

WILLMAR MUNICIPAL UTILITIES MINUTES
MUNICIPAL UTILITIES AUDITORIUM
OCTOBER 28, 2019

The Municipal Utilities Commission met in its regular scheduled meeting on Monday, October 28, 2019 at 11:45 a.m. in the Municipal Utilities Auditorium with the following Commissioners present: Justin Mattern, Abdirizak Mahboub, Nathan Weber, and Bruce DeBlieck. Absent were Commissioners Carol Laumer, Ross Magnuson and Brendan MacDonald.

Others present at the meeting were: General Manager John Harren, Director of Finance Denise Runge, Facilities & Maintenance Supervisor Kevin Marti, Customer Service Rep Kim Wesbur, City Attorney Robert Scott (via teleconference), City Councilman Shawn Mueske, and WC Tribune Journalist Shelby Lindrud


Due to the absence of President Laumer, Vice President Mattern opened the meeting by asking if 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. 41

“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 14, 2019 Commission meeting; and,
- ❖ Bills represented by vouchers No. 191624 to No. 191694 and associated wire transfers inclusive in the amount of \$2,435,405.23.

Dated this 28th day of October, 2019.



Vice President

Attest:



Secretary

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

Commissioner DeBlieck (PC Chair) reviewed with the Commission minutes from the October 15th WMU Planning Committee Meeting (see attached). The main topics of discussion focused on: Power Plant (future); potential transmission investment opportunity; and, Disconnection Policy review. Following review of the minutes, Commissioner Mattern offered a motion to approve the minutes as presented. Commissioner Mahboub seconded the motion which carried by a vote of four ayes and zero nays.

In conjunction with the above approved minutes (Oct. 15th PC Mtg.), two items were presented for information and discussion. First, it was the recommendation of the Planning Committee to

schedule a Work Session to fully address issues and concerns regarding the future of the Power Plant and to provide directive concerning the facility and staff. Therefore, a Work Session of the full Commission will be held on Tuesday, November 4th beginning at 11:00 a.m. (WMU Auditorium).

The second item discussed was an opportunity to invest in an area transmission investment buildout/expansion project. Previously, the Commission had directed staff to be proactive in investigating potential opportunities that may arise to increase the Utility's transmission assets (*WMU Strategic Initiatives: Substations/Transmission*). The Planning Committee felt the benefits of this project would be a highly advantageous investment and would be a means to bolster the Utility's reliability and assist in stabilizing our power grid needs. Therefore, it was the recommendation of the Planning Committee to request the Commission to support the effort and direct staff to pursue the project. Following discussion, Commissioner Mattern offered a motion to fully support the Utility's participation in the proposed transmission buildout project with a potential investment of up to \$10.5 million (estimated). Commissioner Mahboub seconded the motion which carried by a vote of four ayes and zero nays.

Director of Finance Runge presented the Commission with the September 2019 Financial Reports along with a recap of the September 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. Runge noted that also included with the financial data were graphs depicting the 2018/2019 monthly year-to-date revenues, expenses, and retained earnings.

Director of Finance Runge reviewed with the Commission the WMU Cost of Power Report for August 2019. This report is illustrated using a rolling year-to-date format and provides the overall cost of power for the year (0.067 per kWh year-to-date). Also reflected in the analysis is the total year-to-date cost.

Commissioner Mattern informed the Commission that a Letter of Resignation had been received from Commissioner Brendan MacDonald. Commissioners were requested to provide input and/or suggestions for potential candidate(s) to fill the vacancy. Recommendations will be forwarded to the City (Mayor) for consideration. Following discussion, Commissioner Mahboub offered a motion to accept Commissioner MacDonald's Letter of Resignation effective immediately. Commissioner DeBleck seconded the motion which carried by a vote of four ayes and zero nays.

General Manager Harren informed the Commission that WMU Committee meetings would be forthcoming (TBD). Agenda item(s) for a future Labor Committee meeting will include: annual review of Personnel Policies; non-union wages; and, health insurance. Agenda item(s) for a future Planning Committee meeting will include: annual review of Operations Policies.

For information: Upcoming meetings/events to note include:

- MUC Work Session – Tuesday, November 5th (11:00 a.m.-12:30 p.m.)
- Joe Schmit's "IMPACT Leadership Workshop" – Friday, Dec. 13th (7:30 a.m.-12:00 p.m.)
- 2020 APPA Legislative Rally – February 24-26 (Washington, DC)

There being no further business to come before the Commissioner Mattern offered a motion to adjourn. Commissioner Mahboub seconded the motion which carried by a vote a four ayes and zero nays, and the meeting of the Willmar Municipal Utilities Commission adjourned at 12:15 p.m.

