

WILLMAR MUNICIPAL UTILITIES MINUTES
MUNICIPAL UTILITIES AUDITORIUM
JUNE 10, 2019

The Municipal Utilities Commission met in its regular scheduled meeting on Monday, June 10, 2019 at 11:45 a.m. in the Municipal Utilities Auditorium with the following Commissioners present: Carol Laumer, Justin Mattern, Abdirizak Mahboub, Nathan Weber, Ross Magnuson and Brendan MacDonald. Absent was Commissioner Bruce DeBlicek.

Others present at the meeting were: General Manager John Harren, Director of Finance Denise Runge, Power Supply Manager Chris Carlson, Staff Electrical Engineer Jeron Smith, Water & Heating Supervisor Joel Braegelman, Facilities & Maintenance Supervisor Kevin Marti, SI Coordinator Mike Sangren, Administrative Secretary Beth Mattheisen, City Councilman Shawn Mueske, City Attorney Robert Scott (via teleconference), and WC Tribune Journalist Shelby Lindrud.

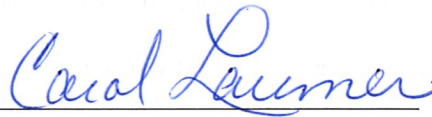
Commission President Laumer opened the meeting by asking if any revisions were needed to the presented agenda. There being none, Commissioner Laumer continued by requesting a resolution to approve the Consent Agenda. Commissioner Mahboub offered a resolution to approve the Consent Agenda as presented. Commissioner Mattern seconded.

RESOLUTION NO. 21

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

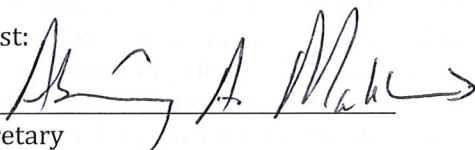
- ❖ Minutes from the May 28, 2019 Commission meeting; and,
- ❖ Bills represented by vouchers No. 190778 to No. 190873 and associated wire transfers inclusive in the amount of \$939,441.51.

Dated this 10th day of June, 2019.



President

Attest:



Secretary

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

Commissioner Weber (LC Chair) reviewed with the Commission the June 4th WMU Labor Committee meeting minutes (see attached). The main topics of discussion were: 1) review proposals to conduct a rate study (electric & water); and, 2) renewable and carbon-free energy program offered by MRES. Following review and discussion, Commissioner Weber offered a motion to approve the minutes of the June 4th WMU Labor Committee Meeting as presented. Commissioner Mattern seconded the motion which carried by a vote of six ayes and zero nays.

In conjunction with the June 4th meeting, the Labor Committee was requesting the Commission to consider authorizing Dave Berg Consulting, LLC (DBC) to conduct a rate study for both the electric and water divisions of the WMU. The study is designed to identify the cost to serve all rate classifications in an effort to present the most economical and beneficial rate design for future use by WMU and its customers. (DBC had conducted the last rate study for the Utility in 2014.) Staff stated that two proposals had been received to conduct the study. Based on experience and cost, Staff was recommending that DBC be awarded the bid to conduct an Electric and Water Cost of Service & Rate Design Study for the fixed fee of \$23,000. The Study would be scheduled to begin in mid-June with completion by August 30, 2019. Following review, Commissioner Weber offered a resolution to

award the proposal submitted by DBC to conduct the Electric and Water Cost of Service and Rate Design Study for the WMU in the amount of \$23,000 with a completion date of August 30, 2019. Commissioner Magnuson seconded.

RESOLUTION NO. 22

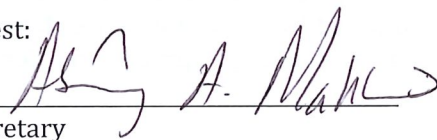
"BE IT RESOLVED, by the Municipal Utilities Commission of the City of Willmar, Minnesota, that Dave Berg Consulting, LLC, be authorized to conduct an Electric and Water Cost of Service and Rate Design Study on behalf of the Willmar Municipal Utilities as proposed for the fixed fee of \$23,000, with commencement of the study to begin in mid-June of 2019, and a target completion date of August 30, 2019."

