

WILLMAR MUNICIPAL UTILITIES MINUTES
MUNICIPAL UTILITIES AUDITORIUM
FEBRUARY 24, 2017

The Municipal Utilities Commission met in its rescheduled meeting on Friday, February 24, 2017 at 11:45 a.m. in the Municipal Utilities Auditorium with the following Commissioners present: Carol Laumer, Justin Mattern, Abdirizak Mahboub, Nathan Weber, Dan Holtz and Bruce DeBlieck. Absent was Commissioner Ross Magnuson.

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 Production Supervisor Jon Folkedahl, Water/Heating Supervisor Joel Braegelman, Power Resources Analyst Michelle Marotzke, Electrical Engineer Jeron Smith, Administrative Secretary Beth Mattheisen, City Attorney Robert Scott (via teleconference), and WC Tribune Journalist Shelby Lindrud.

Commissioner Laumer (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. 4

“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 February 13, 2017 Commission meeting; and,
- ❖ Bills represented by vouchers No. 170286 to No. 170365 inclusive and associated wire transfers inclusive in the amount of \$1,063,999.66.

Dated this 24th day of February, 2017.

President

ATTEST:

Secretary

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

Commissioner Laumer requested input from the Commission prior to appointing Chair and Vice Chair positions for the WMU Planning and Labor Committees for 2017. For the WMU Planning Committee, Commissioner Mattern will remain Chair, and Commissioner Mahboub will serve as Vice Chair. For the WMU Labor Committee, Commissioner Laumer will continue as Chair with Commissioner Weber serving as Vice Chair. Commissioner Holtz offered a motion to approve the Chair and Vice Chair positions for both the Labor and Planning Committees as presented. Commissioner Weber seconded the motion which carried by a vote of six ayes and zero nays.

Commissioner Mattern (Chair) reviewed with the Commission the minutes from the February 21st WMU Planning Committee meeting (see attached). Topics of discussion included the following: 1) Power Plant Cooling Towers #3 and #2 (status & needed repairs); 2) Priam Substation project (wetland mitigation and engineering); 3) District Heating (decommissioning, general options & customer

contacts); 4) Cost of Power Supply; 5) Water Treatment Plant project (update); and, 6) Joint Action Agency option. Mattern noted that three recommendations regarding these topics were being presented and requesting Commission approval to proceed. Following review and discussion, Commissioner Mattern offered a motion to approve the minutes from the February 21st WMU Planning Committee meeting as presented. Commissioner Mahboub seconded the motion which carried by a vote of six ayes and zero nays.

In conjunction with the Feb. 21st meeting, the first item under consideration for approval was the recommendation to proceed with the replacement of Cooling Tower #2 and associated expenses located near the Power Plant. The project would include the purchase and installation of a used stainless steel unit and all associated costs. Following discussion, Commissioner Mattern offered a motion to approve the Power Plant Cooling Tower #2 Replacement Project. Commissioner Holtz seconded the motion which carried by a vote of six ayes and zero nays.

Commissioner Mattern continued by requesting the Commission to approve the agreement with DGR Engineering to provide engineering and consulting services for the Priam Substation project. The scope of the consulting work would include: all preliminary work; permitting; design; bidding; construction; and, finalization of the project. DGR is a highly qualified firm with many years of experience in engineering and managing construction of electric power utility projects in the region (including WMU projects). Engineering fees for the preliminary phase for the Priam Substation would be in the amount of \$15,000 (preliminary fee). Additional engineering fees will be added later by amendment, after the project has been defined. Following discussion, Commissioner Mattern offered a resolution to approve entering into agreement with DGR to provide the required engineering (consulting) services for the Priam Substation project. Commissioner Mahboub seconded.

RESOLUTION NO. 5

“BE IT RESOLVED, by the Municipal Utilities Commission of the City of Willmar, Minnesota, that the agreement with DGR Engineering of Rock Rapids, Iowa, to provide professional services (engineering/consulting) for the Priam Substation project be approved as presented in the amount of \$15,000 (preliminary phase).”

Dated this 24th day of February, 2017.

