Director of Finance Runge informed the Labor Committee that notification from our current health care provider indicated 2018 would bring an 18% increase in health care premiums. Staff has been investigating various health insurance plans and compiling data for package options available to the Utility and its employees. Differences of the optional plans were touched on. Related to the employee's health insurance premiums, an adjustment is also being proposed to the number of pay periods for the health insurance payroll deduction (currently bi-weekly at 26).

**Action/Recommendation:**

Following discussion, it was the consensus of the WMU Labor Committee to direct staff to provide the IBEW with the Utility's initial proposal. Once the Union's offer has been received by the Utility, the Labor Committee will schedule a brief meeting prior to the October 24<sup>th</sup> negotiating session to review and discuss the proposal.

➤ **Decommissioning package approval:**

Compliance/HR/Safety Officer Johnson informed the Committee that negotiating efforts to establish an agreement for the decommissioning package (Power Plant employees) had been submitted by WMU and approved by the Union. Review of the MOA was presented which included definitions, severance package, performance incentive and other incentives. Staff worked with Labor Attorney Frank Madden's office to create a mutually acceptable MOA between WMU & IBEW. The decommissioning package presented assumes the total current number of Power Plant employees. Numbers will change depending on retention of current employees.

In conjunction with the acceptance of the decommissioning package offer, Johnson reviewed with the Committee a resolution which would be presented to the Commission for approval.

**Action/Recommendation:**

Following discussion, it was the consensus of the WMU Labor Committee to recommend approval of the presented MOA along with the coinciding resolution and to present them to the Commission for approval at the October 23<sup>rd</sup> MUC meeting.

SIDE NOTE: General Manager Harren will be meeting next week with WMU personnel who may be able to assist with the decommission process at the Power Plant (former Power Plant employees).

➤ **Consideration of need for legal representation (labor attorney) at negotiation sessions:**

General Manager Harren requested the Labor Committee to consider if they required legal representation at the Oct. 24<sup>th</sup> labor negotiating session. Following discussion, it was the consensus of the Committee to direct staff to contact Labor Attorney Madden's office so that Mr. Madden may be on "standby" for tentative attendance at the upcoming session(s) if needed.

➤ **Adjournment**

There being no further business to come before the WMU Labor Committee, Commissioner Weber offered a motion to adjourn the meeting. Commissioner Magnuson seconded the motion which carried by a vote of two ayes and zero nays at 1:02 p.m.

**RESOLUTION NO. 39**  
**APPROVING THE MEMORANDUM OF AGREEMENT BETWEEN THE**  
**WILLMAR MUNICIPAL UTILITIES AND THE INTERNATIONAL BROTHERHOOD OF ELECTRICAL**  
**WORKERS LOCAL 160**

**WHEREAS**, on May 22, 2017, the Municipal Utilities Commission (“MUC”) approved Resolution No. 17-17, A Resolution to Discontinue the District Heating System Subject to City Council Approval, effective July 1, 2020; and

**WHEREAS**, on June 19, 2017, the Willmar City Council adopted Resolution No. 17-68, A Resolution by the Mayor and City Council of the City of Willmar, Minnesota Approving the Discontinuance of Willmar Municipal Utilities’ District Heating System, effective July 1, 2020; and

**WHEREAS**, the Willmar Municipal Utilities (hereafter “Utilities”) recognizes that the Power Plant may close at some point after the decommissioning of the District Heating System.

**WHEREAS**, it is necessary for the Utilities to retain a sufficient number of power plant employees from the present through the decommissioning of the District Heating System and through the possible closing of the Power Plant; and

**WHEREAS**, the International Brotherhood of Electrical Workers Local 160 ratified a Memorandum of Agreement approving a “Decommissioning Package” applicable solely to District Heating and Power Plant employees to provide an incentive to those employees to retain employment in the power plant through decommissioning of the District Heating System and through the closing of the Power Plant, to the extent a closing occurs.

**WHEREAS**, the Decommissioning Package is composed of four documents attached to the Memorandum of Agreement as Exhibits. These Exhibits are:

- a. Exhibit A – Definitions
- b. Exhibit B – Severance Package
- c. Exhibit C – Performance Incentive
- d. Exhibit D – Other Incentives

Based on the foregoing:

**BE IT RESOLVED**, by the MUC that the Memorandum of Agreement related to the Decommissioning Package is hereby approved.

**BE IT FURTHER RESOLVED** that this agreement will reach final approval upon the ratification of the MUC meeting minutes by the City Council of Willmar, MN.

Adopted by the MUC of the Willmar Municipal Utilities this 23<sup>rd</sup> day of October, 2017.

\_\_\_\_\_  
Vice President

ATTEST:

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Secretary



**WILLMAR MUNICIPAL UTILITIES**  
**WMU PLANNING COMMITTEE MEETING MINUTES**  
**Monday, October 16, 2017 - 12:00 p.m.**

Present: Commissioners Justin Mattern & Bruce DeBlicek, General Manager John Harren, Director of Finance Denise Runge, Customer Service Supervisor Stay Stien, Facilities & Purchasing Supervisor Kevin Marti; Power Supply Supervisor Chris Carlson, Staff Electrical Engineer Jeron Smith, and Administrative Secretary Beth Mattheisen.

Commissioner Mattern (Chair) called the meeting to order at 12:01 p.m.

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**AGENDA ITEM(S):**

➤ **Priam Substation Wetland Mitigation Update:**

Staff Electrical Engineer Smith presented the Planning Committee with a Priam Substation project update. Smith stated that the required soil borings have been completed and anticipate receipt of the final report.