Dated this 10th day of June, 2019.



President

Attest:



Secretary

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

Commissioner MacDonald (PC Vice Chair) reviewed with the Commission the June 4th WMU Planning Committee meeting minutes (see attached). The agenda items discussed were: 1) NE Water Treatment Plant Project (NEWTP) update; 2) 2019 water main replacement costs; 3) generation update; and, 4) WMU property options. Following review and discussion, Commissioner Mattern offered a motion to approve the minutes of the June 4th WMU Planning Committee meeting as presented. Commissioner MacDonald seconded the motion which carried by a vote of six ayes and zero nays.

In conjunction with the June 4th Planning Committee meeting, three items were being recommended by the Committee for consideration by the Commission. The first item to consider was to delay the NE Water Treatment Plant Project for approximately 3-4 years. During this time period, Staff would continue to monitor developments in both the growth and regulatory requirements as they relate to the project. In the event of a major unforeseen development occurring during this period, the project would be readdressed at that time. It was further stated that the cost of the treatment plant (currently estimated at \$17 million) would also be included in the Electric and Water Cost of Service and Rate Design Study to be conducted by DBC. Additional advantages to delaying the project were reviewed. Following discussion, Commissioner MacDonald offered a motion to delay the NE Water Treatment Plant Project at this time (est. 3-4 yrs.), and to direct Staff to continue to monitor developments in both growth and regulatory requirements as related to this project. Commissioner Mattern seconded the motion which carried by a vote of six ayes and zero nays.

The second topic for consideration by the Commission was for 2019 water main replacement costs. In an effort to be beneficial both financially and time-wise to the Utility and the City, the Utility has always made an effort to coincide these projects with City projects when feasible. The 2019 City Street Projects listing included additional water main projects that were not previously scheduled. Two specific projects of discussion were: 1) water main replacement on South 1st Street (problematic area with multiple breaks); and 2) relocation of the water main associated with the 19th Avenue Roundabout project.

Regarding the cost responsibilities for the projects, the question was raised on interpretation of the established Memorandum of Agreement (MOA) which was approved by the Commission and City Council in October 2018. (The MOA outlined the cost responsibilities for both entities associated with water mains in developments and replacements, and fire hydrants along with their effective dates.) City staff is of the opinion that the MOA only applies to water mains that are replaced with City street projects. They are proposing to pay for the engineering and fire hydrants. WMU Staff is of the opinion

that the MOA applies to all water main replacement as there is no reference to streets in the MOA. Cost difference between MOA/past practice and the City's proposal for the two 2019 projects and the 2020 project is approximately \$126,269. In the spirit of cooperation, the Planning Committee was recommending approval of the South 1st Street project with cost sharing per City proposal, noting that this action will not be used to set a precedent for future projects.

Commissioner Mattern addressed City Councilman/MUC Liaison Mueske regarding this matter. Mattern noted the difficulties in the past the Utility has experienced in communicating and resolving matters with City staff and asked for assistance on behalf of the Utility. Mueske acknowledged his awareness of the difficulties between the parties involved, and would bring this matter to the attention of the City Council in an attempt to bridge the gap of communication and encourage cooperation between the two entities. A question was raised if there was a need to involve a third party to address the ambiguity related to the MOA. Attorney Scott acknowledged the interpretation differences as related to the scope of the MOA, and offered to readdress the document in an attempt to provide clarity to the current language.

Following discussion, Commissioner Laumer offered a motion to concur with the Planning Committee's recommendation to proceed with the South 1st Street and 19th Avenue Roundabout water replacement project as required. Commissioner Mattern seconded the motion which carried by a vote of six ayes and zero nays.

