

WILLMAR MUNICIPAL UTILITIES MINUTES
MUNICIPAL UTILITIES AUDITORIUM
JULY 22, 2019

The Municipal Utilities Commission met in its regular scheduled meeting on Monday, July 22, 2019 at 11:45 a.m. in the Municipal Utilities Auditorium with the following Commissioners present: Justin Mattern, Nathan Weber, Abdirizak Mahboub, Bruce DeBlieck, Ross Magnuson and Brendan MacDonald. Absent was Commissioner Carol Laumer.

Others present at the meeting were: General Manager John Harren, Power Supply Manager Chris Carlson, Energy Services & Marketing Rep Michelle Marotzke, SI Coordinator Mike Sangren, Administrative Secretary Beth Mattheisen, City Attorney Robert Scott (via teleconference), City Councilmember Audrey Nelsen, and WC Tribune Journalist Shelby Lindrud.

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

RESOLUTION NO. 25

“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 July 8, 2019 Commission meeting; and,
- ❖ Bills represented by vouchers No. 191079 to No. 191133 and associated wire transfers inclusive in the amount of \$2,127,114.53.

Dated this 22nd day of July, 2019.



Vice President

Attest:



Secretary

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

Commissioner DeBlieck (PC Chair) reviewed with the Commission the July 17th WMU Planning Committee meeting minutes (see attached). Agenda items discussed included: 1) local generation update; and, 2) future WMU facility site considerations update. Following a review of the presented minutes, Commissioner DeBlieck offered a motion to approve the minutes as presented. Commissioner MacDonald seconded the motion which carried by a vote of six ayes and zero nays.

In conjunction with the Planning Committee meeting, General Manager Harren presented the Commission with a PowerPoint presentation regarding the status of Willmar's proposed local generation analysis. Included in the discussion was the value of local generation along with current and future reliability as it relates to the Utility's generation. Harren noted that in 2016, the Commission had indicated their desire for local generation to cover 25% of Willmar's electrical load (currently 20% with the existing diesel generators) and should consist of diversified fuel sources. This additional generation provides added blackout reliability in the event of a catastrophic loss of transmission and also provides transmission stability. Four options currently available to expand Willmar's generation were reviewed along with the cost estimates for each scenario. Options for consideration at this time are:

- 1) Purchase new 10.8 MW dual fuel engine & bldg. with stack: \$14.125 million
- 2) Purchase new 9.37 MW dual fuel fully contained engine (60 ft. stack included): \$22.13 million
- 3) Purchase new 9.37 MW dual fuel engine & bldg.: \$14.0 million
- 4) Purchase 5 used 2.0 MW diesel generators with 125 ft. stacks & generation plant bldg: \$8.124 million

General Manager Harren continued by reviewing a cost analysis of used diesel units vs new dual fuel units. Data contained in the analysis included: costs/financing; capacity agreement & annual projected revenue; annual maintenance costs; cost of Tier 4 Compliance if required; loss of income (investments); annual net gain; and, annual return on the investment. Financial considerations were discussed as well as permitting time frames and mandated requirements/regulations (local & state). Examples of various stack designs were also shown for information.

Staff Electrical Engineer Smith provided an overview of Willmar's current transmission system along with potential future transmission improvements. Smith stated that a transmission study being led by GRE is currently in progress. Other participants of the study include MRES, Ottertail Power, Xcel Energy and WMU. Potential transmission improvements were presented for discussion. General Manager Harren provided insight to the Commission on the additional reliability the new Priam Substation has related to Willmar's transmission system.

Following considerable discussion which included future criteria and local backup generation information, Commissioner Mattern stated that due to the lack of urgency at this time, he offered a motion to decline the purchase of additional generator units at this time. Mattern further directed Staff to remain diligent in their efforts to explore any future generation and/or transmission options that may arise that would be advantageous for the Utility to pursue. Commissioner DeBleck seconded the motion which carried by a vote of six ayes and zero nays.

General Manager Harren presented the Commission with the June 2019 Financial Reports along with a recap of the June 30, 2019 Investment Portfolio. The data presented included analyses of the Electric, Water, Heating and Combined Divisions. Information contained in the reports reflect operating revenues & expenses, operating income, and retained earnings. The Investment Portfolio presented a summary of WMU's securities and associated brokerage firms/agencies to date.

Energy Services & Marketing Rep Marotzke presented the Commission with a status update of the district heating transitioning process. As a reminder, the Willmar's district heating system will be terminated effective July 1, 2020. The peak customer count was 394 in 1990. In 2017, the number was reduced to 218 customers (commercial & residential). Currently, there are 122 customers/properties remaining on the system. Marotzke recapped the notification process which has been utilized in an effort to provide direction and assistance to our customers. Customers who have not contacted the Utility regarding their transition will be personally contacted (this fall) by WMU Staff to assist them through the conversion process.

General Manager Harren informed the Commission of two upcoming WMU Committee meetings that have been scheduled. A meeting of the Labor Committee will be held on August 2nd at 10:00 a.m. The main topic of discussion will be a review of the recently completed Electric & Water Rate Study (Dave Berg of DBC will present the results). A meeting of the Planning Committee will be held August 7th at 11:30 a.m. This meeting will focus on the proposed 2020 WMU Budget.

In an effort to keep the City Council well-informed on projects and issues affecting the Utility, two informational meetings have been scheduled between WMU officials (General Manager and Commissioners) and City officials (Mayor and City Council). Open Meeting Law requirements required that multiple meetings be scheduled to accommodate those attending. Currently, the scheduled meetings will be held at 7:30 a.m. on August 7 & 9 and will last approximately one hour. (If needed, a third meeting may be scheduled.) Included in the topics for discussion will be: Priam Substation, Downtown Street Lighting Project, future WMU facilities, MRES, and Water Treatment Plant.

