

**WILLMAR MUNICIPAL UTILITIES MINUTES**  
**MUNICIPAL UTILITIES AUDITORIUM**  
**NOVEMBER 12, 2019**

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

Others present at the meeting were: General Manager John Harren, Director of Finance Denise Runge, Facilities & Maintenance Supervisor Kevin Marti, Administrative Secretary Beth Mattheisen, IS Coordinator Mike Sangren, Water & Heating Supervisor Joel Braegelman, City Attorney Robert Scott (via teleconference), Mayor Marv Calvin, City Councilman Shawn Mueske, and WC Tribune Journalist Shelby Lindrud

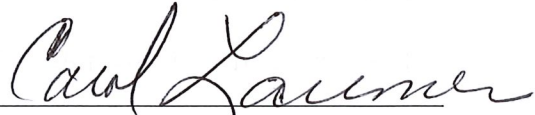
President Laumer opened the meeting by asking if revisions were needed to the presented agenda. There being none, Commissioner Laumer continued by requesting a resolution to approve the Consent Agenda. Commissioner Mahboub offered a resolution to approve the Consent Agenda as presented. Commissioner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

**RESOLUTION NO. 42**


“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 28, 2019 Commission meeting; and,
- ❖ Bills represented by vouchers No. 191695 to No. 191783 and associated wire transfers inclusive in the amount of \$318,798.27.

Dated this 12<sup>th</sup> day of November, 2019.

  
\_\_\_\_\_  
President

Attest:

  
\_\_\_\_\_  
Secretary

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

Commissioner Laumer reviewed with the Commission minutes from the November 5<sup>th</sup> MUC Work Session (see attached). This Work Session was held to provide additional insight and discussion to develop a plan for the future of the Power Plant (facility and staff). To aid in the decision making process, the Commission had requested staff to provide additional data for three specific areas of information. These items were: 1) reach out to Austin Utilities for information/comments regarding the recent decommissioning of their plant; 2) compile data to identify potential private generation inventory in Willmar; and, 3) provide projected Cash Flow Statements to compare financial data with and without the Power Plant. (This data was distributed to Commissioners prior to today's MUC meeting.) Following review of the 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.

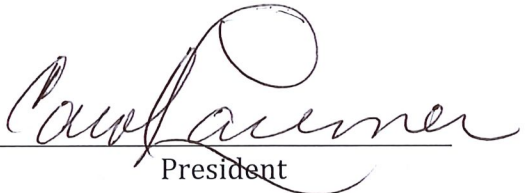
In response to the above inquires posed to Staff, Facilities & Maintenance Supervisor Marti stated that he had contacted Austin Utilities (AU) to inquire about their decommissioning process and meeting their generation needs. Marti provided the findings to the Commission. General Manager Harren addressed the second question by reporting that seven industrial customers had been contacted thus far to assist in developing an inventory of privately-owned generation in Willmar (7 customer have 3.26 MWs total). Addressing the third item, Director of Finance Runge reviewed with the Commission Cash Flow Statements which provided data for retaining the Power Plant for capacity vs. decommissioning the Plant. The cost to retain the Plant for capacity use would be at an additional expense of over \$1,000,000 per year. Runge further stated that insurance (general & liability) costs are greatly affected by operating the Plant since the Utility is considered "high risk". Without the Plant, insurance options would be available. Harren further added that in the event of decommissioning the Plant, building needs would be addressed in the future (operational controls located in the facility which would need to be relocated, possible repurposing of the building, demolition of the building, etc.).

The Commission and Staff reiterated that this decision is not taken lightly, and that a great deal of thought and effort have went into developing a future path for the Power Plant and its personnel. Commissioners felt that Staff has done their due diligence addressing this matter, and find no viable path to move forward with the Plant. Logically and economically it is in the best interest of the Utility to proceed with the decommissioning process. Following discussion, Commissioner Laumer offered a resolution to approve the decommissioning of the Power Plant and to begin the process effective June 30, 2020. Commissioner Mattern seconded.

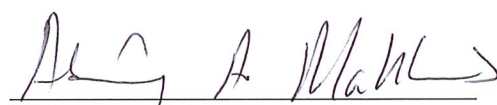
#### **RESOLUTION NO. 43**

"BE IT RESOLVED, by the Municipal Utilities Commission of the City of Willmar, Minnesota, that the decommissioning of the Willmar Power Plant be approved effective June 30, 2020."

Dated this 12<sup>th</sup> day of November, 2019.