The third item related to the June 4th Planning Committee meeting was to request Commission directive regarding three Utility-owned properties. The three areas addressed were: 1) Priam Substation area (30 acres); 2) farm acreage adjacent to Menards (26 acres, with 22 acres tillable); and, 3) former Gerry's Liquor/Taco John's (2 parcels). It was the recommendation of the Planning Committee to retain ownership of the properties at this time. Following discussion, Commissioner Mattern offered a motion to retain ownership of the three utility-owned properties at this time (Priam Sub area acreage, farm acreage near Menards, and Gerry's/Taco John's parcels). Commissioner Mahboub seconded the motion which carried by a vote of six ayes and zero nays.

Power Supply Manager Carlson reviewed with the Commission the WMU Cost of Power Report for April 2019. This report is illustrated using a rolling year-to-date format and provides the overall cost of power for the year (0.064 per kWh year-to-date). Also reflected in the analysis is the total year-to-date cost.

Power Supply Manager Carlson presented the Commission with an update of the Energy Acquisition Adjustment (EAA). The purpose of the EAA is to assist in the recovery of power supply costs that are outside the control of WMU. The use of the EAA reduces the need for frequent adjustments in rates to account for uncontrollable power supply expenses. The EAA has been updated through April 2019. Based on the current position and projections through year end, it is the recommendation of Staff that no action is required at this time. Staff will continue to monitor and keep the Commission informed of any developments regarding the EAA.

Staff Electrical Engineer Smith provided the Commission with an update of the Priam Substation Project which is nearing completion. Conductor Power (substation contractor) for the project is 85% complete with their work, and their only work remaining is the transformer assembly. Great River Energy is the testing and commissioning contractor for the project and is 55% complete with their portion of the project. Work remaining is additional testing and energization by GRE. Smith presented an overview of the costs associated with the project (\$4.98 million) including a change order required due to additional weight of the transformer (actual weight was heavier than listed on the nameplate, therefore costing extra in labor, matting, and crane mobilization). Smith presented various photos depicting the progress of the project, and noted that energization of the Priam Substation is tentatively set for next week. On behalf of the Commission, Commissioner Laumer thanked Smith for the informative presentation of the Priam Substation Project.

Facilities & Maintenance Supervisor Marti presented the Commission with the May 2019 Wind Turbine Report. Turbine availabilities for the month of May were at 98.2% (Unit #3) and 90.7% (Unit #4) with a monthly total production of 668,434 kWh. Marti noted that the availability on Unit #4 was slightly reduced for the month due to the semi-annual maintenance being conducted on the unit at this time.

General Manager Harren informed the Commission that a meeting of the WMU Labor Committee will be held on Tuesday, June 11th @ 10:00 a.m. This meeting will address a grievance (IBEW) regarding Water Dept. hiring.

General Manager Harren informed the Commission that additional WMU Committee meetings will be forth coming. Agenda item(s) for a future Planning Committee meeting will include: generation study analysis. Agenda item(s) for a future Labor Committee meeting will include: succession planning for the General Manager position; Strategic Plan; and, Rate Study.

For information: Upcoming meetings/events to note include:

- Annual WMU Employee Recognition & Safety Luncheon: Thurs., June 13th @ noon (Utility office)
- APPA National Conference – June 7-12 (Austin, TX)
- WMU Annual Open House – Thurs., August 15th (4:00-6:30 pm)
- MRES Laramie River Station and Grayrocks Dam & Reservoir Tour (August 27-28)
- MMUA Summer Conference – August 19-21 (Breezy Point)
- MRES Legal Seminar “*Staying Current: Emerging Issues for Utilities*” – Oct. 4th (Sioux Falls, SD)

There being no further business to come before the Commission, Commissioner Laumer declared the meeting adjourned at 12:34 p.m.

Respectfully Submitted,


WILLMAR MUNICIPAL UTILITIES



Beth Mattheisen

Administrative Secretary

ATTEST:


Abdirizak Mahboub, Secretary



WILLMAR MUNICIPAL UTILITIES
MUC Labor Committee Meeting Minutes
Tuesday, June 4, 2019
7:30 a.m.