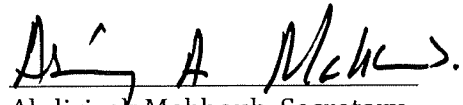
Respectfully Submitted,

WILLMAR MUNICIPAL UTILITIES



Kim Wesbur
Customer Service Rep

ATTEST:


Abdirizak Mahboub, Secretary



WILLMAR MUNICIPAL UTILITIES

WMU PLANNING COMMITTEE MEETING MINUTES

Tuesday, October 15, 2019 – 11:00 a.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, Compliance/HR Manager Janelle Johnson, Facilities & Maintenance Supervisor Kevin Marti, Staff Electrical Engineer Jeron Smith, and Administrative Secretary Beth Mattheisen.

Commissioner DeBlieck (PC Chair) called the meeting to order at 11:00 a.m.

AGENDA ITEM(S):

1. Power Plant Discussion: (General Manager Harren)

(WMU Strategic Initiatives –Generation: Gas/Diesel & Power Plant)

General Manager Harren opened discussion with the Planning Committee by presenting background information relating to the past and current status of WMU's Power Plant. District heat operations will be terminated on June 30, 2020. The Commission has a goal for local generation at 25% of system peak with taking into consideration reliability and cost. The Utility's diesel units have the capability to generate 12 MW, which would equal 20% (leaving only an additional 5% required to achieve the 25% goal). With the newly operational Priam Substation, the need for local generation is reduced while reliability and sustainability is increased. Additional future transmission expansions are also planned for 2021 and 2022 at the Willmar and Priam Substations to further increase WMU's transmission assets (both revenue and reliability). As identified in the WMU Strategic Initiatives (2019), staff has been instructed to determine the future of the existing Power Plant keeping in mind the needs of the Utility and city of Willmar. Determination of both functionality and value of the facility are factors for consideration regarding the future direction of the Power Plant.

General Manager Harren continued by providing a PowerPoint presentation entitled "Sustainability of the WMU Power Plant". Topics reviewed in the presentation included: 1) background data; 2) Power Plant options; 3) Flow Chart #1: Dry Stand-By; 4) Flow Chart #2: Warm Stand-By; 5) mechanical considerations; 6) staffing considerations; and, 7) financial considerations

Power Plant Options: With the decommissioning of the district heating, a decision regarding the sustainability of the plant must be addressed. Staff would prefer a decision by Nov. 1st.

Flow Chart Options:

- **#1- Dry Stand-By: Unable to respond timely to a catastrophic /emergency event** (would require 2-3 days to refill plus 10 hrs. to warm the boiler prior to generating electricity); unable to retain RCA with MRES.
- **#2 – Warm Stand-By:** Would require to keep the plant and boiler warm at all times, and would require purchasing and installing a 150 HP Boiler. Would be available to respond to a local catastrophic event or LMR emergency within 12 hrs. of non-performance and MISO penalties. This option would require 7 qualified staff members including 1 Chief Class A Boiler license.

Mechanical Considerations:

- Degradation & reliability of plant due to age and idle status
- Winter freeze of cooling towers
- Deferred plant repairs required
- Turbine overhaul is needed
- High probability of tube leak issues & breakers not closing on feed water pumps.

Staffing Considerations:

- Staff may lose knowledge if not run frequently
- Under catastrophic conditions staff may be needed in their respective departments
- 24-hour run requires 7 qualified staff members. (Staffing requirements were further defined by General Manager Harren.)

Financial Considerations:

- One-time expense (warm stand-by option) w/150 HP boiler: \$200,000
- Yearly expenses (maintenance, gas and labor); RCA capacity payment will reduce the overall cost; net costs: \$643,421
- Other expenses: Turbine overhaul (every 5 yrs.): \$1,000,000 (+/-); deferred plant maintenance costs: \$510,000
- Cost of maintaining adequate competent staff
- MISO penalties incurred if called upon but unable to deliver
- Rate study did not include expenses above capacity payments.

Recap:

- Plant is not designed to be a stand-by generation source
- Age and condition of the plant increase concerns regarding reliability & capability of the facility
- Maintaining qualified staff; after June 30, 2020, 7 qualified plant personnel will be available and willing to take on the tasks as required (1 staff member must hold a Chief Class A Boiler's License)
- MISO penalties assessed on non-performance
- May require rate adjustment to cover additional costs to keep plant operational

Next Steps:

Staff is recommending that the Planning Committee provide the related information to Commission for a full review. If we decommission the plant, renewal of licenses would be ceased. If we did keep the plant operational, licensing of staff would be required (retaining of licensed staff). Committee asked for full disclosure (costs to keep plant, loss of permits, loss of chief operators, etc.). Additional staffing comments for consideration include:

- 1) Any time we change our primary operations, we would need modifications to our permits. Re-permitting is expensive and lengthy (time-wise) to obtain the required revisions.
- 2) Keeping in mind the local generation goal of 25%, must keeping in mind that during a catastrophic event that target changes due to the "normal" load at that time.
- 3) Considerations for 20% provided by diesel units make up the majority of the 25% goal were reviewed. Possible scenarios were discussed.
- 4) Fuel diversity and additional considerations were presented including additional responsibilities required by plant staff.
- 5) Substation controls and internal infrastructure at the power plant would need to be relocated if the plant were to be razed.
- 6) Insurance policies are effected due to the need for plant insurance (indirect insurance policy).
- 7) Heating in all 3 facilities will need to be addressed.
- 8) Plant would be expensive to maintain.

