

WILLMAR MUNICIPAL UTILITIES MINUTES
MUNICIPAL UTILITIES AUDITORIUM
AUGUST 12, 2019

The Municipal Utilities Commission met in its regular scheduled meeting on Monday, August 12, 2019 at 11:45 a.m. in the Municipal Utilities Auditorium with the following Commissioners present: Carol Laumer, Justin Mattern, Abdirizak Mahboub, Bruce DeBlieck, Ross Magnuson and Brendan MacDonald. Absent was Commissioner Nathan Weber.

Others present at the meeting were: General Manager John Harren, Director of Finance Denise Runge, Power Supply Manager Chris Carlson, Facilities & Maintenance Supervisor Kevin Marti, Energy Services & Marketing Rep Michelle Marotzke, SI Coordinator Mike Sangren, Administrative Secretary Beth Mattheisen, City Attorney Robert Scott (via teleconference), City Councilmember Audrey Nelsen, Dave Berg, PE (Dave Berg Consulting, LLC), 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 DeBlieck seconded.

RESOLUTION NO. 26

"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 22, 2019 Commission meeting; and,
- ❖ Bills represented by vouchers No. 191134 to No. 191259 and associated wire transfers inclusive in the amount of \$496,783.05.

Dated this 12th day of August, 2019.



President

Attest:



Secretary

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

Commissioner Magnuson (LC Vice Chair) reviewed with the Commission the August 2nd WMU Labor Committee meeting minutes (see attached). The main topic of discussion focused on the Electric and Water Utility Cost of Service and Rate Design recently conducted by DBC (Dave Berg Consulting, LLC). Following a review of the presented minutes, Commissioner Magnuson offered a motion to approve the minutes as presented. Commissioner Mahboub seconded the motion which carried by a vote of six ayes and zero nays.

At this time, Commissioner Laumer introduced Dave Berg of DBC who was in attendance to present the Commission with a thorough review of the Electric and Water Rate Study results (study period is 2019-2023). The report summarizes the analyses undertaken and the resulting recommendations for changes to the existing rates. The recommended rate adjustments have been made based on overall revenue needs of the Utility and the results of the cost-of-service analysis. As a result of the study, no electric rate increase is being recommended at this time. However, a series of four water rate adjustments have been recommended. The water rate increase recommendations would be: 20% in 2020; 20% in 2021; 5% in 2022; and, 5% in 2023. The water increases are necessitated by the transfer of \$470,000 in

annual maintenance and capital items (i.e. water main improvements and street patching) transferred from the City of Willmar to WMU along with future construction of a new water treatment plant for 2022. The recommended adjustments would apply equally to all customers. These increases are necessary to help ensure the continued financial strength of the Water Division and therefore the Utility.

Among additional options addressed for discussion were the following:

- 1) Consideration of an "opt out" option for the air conditioning control program (Load Share);
- 2) Establish a rate to charge for electric vehicles (EV) charging (during off-peak hours);
- 3) Adjustments to the current Net Metering Policy;
- 4) Resource allocations from the City's previously established agreement (\$4.00/monthly fee); and,
- 5) Future potential cost escalators that could affect rates (i.e. tariffs).

General Manager Harren informed the Commission that while the proposed water rate increases appear substantial, Willmar's water rates would remain relatively low. A cost comparison ranking analysis of cities of comparable size to Willmar was presented for review. Willmar continues to rank in the lower bracket of water rate costs (including the proposed adjustments). Harren further stated it would be in the best interest of the Utility to have the approved rate adjustment (20%) effective January 1, 2020. Attorney Scott provided insight relating into the procedural steps required to implement rate adjustments. Following extensive input and discussion, Commissioner Laumer offered a resolution to approve the Electric & Water Rate Study as presented. Furthermore, Staff would be directed to compile additional data and to develop a four-year rate ordinance to be presented to the Commission at the August 26th meeting reflecting the requested water rate adjustments. Commissioner DeBlieck seconded.