  
President

Attest:

  
Secretary

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

In conjunction with the above approved minutes (Nov. 5<sup>th</sup> Work Session), the second item related to the possible decommissioning of the Power Plant was the need to establish an action plan in the event of a catastrophic disaster/event in the city of Willmar. Once the Plant is no longer generating power, should the power be replaced for a catastrophic event? Staff had provided an outline of an initial plan/process to address a catastrophic event. This plan would entail renting four diesel generators from Ziegler CAT to be connected to the grid to provide power to the City. Following discussion and review, Commissioner Mattern offered a motion to



direct Staff to continue to formulate a catastrophic event plan utilizing rental generation. Commissioner Mahboub seconded the motion which carried by a vote of six ayes and zero nays.

General Manager Harren informed the Commission that at the November 4<sup>th</sup> City Council meeting, Ordinance #1442 had been approved to amend Utility rates. This ordinance provides for a four-year water rate adjustment beginning with a 20% increase January 1, 2020. Subsequent increases would be 20% in 2021, 5% in 2022, and 5% in 2023.

Relating to the approval of Ordinance #1442, Director of Finance Runge presented the Commission with a revised 2020 WMU Budget incorporating the newly approved water rate adjustments. Runge reviewed both the Water Budget along with the Statement of Cash Flows – Water reflecting the approved rate adjustments. Following review and discussion, Commissioner Mahboub offered a resolution to approve the amended 2020 WMU Budget as presented. Commissioner DeBlicke seconded.

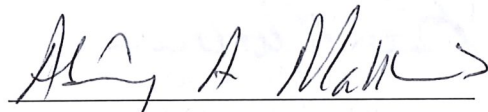
#### RESOLUTION NO. 44

“BE IT RESOLVED, by the Municipal Utilities Commission of the City of Willmar, Minnesota, that the amended 2020 WMU Budget incorporating the new water rate adjustments effective January 1, 2020 be approved as presented.”

Dated this 12<sup>th</sup> day of November, 2019.

  
President

Attest:

  
Secretary

General Manager Harren reviewed with the Commission a listing of proposed educational topics to be presented to the Commission throughout 2020. These informational updates are presented to assist in keeping the Commission well-informed of various topics/issues, projects, policies, and departmental developments throughout the year. Commission input is greatly valued and welcomed to assist in determining topics of interest relevant in keeping the board abreast of the Utility and its operations. Following discussion, it was the consensus of the Commission to concur with the 2020 WMU Commission Listing of Anticipated Educational Subjects as presented.

Facilities & Maintenance Supervisor Marti presented the Commission with the October 2019 Wind Turbine Report. Turbine availabilities for the month of October were at 100% (Unit #3) and 99.4% (Unit #4) with a monthly total production of 895,781 kWh. Marti informed the Commission that the Utility's Engineering and Wind Turbine Maintenance staff continue to reformulate the actual percentage of availability to present a more accurate assessment of the turbines. This will be reflected in future monthly Wind Turbine Reports presented to the 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 (WMMPA) 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 October 2019 MRES and WMMPA Board of Directors Meeting video update was presented.

General Manager Harren reminded the Commission that a meeting of the WMU Labor Committee would be held immediately following today's MUC meeting. The main topic of discussion will focus on Grievance #7452.

General Manager Harren informed the Commission that a rate increase for the 2020 legal services provided by Flaherty & Hood, P.A. (City Attorneys) would be forthcoming. The hourly rate for general municipal matters would be increased to \$145.00 (from \$140.00).

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:

- WMU Labor Committee Mtg. – Tuesday, November 12<sup>th</sup> (approx. 12:20 p.m.)
- Joe Schmit's "IMPACT Leadership Workshop" – Friday, Dec. 13<sup>th</sup> (7:30 a.m.-12:00 p.m.)
- Employee/MUC Safety Luncheon- Friday, Dec. 13<sup>th</sup> (12:00 p.m.)
- 2020 APPA Legislative Rally – February 24-26 (Washington, DC)

There being no further business to come before the Commission, Commissioner Laumer declared the meeting adjourned at 12:20 p.m.

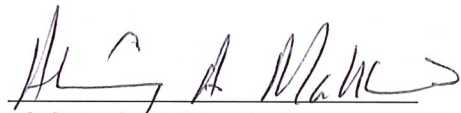
Respectfully Submitted,

WILLMAR MUNICIPAL UTILITIES



Beth Mattheisen  
Administrative Secretary

ATTEST:



Abdirizak Mahboub, Secretary



**WILLMAR MUNICIPAL UTILITIES COMMISSION**  
**WORK SESSION MINUTES**  
**MUNICIPAL UTILITIES AUDITORIUM**  
**NOVEMBER 5, 2019**

The Municipal Utilities Commission met in a scheduled Work Session on Tuesday, November 5, 2019, at 11:00 a.m. in the Municipal Utilities Auditorium with the following Commissioners present: Carol Laumer, Justin Mattern, Abdirizak Mahboub, Nathan Weber, Bruce DeBlieck, and Ross Magnuson.