Staff Electrical Engineer Smith continued by reviewing with the Committee the Priam Substation Replacement Plan submitted by the engineering firm of Bolton & Menk, Inc. The study outlines the impact the Priam Sub project would have on the wetlands located on the property. The mitigation banking is a system of credits and debits devised to ensure that ecological loss is compensated for by the preservation and restoration of wetlands as a result of developmental actions (i.e. substation project). Total wetland impacts created by this project are 0.43 acres. A proposal to purchase the required credits from the wetland bank was reviewed along with illustrations depicting the affected area. Supporting documentation was reviewed.

It was the engineer's recommendation to purchase credits from the wetland bank to offset the ecological impact the Priam Substation would have on the surrounding wetlands (total cost for 0.86 acres would be \$56,192.40). It was further noted, that this cost is comparable and supported by recent projects conducted by the engineering firm.

This was item was for discussion only (project is already approved).

*Staff Electrical Engineer Smith departed the meeting at this time.*

➤ **Firm Gas Pricing Contract:**

Power Supply Manager Carlson informed the Committee that with impending decommissioning of the district heating system (July 2020), staff is looking for proposal to firm up future gas pricing. Carlson presented an explanation of the process involved to secure the needed firm gas pricing. The Utility is seeking to secure a three-year proposal (three seasons through Oct. 31, 2020). CenterPoint Energy has assisted in locating a third party to possibly provide the required future gas supply. Once the gas contract has been secured, it will be brought before the Commission for approval. Further discussions will follow.

*Power Supply Manager Carlson departed the meeting at this time.*

➤ **Property Adjacent to WMU Area:**

Facilities & Purchasing Supervisor Marti informed the Committee that he had been contacted by a local realtor regarding adjacent property that will be listed for sale in the near future. This property is a parcel located between the WMU Office and Service Center areas. Consideration was given to the possibility of this parcel as a component of a future facility site. Options related to this property and currently owned adjacent properties were reviewed. Staff indicated that, in their opinion, the area would not meet the future space needs of the Utility, and therefore was recommending to not pursue this option.

The Planning Committee requested staff to provide a recap of Utility-owned properties (WMU Office/Service Center/Plant area) for discussion at the Oct 23<sup>rd</sup> Commission meeting and to review the issues at hand related to the future WMU facility (i.e. size limitations including setback restrictions, infrastructure involved, full costs of acquiring additional parcels w/relocation fees, projections, etc.). This discussion will bring the Commission up to speed on the proposed facilities project and to request a recommendation on the possible purchase of the parcel for sale.

*Facilities & Purchasing Supervisor Marti departed the meeting at this time.*

➤ **Rate Adjustments:**

Discussion Objective: Set a public hearing regarding establishing the franchise fee as a rate and/or rate adjustment. Process needs to move forward to achieve the transition in place by January 1, 2018 (timeline). Must take into consideration the need to not deplete the Utility's cash reserves.

General Manager Harren and staff compiled data for consideration for the proposed rate adjustments (electric and/or water). A defining factor would be whether or not to line item the City's franchise fee on the monthly utility bills. By listing the franchise fee as a line item, this would provide Utility customers with consistent transparency and would be based on the consumer's actual megawatt usage (future ordinances would be required).

Director of Finance Runge reviewed with the Committee five rate adjustment scenarios for consideration (3 scenarios for electric rates and 2 scenarios for water rates). Statements of Cash Flows (both for electric and water) were presented with the scenarios for consideration and discussion while taking into effect the Energy Acquisition Adjustment. All five scenarios were presented with graphs depicting the total impact to the customers' utility bills (residential, commercial, and industrial billings).

Scenario #1(Electric): Utilize City Franchise Fee as line item: \$3,000,000 two-year approach; \$2 million (2018) and \$1 million (2019).

Scenario #2 (Electric): Utilize City Franchise Fee as line item: \$2,152,600 in 2018 (net differences taken into account);

Scenario #3 (Electric): Not utilizing City Franchise fee: 5% each year (2018 & 2019)

Scenario #4 (Water): Utilizing City Franchise Fee: 5% each year (2018 & 2019)

Scenario #5 (Water): Not utilizing City Franchise Fee: 10% each year (2018 & 2019)



Following discussion, it was the consensus of the Committee to select Scenarios #1 and #4 as the recommended rate adjustments option which would serve as the most beneficial to the Utility and its customers.

**Action/Recommendation:**

Following review and discussion, it was the consensus of the Planning Committee to concur with making a recommendation that a rate increase is necessary and to move forward with scheduling a public hearing for the purpose of rate adjustment(s) discussion. The tentative date to conduct the public hearing would be November 13<sup>th</sup>.

➤ **Strategic Planning/Organizational/Opportunities #3A - Investigate Opportunities to Increase WMU Portfolio:**

General Manager Harren presented the Committee with a potential business opportunity that may become available to expand WMU's portfolio. Options were discussed related to the possible prospect. WMU has been contacted by MMUA to explore the option and consider the possible need to provide mutual aid and/or assistance if warranted.

➤ **Miscellaneous:**

FYI: The next quarterly update of WMU's Strategic Plan is scheduled to be presented to the Commission on December 26<sup>th</sup>.

The Planning Committee initiated a concept for consideration to conduct annual Commissioner self-evaluations. This review would function as a learning tool to assist in understanding and performing the roles/responsibilities of the Commissioners. It was noted that APPA has established a template to use as a guideline for the self-evaluations. Further consideration of the self-evaluation will be addressed at the next Planning Committee meeting

➤ **Adjournment:**

There being no further discussion to come before the WMU Planning Committee, Commissioner Mattern declared the meeting adjourned at 1:24 p.m.