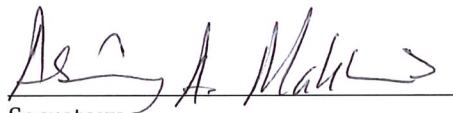
RESOLUTION NO. 27

"BE IT RESOLVED, by the Municipal Utilities Commission of the City of Willmar, Minnesota, that the 2019 WMU Electric and Water Utility Cost of Service and Rate Design Study conducted by Dave Berg Consulting, LLC, be approved as presented."

Dated this 12th day of August, 2019.


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 August 7th WMU Planning Committee meeting minutes (see attached). The main topic of discussion focused on the proposed 2020 WMU Budget. Following a review of the presented minutes, Commissioner DeBlieck offered a motion to approve the minutes as presented. Commissioner Mattern seconded the motion which carried by a vote of six ayes and zero nays.

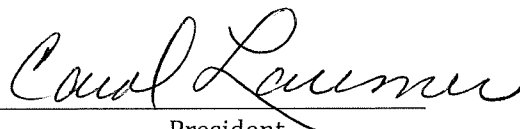
Director of Finance Runge and General Manager Harren reviewed with the Commission the proposed 2020 WMU Budget (including Operations & Maintenance Budget and Capital Budget). (It was noted that the completion of the budget process had been completed earlier than normal due to a request from the City.) The recommended 2020 WMU Budget was set at \$36,916,253 with the largest budgeted cost item being purchased power estimated at \$13,656,832. Runge presented a status update of the Capital Budget in the amount of \$4,579,170. It was further noted that the Intergovernmental Transfer to the City of Willmar would remain at \$2,152,600 for 2020. The Statement of Cash Flows: 5-Year Capital Improvement Plan (2020-2024), which includes both the Electric and Water Divisions, was presented for review. It was further stated that approval of the proposed water rate adjustments, could warrant an

amendment to the approved budget. Following review and discussion, Commissioner DeBlieck offered a resolution to approve the 2020 WMU Budget which includes both the O&M and Capital Budgets as presented. Commission MacDonald seconded.

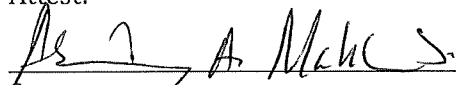
RESOLUTION NO. 28

"BE IT RESOLVED, by the Municipal Utilities Commission of the City of Willmar, Minnesota, that the 2020 WMU Budget including the Operating & Maintenance Budget and Capital Budget be approved as presented."

Dated this 12th day of August, 2019.


President

Attest:


Secretary

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

Director of Finance Runge reviewed with the Commission the WMU Cost of Power Report for June 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.

Facilities & Maintenance Supervisor Marti presented the Commission with the July 2019 Wind Turbine Report. Turbine availabilities for the month of July were at 87.0% (Unit #3) and 99.2% (Unit #4) with a monthly total production of 247,502 kWh. Marti noted that the availability of Unit #3 had been effected by an issue with the hydraulic fluid (foaming). This issue has since been resolved. Marti also stated that the scheduled turbine blade repair work is scheduled to begin tomorrow (Aug. 13th).

Facilities & Maintenance Supervisor Marti reminded the Commission of the scheduled upcoming tour of WMU's facilities. The annual tour will be held in conjunction with the regular MUC meeting on August 26th. Marti requested input from the Commission regarding the start time for the tour. Following discussion, it was the consensus of the Commission to begin the hour-long (est.) tour at 11:45 am (w/lunch in route) with the regular MUC meeting to immediately follow (regular portion of the meeting to conclude at approximately 1:15 pm).

Energy Service & Marketing Rep Marotzke provided the Commission with a brief outline of the upcoming 2019 WMU Open House to be held on Thursday, August 15th from 4:00-6:30 pm at the Willmar Civic Center Arena. The Open House is held annually to promote and educate the public on the benefits of public power. Giveaways (including an electric lawn mower), participation by area organizations, and various displays were reviewed. As in the past, a number of Commissioners have volunteered to be on hand to answer questions posed by members of the community.