Attendees: Commissioners Nathan Weber & Ross Magnuson, General Manager John Harren, Director of Finance Denise Runge, Energy Services & Marketing Rep Michelle Marotzke, and Administrative Secretary Beth Mattheisen. Absent was Commissioner Abdirizak Mahboub.

Commissioner Weber called the meeting to order at 7:30 a.m.

AGENDA ITEMS:

➤ **Review RFP's to conduct Rate Study (electric & water):**

Director of Finance Runge informed the Labor Committee that RFP's had been sent to four potential bidders requesting for an electric and water rate study to be conducted as well as a single water rate study (separately). Runge stated that of the four bidders, two proposals had been received to conduct the rate studies (electric/water and water separately). The two submitted proposals received were from Dave Berg Consulting, LLC (DBC) and Power System Engineering (PSE). Runge presented an analysis of the submitted proposals (experience, qualifications, work history, etc.).

Based on the proposals received, it is the recommendation of Staff to proceed with conducting both an electric and water rate study and to award the contract to Dave Berg Consulting, LLC for the total proposed amount of \$23,000. It was further noted that DBC has conducted a number of studies/consulting services for the Utility in the past including the most recent Cost of Service and Rate Study in 2014.

Action:

Following discussion, Commissioner Magnuson offered a motion to recommend that the Commission approve the proposal submitted by DBC to conduct an electric and water rate study in the amount of \$23,000. This recommendation will be presented to the Commission for consideration and approval at the June 10th MUC meeting.

➤ **Renewal and Carbon-Free Energy Program:**

General Manager Harren introduced discussion with the Committee on a voluntary program being offered by Missouri River Energy Services (MRES) to endorse purchase of Renewable Energy Certificates (RECs). This program encourages the purchase of RECs that provide an environmentally-friendly choice to customers interested in renewable and carbon-free energy. This provides customers with the ability to support renewable development without direct ownership. The program therefore assists in reducing the carbon footprint with RECs and supports the development of renewable energy. This is a risk-free program to WMU.

Energy Services & Marketing Rep Marotzke presented the Commission with an overview of the proposed Renewable and Carbon-Free Energy Program. General Manager Harren noted that the RECs are a "tool" used to offset less environmentally-friendly forms of energy. Marotzke continued by presenting the options related to participation in the program. MRES is offering this program to expand the "green energy" in their member-communities. Harren recapped for the Committee Willmar's current power supply mix which consists of 66% carbon-free power. If the Commission elects to participate in the program, the Utility would be required to provide MRES with an estimate of RECs they would like to purchase by August 1, 2019. MRES would handle the bids and purchasing of the certificates. It was further noted that members are only required to pay for the cost of RECs used, not the estimated purchase. Estimated calculations for participation in the programs were presented. For example, the average estimated residential cost (700kwh) for participation in the carbon-free option would be \$1.19/month or for the renewable option at \$2.31/month.

Participation in the current program requires a one-year commitment (contract) with the potential to expand in the future (i.e. multiple years). Based on market data, MRES will purchase the RECs for \$0.005 per kWh (or .005 cent). This would be for the calendar-year beginning January 1st. Customers would also have the ability to opt out of the program if they so desire.

Costs associated with full participation in the project would be:

\$480,000 carbon-free purchase would bring WMU to 100%*

\$931,850 renewable purchase would bring WMU to 100%*

*However, the Utility remains under contract with current power supply contracts until 2025 and 2033. Therefore by purchasing RECs, WMU would be further supporting the development of renewables.

Action:

While this is an exciting and interesting program, it was the consensus of the Labor Committee to request additional input from the citizens of Willmar (consumers) to see the amount of public interest in this type of program. Staff will contact the WC Tribune to conduct a poll regarding the desire to participate in a renewable and/or carbon-free energy program (green energy incentive). Staff will also initiate a separate poll on the WMU's website to gather additional input. After the data has been compiled, the Labor Committee and Commission will again address the topic (keeping in mind the August 1st deadline). If the Commission approves participation in the program, additional public education will be required (i.e. visiting with key accounts, meetings, additional online information, etc.).