Others present at the meeting were: General Manager John Harren, Director of Finance Denise Runge, Facilities & Maintenance Supervisor Kevin Marti, Compliance/HR Manager Janell Johnson, Staff Electrical Engineer Jeron Smith, Operations Foreman Jason Groen, Power Supply Manager Chris Carlson, Administrative Secretary Beth Mattheisen, IS Coordinator Mike Sangren, and WC Tribune Journalist Shelby Lindrud.

Commissioner Laumer (President) opened the meeting by welcoming everyone and providing introductory comments and thoughts regarding the difficult decisions to be brought before the Commission regarding the future of the Power Plant and the effects it will have pertaining to staff. All were encouraged to be mindful in determining the future of the Power Plant and its staff members. Laumer continued by stating that input, questions and comments are encouraged at any time during today's Work Session.

General Manager Harren continued by thanking all for attending to address this important discussion and for providing valuable input. Harren provided background information and the timeline involved in this multi-step process which has brought the Utility to this point. Key points to note include: 1) District Heating will terminate on June 30, 2020; 2) WMU's diesel units generate 12 MW's to meet 20% of the 25% goal set by the Commission for local generation; and, 3) local area transmission improvements have reduced the risk of a need for local generation (new Priam Sub, planned future area transmission expansion project, etc.). Today's discussion will focus on the value, options, and direction for the future of the Power Plant. Open discussion and input was encouraged.

Facilities & Maintenance Supervisor Marti reviewed with the Commission the "*Sustainability of the WMU Power Plant*" presentation which relates to the Power Plant and options for a catastrophic event. The presentation was originally given at the October 15<sup>th</sup> WMU Planning Committee meeting, with Committee input and comments incorporated into today's updated report. The presentation included the following components: background information; Planning Committee questions/comments; Power Plant options including flow chart options (dry stand-by vs warm stand-by); mechanical, staffing & financial considerations; cash flow statements; catastrophic event planning; and staff recommendation.

Additional areas of consideration and discussion included the following topics:

1. Mechanical Considerations:
  - a. Degradation & reliability of plant due to age and idle status;
  - b. Winter freeze of cooling towers;
  - c. Deferred Power Plant repairs;
  - d. Turbine overhaul is past due; and,
  - e. High probability of tube leak issues and breakers not closing on feed water pumps.
2. Staffing Considerations
  - a. Staff may lose knowledge and/or confidence if unit is not run frequently;
  - b. Under catastrophic conditions, staff may be needed in their respective depts.; and,
  - c. 24-hour run requires seven (7) qualified staff members.



3. Financial Considerations:

- |   |                |
|---|----------------|
| a. <u>One-time Expense</u> (warm stand-by option)   |                |
| i. 150 HP boiler  | \$200,000      |
| b. <u>Yearly Expenses</u>   |                |
| i. Maintenance, gas & labor   | \$963,677      |
| ii. RCA capacity payment will reduce overall cost   | (\$320,256)    |
| iii. Net cost   | \$643,421      |
| c. <u>Other Expenses</u>  |                |
| i. Turbine overhaul (every 5 yrs. – due)  | \$1,000,000+/- |
| ii. Current deferred plant maintenance costs due  | \$510,000      |
| d. Cost of maintaining competent staff  |                |
| e. MISO penalties incurred if call upon, but not delivered<br>(penalties to be determined by MISO and based on the dynamics of the event) |                |
| f. Potential expenses above capacity payments   |                |

Questions/comments originating from the Oct. 15<sup>th</sup> Planning Committee meeting were provided for discussion including:

- 1) Additional decommissioning considerations: permitting changes/requirements would be needed.
- 2) Staff input/discussion topics were reviewed including peak load data; privately-owned generation units (i.e. hospital, county).
- 3) Question of follow-up about a more “passive” dry standby vs the more “active” dry standby.
- 4) Razing of the facility estimated at \$5 million (large portion of costs due to asbestos involved; boilers are encased in the facility itself; building options would be expensive, but would be investigated). Plant does house the substation controls in the control room (operations equipment) which would need to be relocated at a future date prior to razing of the current structure.
- 5) General & property liability insurance: Currently uninsurable by League of MN Cities due to the Power Plant being considered “high risk”. Therefore, WMU’s property & liability insurances throughout the entire organization are greatly affected. Operating without the facility would enable insurance options for the Utility as a whole (potential of decreased insurance charges).

Director of Finance Runge reviewed with the Commission tables reflecting the updated Statement of Cash Flows (re transmission). Data included operating expenses less depreciation; additional cash-out flows; and, total capital projects. The financial impact of maintaining the Power Plant was provided.