Commissioner Laumer requested input from the Commissioners on their intentions related to term reappointments for the upcoming year. Currently, three Commissioners are eligible for term reappointments. Commissioners were asked to contact Commissioner Laumer (President) regarding their willingness to continue their service as a member of the WMU Commission.

As a member of Missouri River Energy Services (MRES), the Utility is provided a monthly update from the MRES and Western Minnesota Municipal Power Agency (WMPMA) Board of Directors meeting. The update provides a brief overview of the topics discussed by the Boards and the actions taken. At this time, the July 2019 MRES and WMPMA Board of Directors Meeting video update was presented.

General Manager Harren informed the Commission of two upcoming events to note. First, MRES Regional Policymakers Dinner & Discussion is scheduled for Thursday, September 5th (from 5:00-8:15

pm) at the Holiday Inn in Alexandria. This informal evening will provide the opportunity to discuss the rapidly changing electric industry and how MRES is working to ensure their members that they have the tools they need to continue to operate reliably and efficiently in this demanding environment.

The second event to note is entitled *"Doubling Down on Failure: How a 50% by 2030 Renewable Energy Standard Would Cost Minnesota \$80.2 Billion"*. This event is a part of the "Morning in Minnesota Breakfast Series" and will be held at The Oaks at Eagle Creek, on Tuesday, August 27th beginning at 7:30 am. Isaac Orr is a Policy Fellow with the Center of the American Experiment (Minnesota's Think Tank) and energy expert. Following his discussion, Mr. Orr will be joined by a panel of local state legislators for a conversation about renewable energy standards in Minnesota. If their schedules permit, Commissioners are encouraged to participate in these informative events.

General Manager Harren informed for the Commission that three meetings had been conducted between WMU officials (General Manager and Commissioners) and City officials (Mayor and City Council). City Councilmember Nelsen expressed her appreciation to the Commission and Staff for providing these informational meetings, and felt they were beneficial in bringing the City officials up to speed on issues concerning the Utility. Commissioner Laumer continued by extending her appreciation to the Commissioners who were able to participate in these valuable meetings.

General Manager Harren stated that additional WMU Committee meetings will be forthcoming. 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:

- *"Doubling Down on Failure: How a 50% by 2030 Renewable Energy Standard Would Cost MN \$80.2 Billion"* breakfast event @ The Oaks at Eagle Creek – Tues., August 27th (7:30 am)
- 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 Regional Policymakers Dinner & Discussion – Thurs., Sept. 5th (5:00-8:15 pm) Alexandria Holiday Inn
- 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 of the Municipal Utilities Commission adjourned at 1:38 p.m.

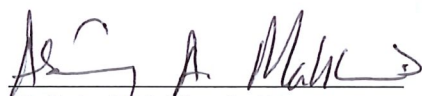
Respectfully Submitted,

WILLMAR MUNICIPAL UTILITIES



Beth Mattheisen
Administrative Secretary

ATTEST:



Abdirizak Mahboub, Secretary



WILLMAR MUNICIPAL UTILITIES
MUC Labor Committee Meeting Minutes
Friday, August 2, 2019 - 10:00 a.m.
WMU Conference Room

Attendees: Commissioners Nathan Weber, Ross Magnuson & Abdirizak Mahboub, General Manager John Harren, Director of Finance Denise Runge, Consultant Dave Berg, and Energy Services & Marketing Rep Michelle Marotzke.

Commissioner Weber called the meeting to order at 10:00 a.m.

AGENDA ITEM(s):

➤ **Rate Study Review & Discussion: Presentation by Dave Berg of DBC**

General Manager Harren introduced Dave Berg who was on hand to present the findings of the 2019 WMU Electric & Water Rate Study.