3. Adjournment:

There being no further business to come before the Labor Committee, Commissioner Magnuson offered a motion to adjourn the meeting. Commissioner Weber seconded the motion which carried by a vote of two ayes and no noes, and the meeting was adjourned at 8:18 a.m.



WILLMAR MUNICIPAL UTILITIES

WMU PLANNING COMMITTEE MEETING MINUTES

Tuesday, June 4, 2019 – 12:00 p.m.

WMU Conference Room

Present: Commissioners Bruce DeBlieck, Justin Mattern & Brendan MacDonald, General Manager John Harren, Director of Finance Denise Runge, Water & Heating Supervisor Joel Braegelman, Facilities & Maintenance Supervisor Kevin Marti, and Administrative Secretary Beth Mattheisen.

Commissioner DeBlieck (Chair) called the meeting to order at 12:00 p.m.

AGENDA ITEM(S):

➤ **NE Water Treatment Plant (NEWTP) Update:**

Water & Heating Supv. Braegelman reviewed with the Planning Committee a presentation summarizing the latest update regarding the NE Water Treatment Plant. Components of the summary included: actions to date; Burns & McDonnell water main modeling; current status; proposed action related to the NEWTP; and, Statement of Cash Flows for WMU's Water Division.

It is the recommendation of Staff to delay the NEWTP project and to monitor growth and regulations as they relate to the project. The cost of the new treatment plant would be included in the rate study which will be conducted in the near future. With the inclusion of the project in the rate study partial funding of the future project could be done in-house rather than 100% bonding as a means to hold down rate increases. It was noted that the data received from the previously utilized pilot plant has assisted in determining the water treatment scope (i.e. biological treatment, technology, additional variables). It was noted that to build a treatment plant to meet all current salty discharge regulations, the cost would be approximately \$90 million. By delaying the project at this time, the benefits would be: extending the life of the current plant 3-4 years; potential EPA and PCA regulations/limitation changes; and, the potential to fund part of the project in-house. While totally speculative, limit changes to the salty discharge requirements could potentially be amended to our advantage in the future. General Manager Harren further noted that due to the diligent maintenance and operations by the Utility's Water Dept., the current NEWTP does have the capacity to continue to be fully functional and operational for a number of years.

It was further stated that relating to the current status of Willmar's water distribution system, the Utility has the ability to meet the future demands for projected growth into the foreseeable future. Additional discussion was held regarding the possibility of future addition(s) of a large volume water customer (industrial), and how this could negatively affect Willmar's current water system.

Following discussion, it was the recommendation of Staff to delay the NEWTP at this time, and continue to monitor growth and potential adjustments in requirement limitations/regulations moving forward. The cost of a new water treatment plant would also be included in the upcoming rate study. Also of note was the possibility to partially fund the project in-house rather than 100% bonding in an effort to control the rate increases.

Action:

Following discussion & review, it was the consensus of the Planning Committee to concur with the Staff recommendation to delay the NE Water Treatment Plant Project at this time and to address the project in the upcoming rate study.

➤ **2019 Water Main Replacement Costs:**

Water & Heating Supv. Braegelman reviewed with the Planning Committee a listing of the scheduled 2019 City Street Projects which also included additional water main projects that were not previously scheduled. This listing included the cost responsibilities associated with each project (WMU or City). As in the past, the Utility has made every effort to attempt to combine needed

projects (i.e. main replacements) to coincide with scheduled City street projects which would be both financially and time-wise beneficial to both entities.