The question of repurposing of the Power Plant was discussed. Due to the size and construction of the facility (i.e. boilers encased in the actual structure), it would be extremely expensive to resign or repurpose for future use. There are structural issues which would need to be addressed. (General Manager Harren stated that City has no interest in the facility for their use.)

Recommendation/Action:

Commissioner Mattern will submit additional questions to staff concerning Power Plant issues and concerns (permitting, chief boiler licenses/renewals, potential benefits of keeping the plant operational, etc.). This additional information will be included in the PowerPoint presentation and reviewed by the full Commission at a Work Session to be scheduled in the near future. It is the intent to have a decision reached pertaining to the Power Plant by November 12th (or sooner) giving Power Plant personnel sufficient time to plan for their future accordingly.

2. Transmission Investments: (Staff Electrical Engineer Smith & Director of Finance Runge)
(WMU Strategic Initiatives –Substations/Transmission)

With the increasing benefits of transmission investments becoming more important, the Commission had directed staff to be proactive in investigating potential opportunities that may arise to increase the Utility's transmission assets. Staff Electrical Engineer Smith provided a confidential document provided by MRES for discussion regarding a transmission investment opportunity in our area. The scope of this project relates to the Benson area as a means to resolve long-term transmission concerns with additional upgrades in the Willmar area. A presentation regarding Benson Area Project Willmar Portion was reviewed. The study is led by GRE with involvement from Otter Tail Power, Xcel, WMU, and MRES.

Upgrades to the Willmar area were discussed. Ideally, the targeted project completion date would be 2021. The estimated financial impact of the project to the Utility would be \$10.5 million (cost estimate breakdown was presented). As an existing transmission owner, this would allow Willmar the opportunity to expand its transmission investment portfolio. While the project currently is more directed to improving the energy source to the Benson area, more focus relating to the Willmar area including planning work would be forthcoming (including area study, ratings review, long-range planning, etc.) This investment opportunity would increase Willmar's transmission strength and reliability, while adding future revenues when in-service.

Director of Finance Runge reviewed with the Committee the financial impact and projections this project would entail (up-front costs, investment costs, 5-year statement of cash flows, etc.)

The transmission project will be submitted to MISO's planning process/MTEP, and should qualify for transmission inclusion in the GRE pricing zone. Cost recover would be through the MISO Attachment O. Technical work should be completed by GRE shortly (this fall).

General Manager Harren stated that this project will move forward with or without the Utility's participation. This investment opportunity would add value to Willmar's transmission assets and would have an impact on the overall performance of the power grid as it relates to the Benson/Willmar and surrounding area.

Recommendation/Action:

Following discussion, it was the consensus of the Planning Committee to fully support and pursue participation in the presented transmission buildout project (expansion) with the potential investment up to \$10.5 million (estimated). The Committee considers the benefits of this project would be a highly advantageous investment and would be a means to bolster the Utility's reliability and assist in stabilizing our power grid needs.

3. Disconnection Policies/Procedures: (Director of Finance Runge)

Director of Finance Runge reviewed with the Committee a summary outlining the current disconnection procedure for unpaid Utility bills. Runge further provided billing examples reflecting the notices distributed to customers regarding their payment requirements, payment options available, and disconnection date if payment is not received. (Note: Disconnects do continue during the winter months as outlined per the annual Cold Weather Rules.) Runge further added due to time constraints and staffing reductions, we normally do not physically contact the customers. However, exceptions are being made as needed. Disconnecting services are negative situations, therefore, as long as the customer contacts the Utility to make payment arrangements, we will work with the customer to find a mutually acceptable solution.

It was further noted that earlier this year, the customer billing dates/cycles were revised. Penalties were waived related to the change in the billing dates. Appropriate Customer Service training is essential when dealing with the customers facing possible disconnection of services (sensitivity training).

4. Adjournment:

There being no further discussion to come before the WMU Planning Committee, Commissioner DeBlieck made a motion adjourn. Commissioner Mattern seconded the motion which carried by a vote of three ayes and zero nays, and the meeting was adjourned at 12:44 p.m.