Dave explained his background and qualifications to the Committee as well as an overview of his past work with WMU. He reviewed the results of the electric division first, which included discussion regarding the cost of service study, power plant and other programs within the utility.

The results of the water division section was then reviewed and discussion included the changes of responsibility from the City of Willmar to WMU. Dave explained the financial needs for the water division as they pertain to future updates in that department.

Recommendation/Action:

Following review and discussion, it was the consensus of the Labor Committee to recommend that the Overview page from the study will be sent to all commissioners for input before the August 12, 2019 Commission meeting. Dave Berg will present the full study to the Commission at the August 12, 2019 regular meeting.

The Labor Committee recommends following the results of the study and requesting a four-year rate ordinance from the City of Willmar based on the rate increases agreed upon at the August 12th, 2019 Commission meeting.

➤ **Adjournment:**

There being no further business to come before the Labor Committee, Commissioner Weber offered a motion to adjourn the meeting. Commissioner Magnuson seconded the motion which carried by a vote of three ayes and no noes, and the meeting was adjourned at 11:23 a.m.



WILLMAR MUNICIPAL UTILITIES

WMU PLANNING COMMITTEE MEETING MINUTES

Wednesday, August 7, 2019 – 11:30 a.m.

WMU Conference Room

Present: Commissioners Bruce DeBlieck, Justin Mattern & Brendan MacDonald, General Manager John Harren, Director of Finance Denise Runge, and Administrative Secretary Beth Mattheisen.

Commissioner DeBlieck (PC Chair) called the meeting to order at 11:30 a.m.

AGENDA ITEM(S):

➤ Proposed 2020 WMU Budget Discussion:

General Manager Harren opened discussion with the Planning Committee by presenting background information and the budgetary process followed to establish the annual budget along with the submission of the Attachment O (transmission agreement).

Director of Finance Runge reviewed with the Committee the preliminary 2020 WMU Budget. Departmental (electric, water, heating) analysis and data were presented for review. This data reflected revenues, expenses, and income related to each of the divisions for a total projected 2020 Budget. Included in the presented data were the Operating Budget, Capital Budget, and Statements of Cash Flow for 2020-2024 (electric, water & total combined). Questions by the Committee regarding particular items were addressed with clarifications provided by Staff. The following is a recap of specific points of discussion:

- 1) Transmission expenses continue to increase significantly.
- 2) District Heating revenues reflect the significant decline in DH customers. Termination of DH will be July 1, 2020. Additional costs (materials & labor) will continue during the final steps of the decommissioning process.
- 3) Largest of the Capital Budget items include: future office/facilities building; line construction projects; water mains; and, Load Share program. Total Capital Budget: \$4,579,170.
 - a. High-level overview of proposed capital projects was presented (i.e. new facilities).
- 4) Statement of Cash Flows – Electric & Water
 - a. Transfer of City responsibilities equals \$470,000 per year for water mains & street patching. (\$470,000 equals approx. a 20% rate increase.)
 - b. 2019 Electric & Water Rate Study conducted (DBC). Rate recommendations based on study for consideration:
 - i. No electric rate increase anticipated at this time
 - ii. Water rate adjustments anticipated to cover increased City expenses, water treatment plant improvements and normal operating expenses:
 1. 20% increase in 2020
 2. 20% increase in 2021
 3. 5% increase in 2022
 4. 5% increase in 2023
 - c. New Water Treatment Plant bonding issue planned for 2022
- 5) Statement of Cash Flows – Total Combined for 2020: \$35,934,098 (net cash balance)

Action:

Following thorough review and discussion, Commissioner DeBlieck requested any additional questions or concerns regarding the presented 2020 WMU Budget. There being none, it was the consensus of the Planning Committee to accept the proposed 2020 WMU Budget as presented, and to recommend approval by the Commission at the August 12th MUC meeting.

➤ **Adjournment:**

There being no further discussion to come before the WMU Planning Committee, Commissioner DeBlieck declared the meeting adjourned at 12:39 p.m.