President

ATTEST:

Secretary

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

General Manager Harren informed the Commission that the third item for consideration by the Commission was to support a conceptual decommissioning process and timeline of Willmar's district heating system and possible repowering (generating options). The 7-10 year transitioning process for the conceptual plan would address various factors including: timeline; staffing projections/needs; and, possible current & future generation options. Following discussion, Commissioner Mattern offered a motion to endorse the 7-10 year conceptual plan to proceed with the decommissioning of the district heating system and possible future repowering. Commissioner Mahboub seconded the motion which carried by a vote of six ayes and zero nays.

Director of Finance Runge presented the Commission with the 2016 Year-End Financial Report. Runge noted that this was a preliminary report with the official year-end balances to be established following the conclusion of the 2016 Financial Audit (currently in process).

General Manager Harren reviewed with the Commission the updated WMU Strategic Planning – SWOT Analysis Listing for 2017 (SWOT – Strengths, Weaknesses, Opportunities, Threats). This listing focuses on the following five key components: 1) Organization; 2) Operations; 3) Financial Policies; 4) Power Supply, and, 5) Customer Relations. WMU Staff had recently met to review and update the listings which originated in 2013-2014. Harren provided a step-by-step review of each listing and encouraged input from the Commissioners. This is a “living” document and will be updated periodically. The next step in the update will be to create action items for the SWOT Analysis for Commission consideration.

Power Production Supervisor Folkedahl presented the Commission with the January 2017 Wind Turbine Report. The informational report contained monthly production comparisons and analysis for review.

For information: Upcoming meetings/events to note include:

- APPA Legislative Rally - February 27-March 1, 2017 (Washington, DC)
- 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)
 - Governance Structures, Accountabilities & Processes – March 7
 - Electric Utility 101: Generation – March 9
 - Electric Utility 101: Substations – March 30
 - Overview of Utility Financial Operations – April 6
 - Electric Utility 101: Transmission – April 13
 - 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

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 1:05 p.m. by a vote of six ayes and zero nays.

Respectfully Submitted,

WILLMAR MUNICIPAL UTILITIES

Beth Mattheisen
Administrative Secretary

ATTEST:

Abdirizak Mahboub, Secretary



WILLMAR MUNICIPAL UTILITIES

WMU PLANNING COMMITTEE MEETING MINUTES Tuesday, February 21, 2017-12:00 p.m. WMU Conference Room

Present: Commissioners Justin Mattern & Bruce DeBlicek, General Manager John Harren, Director of Finance Denise Runge, Power Supply Manager Chris Carlson, Electrical Engineer Jeron Smith, Water/Heating Supervisor Joel Braegelman, Power Production Supervisor Jon Folkedahl, and Administrative Secretary Beth Mattheisen. Absent: Commissioner Abdirizak Mahboub.

Commissioner Mattern called the meeting to order at 12:02 p.m. Mattern noted that assignment of Planning Committee Chair and Vice Chair would be conducted at an upcoming MUC meeting.

AGENDA ITEM(S):

➤ **Power Plant Cooling Towers #3 and #2: Status & Repairs**

Power Production Supv. Folkedahl presented the Committee with a complete status report on the current condition of the Power Plant's cooling towers including potential repair costs. Folkedahl described the purpose of the cooling towers as they relate to the generation process at the Plant. The illustrations and descriptions related to the Power Plant and its cooling towers included the following:

- a. Power Plant Site Plan: Circulating Water Sketch (illustrates purpose & path of cooling towers);
- b. Condenser #3 Cooling Tower (Cell 5 & 6) – repairs in Cell # 6 completed in 2016; Cell #5 repairs needed in 2017;
- c. Cooling Tower #2 Current Condition – received quote to remove & dispose of tower (due to condition of the tower, it must come down); and,
- d. Steam Generation Unit 2 Required to Enable Capacity Credit Return (pricing & description of needed work was presented); Commission approval would be required.

b. Capacity Value & Payback

Power Supply Manager Carlson continued by presenting the Capacity – Payback in # of Years (calculation chart). This chart depicts the estimated value of having the ability to run Boiler #2 to provide capacity. General Manager Harren expanded on the information provided.

Recommendation:

Following discussion, it was the consensus of the WMU Planning Committee to recommend that the Commission move forward with the replacement of Cooling Tower #2 and associated expenses (including the purchase of the used stainless steel unit & installation).