One area of discussion (project) focused on the need for water main replacement on South 1st Street (due to experiencing multiple water main breaks) and relocation of the water main associated with the 19th Ave Roundabout. South 1st Street has been a problematic area for the Water Dept. in recent years and must be addressed. General Manager Harren recapped discussions with City staff about this needed project. City staff is of the opinion that the MOA only applies to water mains that are replaced with City street projects. They are proposing to pay for the engineering and fire hydrants. WMU Staff is of the opinion that the MOA applies to all water main replacement as there is no reference to streets in the MOA. Cost difference between MOA/past practice and the City's proposal for the two 2019 projects and the 2020 project is approximately \$126,269. In the spirit of cooperation, staff is recommending approval the South 1st Street project with cost sharing per city proposal.

The Planning Committee noted that this issue and past discussions as it relates to the previously approved MOA will be brought to the attention of the City Council.

Action:

In conclusion, it was the consensus of the Planning Committee to concur with the Staff recommendation to proceed with the South 1st Street water replacement project as required. It was further noted that this action is being recommended in the spirit of cooperation, and will not be used to set a precedent for future projects.

➤ **Generation Update:**

General Manager Harren informed the Committee that DGR Engineering is modeling emissions output for the proposed diesel generator units (five). These units are being considered as a possible means to increase local generation to Willmar's power supply portfolio. The local generation option could possibly require 100 foot (or higher) stacks to be constructed for each of the five units proposed. Staff will continue to move forward exploring the generation option, and will keep the Committee informed of any new developments regarding the potential project. This was for information only.

➤ **WMU Property Options:**

In the past, the Commission has requested to be kept up-to-date regarding various Utility-owned properties/equipment. Facilities & Maint. Supervisor Marti delivered a PowerPoint presentation regarding three specific areas for consideration along with the status of various Power Plant coal equipment. Marti requested input and directive from the Planning Committee relating to each of the properties. The Utility-owned properties and equipment reviewed were: Priam Substation property; farm land adjacent to Menards; former Gerry's Liquor/Taco John's properties; and, Power Plant coal equipment.

i. Priam Substation property (30 acres): (Priam Substation site)

This acreage is currently under a three-year grazing agreement (WMU receiving annual rent). Based on recommendations of both GRE and MRES for potential future transmission lines, it is the recommendation of Staff to keep the property as is utilizing the acreage as grazing land. The Planning Committee concurred with the Staff recommendation to retain the property at this time.

ii. Farm acreage adjacent to Menards (26 acres, w/22 acres tillable): (69kv O/H Loop Property)

At this time, it is the recommendation of Staff to keep the property due to suitability for future commercial expansion. Future options were discussed (potential building site?). The Planning Committee concurs with Staff recommendation to retain the property at this time.

iii. Former Gerry's Liquor/Taco John's (2 parcels):

Input from the Planning Committee indicated the potential to bundle additional Utility-owned properties in the future that could make these parcels more attractive to a future buyer/investor.

Therefore, it was the desire of the Planning Committee to retain these two properties at this time.

iv. Power Plant coal equipment: (for information only)

With the coal removal project near completion, an update of various coal-related equipment was presented. The equipment consists of:

- a. John Deere pay loader – sell/consign/trade for other equipment if warranted
- b. Rail car mover - sell
- c. Overhead carhoe equipment - sell
- d. Truck-mounted carhoe equipment - sell
- e. Coal stacking auger & rail car unloading auger – sold to Lorenz Mfg. (Benson)

➤ **Miscellaneous:**

General Manager Harren brought to the attention of the Planning Committee an upcoming survey that will be conducted by the WC Tribune on behalf of the Utility. The survey will request community input regarding the pulse and desires for “green energy” in the Willmar area. Energy Services & Market Rep Marotzke will also have the poll included on the WMU’s website for additional input to assist in determining the level of community support for a renewable & carbon-free energy program (MRES).

➤ **Adjournment:**

There being no further business to come before the Planning Committee, Commissioner DeBlicek offered a motion to adjourn the meeting. Commissioner Mattern seconded the motion which carried by a vote of three ayes and zero nays, and the meeting was adjourned at 1:15 p.m.