General Manager Harren stated 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; and, WMU Strategic Plan.


For information: Upcoming meetings/events to note include:

- WMU Annual Open House – Thurs., August 15th (4:00-6:30 pm)
- MMUA Summer Conference – August 19-21 (Breezy Point)
- MRES Laramie River Station and Grayrocks Dam & Reservoir Tour (August 27-28)
- 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 Mattern offered a motion to adjourn the meeting. Commissioner DeBlieck second the motion which carried by a vote of six ayes and zero nays, and the meeting was adjourned at 12:34 p.m.

Respectfully Submitted,

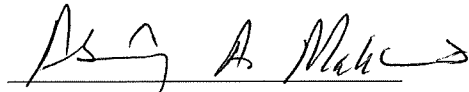
WILLMAR MUNICIPAL UTILITIES



Beth Mattheisen

Administrative Secretary

ATTEST:



Abdirizak Mahboub, Secretary



WILLMAR MUNICIPAL UTILITIES

WMU PLANNING COMMITTEE MEETING MINUTES

Wednesday, July 17, 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, Power Supply Manager Chris Carlson, Staff Electrical Engineer Jeron Smith, Compliance & HR Manager Janell Johnson, 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):

➤ **Generation Update:**

General Manager Harren opened discussion with the Committee by providing background information regarding the current status of local generation including the latest developments. In 2016, the Commission indicated that additional local generation was needed to meet the previously established goal to cover 25% of Willmar’s electric load (previous threshold established by the Commission). This additional generation, which would consist of diversified fuel sources, would be a means to provide additional reliability in the event of a catastrophic occurrence (i.e. blackout). Currently the Utility has the ability to meet 20% of Willmar’s electric load with the existing diesel generators. The question is how much the Commission would be willing to pay for the additional 5% reliability? Under the directive of the Commission, Staff has been exploring additional generation options for consideration.

Options for Additional Generation include: (additional specifics were reviewed)

1. Five (5) used Ziegler diesel generators currently for sale. A number of factors must be taken into consideration including: estimated costs, permitting requirements (MPCA permit could take up to 14 months), MISO interconnection, and MRES capacity payments. Total estimated cost: \$8.125 million *
2. Purchase new dual-fuel Ziegler generator (10.8 MW). Total estimated cost: \$14.125 million *
3. Purchase new Wartsila dual fuel fully contained unit (9.37 MW). Total estimated cost: \$22.13 million*
4. Purchase new Wartsila dual fuel fully contained unit & bldg. (9.37 MW, 20-cylinder). Total estimated cost: \$14.0 million*

*require up to 120-foot est. stack (est.)

Side-by-side estimated options cost comparison:

NEW	Cost	Cost/MW
• 1 -Ziegler 10.8 MW dual fuel engine & building with stack	\$14.125M	\$1.31M
• 1 -Wartsila 9.37 MW dual fuel fully contained engine	\$22.130M	\$2.36M
• 1 -Wartsila 9.37 MW dual fuel engine & building	\$14.000M	\$1.49M
• Gas supply costs TBD		
USED		
• 5 -Ziegler 2.0 MW diesel generators with 125’ stacks & generation plant bldg. (Units do not meet Tier 4 Emissions)	\$ 8.125M	\$.8125M

Director of Finance Runge continued by reviewing a cost analysis of both the used diesel units and the new dual fuel unit options. The data included: unit costs/financing, capacity agreement, capacity revenue, annual maintenance, loss of income (investment), annual net gain, and annual net pay return on the investment. Harren reviewed financial considerations regarding the options. Additional information presented included examples of various stack designs, along with an illustration of the current Power Plant stack height comparison (est. to be 130’).

Staff Electrical Engineer Smith brought to the attention of the Committee the potential transmission improvements and their relevance to the Utility for additional reliability. A transmission study is currently in progress being led by GRE. Additional participants in the study include: MRES, Otter Tail Power, Xcel Energy, and WMU. Mapping of the potential transmission planning was presented for review. Transmission study outcome possibilities were discussed. To make an informed discussion and understand the timing and value of transmission, Smith provided an overview of potential future transmission buildout. The total estimated cost shared by participants of the proposed transmission project is \$25 million (WMU's share of the project is estimated to be between \$5-\$10 million).

Power Supply Manager Carlson informed the Committee that the WMU will receive between \$600,000-\$700,000 revenue annually due to the Priam Substation Asset (based on submittal of the Attachment O agreement). Additional transmission investments will generate similar revenue. Smith briefly recapped the process involved in establishing new transmission system.

General Manager Harren reviewed with the Committee bullet points for discussion & consideration. DeBlick led discussion which included, but not limited to: importance of fuel diversity; value of additional reliability; capacity agreements; gas contracts; and, MISO requirements.

Action:

Following discussion, it is the consensus of the Planning Committee that due to the lack of urgency, it is in the best interest of the Utility to temporarily table the current discussions but to remain proactive on any potential future options related to generation and transmission. Power Point will be present to the commission on July 22nd for commission to concur.

Power Plant potential usage was discussed. Power Plant facility discussion will be addressed in the near future.

➤ **WMU New Facility Update/Site Considerations:**

Facilities & Maintenance Supervisor Marti brought the Planning Committee up to speed on the latest developments and updates for site considerations for future WMU facilities.

Action:

In conclusion, it was the consensus of the Planning Committee to direct Staff to continue to partake in discussions with the City regarding a possible government campus-type facilities site. Staff was further directed to identify the Utility's site criteria requirements and to ensure the needs of the Utility are met.

➤ **Adjournment:**

There being no further business to come before the Planning Committee, Commissioner DeBlick 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 1:26 p.m.