➤ **Priam Substation Project:**

a. Wetland Mitigation

Engineer Smith presented a background recap of the Priam Substation project including the wetland jurisdictions related to the purchased property for the project. Wetland delineation has been completed, and it has been determined that the placement of the substation will have an impact on the wetlands. Bolton & Menk, Inc., submitted a proposal to conduct the wetland permitting services for WMU. Visuals were presented related to the required wetland mitigation process (i.e. mapping, replacement plan prep work including permitting & submittal of application, etc.)

b. Priam Substation Engineering

Staff has been in contact with DGR Engineering and would like to enter into a formal contract to provide consulting services for the construction of the Priam Substation. The scope of the consulting work would include the following: field work, permitting, design, bidding,

construction, and finalization of the Priam Sub project. Illustration of engineering billing rates was presented (DGR along with 4 additional firms). Harren noted that DGR specializes in transmission projects and are very familiar with the procedural work required for such a project. (Note: DGR has performed services in the past for WMU with highly satisfactory results.) Smith continued by requesting approval to move forward with engagement of DGR to act as the engineering (consulting) firm for the Priam Substation project.

Recommendation:

Following discussion, it was the consensus of the WMU Planning Committee to recommend that the Commission enter into agreement with DGR Engineering to conduct the engineering (consulting) services for the Priam Substation Project.

➤ **District Heating Decommissioning & Generation Options:**

General Manager Harren is requesting support from the Committee and Commission to proceed with establishing the decommissioning process and timeline of Willmar's district heating system and possibly repowering. A number of questions involving the process will need to be addressed including: What will staffing look like and how will we get there? How do we proceed with the conceptual design as a whole?

Power Supply Manager Carlson provided a conceptual plan for the decommissioning of the system and possibly repowering including timeline, staffing projections, and possible current & future generation options. Harren continued by expressing the need to establish a transitioning process for Staff (i.e. retirements, retraining, blending, etc.). Harren further noted that the WMU Staff has been kept aware of the potential effects of the future transition. At the Feb. 24th meeting, the Commission will be asked to endorse the 7-10 year conceptual transition plan.

Committee members stated that is of utmost importance to take care of the Staff throughout the transition period (i.e. no layoffs or terminations, provide educational opportunities, etc.). Following discussion, it was the consensus of the Committee to present the conceptual plan to the Commission requesting their support to proceed with the 7-10 year plan.

Engineer Smith continued by further addressing options for generation and diesels as related to providing backup capacity & generation in the future.

➤ **Cost by Power Supply: (Denise)**

Director of Finance Runge reviewed and discussed with the Committee the Cost by Power Supply presentation. The presentation included:

- 1) Purchase power agreements and their associated costs;
- 2) Power Plant Costs (including diesel and wind turbine generators); and,
- 3) Summary of the Cost of Power.

➤ **District Heating Customer Visits Update**

Water & Heating Supv. Braegleman informed the Committee of meetings/visits that have been recently held with DH customers. Braegleman and Energy Services/Marketing Rep Mary Kosbab have met with all of the commercial customers to discuss the process and future options available. These meetings have been informative and well received. Braegleman noted that the small/medium commercial customers have expressed some concerns including financing. (Staff is investigating possible options to assist in the process).

A future public meeting of residential customers may be scheduled to address their questions and concerns (business customers would be invited also). This would assist in establishing a timeline for the process and keeping the DH customers well-informed. (Commercial and residential outreach will be emphasized throughout the process.)

➤ **Water Treatment Project Update**

Grant opportunities are being researched which may delay the project by one year. At this time, additional system modeling is being done to determine how system operational changes will affect water quality. Potential changes may affect the preliminary design of the project (i.e. salty discharge and future funding possibilities).

➤ **Joint Action Agency**

Staff members recently attended an informational meeting at Missouri River Energy (MRES) to discuss the benefits and options of becoming a member of a Joint Action Agency. A brief historic recap of WMU's power supply consulting services was reviewed. Staff is currently weighing the options of utilizing a Joint Action Agency. This is a learning process and future information will be forthcoming.

➤ **Adjournment:**

Following discussion, Commissioner DeBlieck offered a motion to adjourn the meeting of the WMU Planning Committee. Commissioner Mattern seconded the motion which carried, and the meeting was adjourned by a vote of two ayes and zero noes at 1:32 p.m.