To visualize the facility in its entirety, a tour of the Plant was conducted at 11:45 a.m. Following the facility tour, Commissioner Laumer announced the continuation of the Work Session in the WMU Auditorium at 12:15 p.m. Marti continued by requesting questions or concerns following the tour. Marti noted that the cost to demolish/raze the facility (including any salvaging of equipment) is estimated at \$5 million. Demo costs would increase if equipment is removed prior to the razing. Based on input from two engineering firms, it was stated that leaving the facility “as is” prior to razing/demolition of the facility would be the most cost effective option to follow. A question related to facility insurance during the demo process was raised. Additional insurance discussion will follow if the facility is decommissioned (i.e. LMC). Runge noted that the Utility’s general and liability insurance term runs from June-June. Decommissioning would open up insurance options to the Utility (potential cost reduction). (No numbers are currently available for insurance at this time.



In relations to the downtown district heating piping, it was stated that upon finalization of the decommissioning process, the lines/pipes associated with the heating system would be cut and capped.

Additional information was provided re Financial Considerations (i.e. maintenance, gas and labor costs) including the labor portion which is approx. \$200,000 (of the \$963,677). The remainder of the costs would be for permitting, maintenance, gas, etc.

As a reminder, Facilities & Maintenance Supv. Marti reiterated WMU's established Mission Statement: *"Willmar Municipal Utilities will provide safe, reliable & quality utility services at competitive rates for their customers"*.

Catastrophic Event Generation Plan (new) option was presented for review. The option proposed would entail rental of 8 MW's of emergency diesel generators (Ziegler-Cat) which can be onsite within 24 hours. Marti added that diesel fuel supplies are available through a local vendor sufficient for 2-3 weeks of constant generation, and the vendor is willing to enter into a supply agreement with WMU. If the Commission chooses this option for security/reliability, the one-time costs incurred would be \$150,000-\$200,000 for step up transformers to connect the emergency diesel generators to the Power Plant Substation.

Cost to operate 8MW's of emergency diesel generation was based on seven continuous days of 24 hr. generation, (four 2 MW units) Costs include delivery, set-up, cabling, fuel and end-use maintenance. Delivery and installation to be triggered during/after an event. Total costs (fuel included) of rental units for a catastrophic seven-day event would be \$417,000. Note: If declared a FEMA event, there may be potential reimbursement of costs.

#### **Additional Questions/Comments:**

1. Ziegler units permitting issues? No, this would be considered emergency ("one-time use") and exempt from normal permitting. Diesel supply for the units is available.
2. Recap of the emergency transformer placement for a catastrophic event was provided by Staff Electrical Engineer Smith. Mobile units would connect to step-up transformer on-site. Transformer lead time is 2-3 months. Once infrastructure would be in place (within 2 hrs.), they would be able to generate (depending on where the 4 units come from). We would also utilize our 12 megawatts of diesel generator units.
3. District heat decommissioning as related to backup generation process was reviewed. This was two separate matters. It was noted that it has been over 18 months since the Utility actually generated at the Plant.
4. Would rolling blackouts be possible during a catastrophic event? Possibly, but with the private generation available (hospital, county buildings, etc.), may not need to. Compliance/HR Manager Johnson noted that normally during a catastrophic event, load levels generally are considerably less than normal.
5. Austin Utility (AU) went through a recent decommissioning of their power plant. Staff was asked to contact AU to provide additional information regarding their process.

#### **Staff Recommendation:**

Staff is recommending that the Commission consider setting July 1, 2020 as a potential Power Plant decommissioning date. General Manager Harren was requesting the Commission provide a decision sooner rather than later to assist Power Plant staff with sufficient time to plan accordingly for their future. At the Tuesday, November 12<sup>th</sup> MUC meeting, the Commission will be requested to provide a decision and directive for the future of the Power Plant.

At this time, General Manager Harren recognized the Utility staff for all their time and efforts involved in this process which has led up to where we are today. Harren commended staff for their respectful insight, teamwork and thoroughness throughout this difficult process which included vetting out all the pros and cons involved. While team members directly involved were attending today's meeting, Harren noted that the entire staff has been involved in the process. While Staff is well aware of the effects this process will bring, they have maintained professionalism throughout this process. Thank you for what has been accomplished through the last 3-4 yrs.

Commission members echoed their sentiments and appreciation for the Staff's involvement which has been a very important part of this process. This is not an easy process, but ultimately is necessary. Thank you to all.

Furthermore, Commissioner Laumer thanked General Manager Harren on the work he has done in creating the necessary action plans throughout the process. Harren will share the information and directive as provided with all WMU employees following the MUC mtg. (entire presentation will be shown to WMU Staff).

**Requested Action:**

- 1) Staff will contact Austin Utility (AU) for additional information/comments regarding their recent facility decommissioning (including regeneration and backup plans). Distribute information received prior to the Nov. 12<sup>th</sup> MUC meeting.
- 2) Staff will provide an estimate of potential private generation inventory available in Willmar (get a pulse on the larger industrial customers).
- 3) Staff will provide the Cash Flow Statement data to the Commissioners.

**Work Session Summary:**

Following receipt of additional information, the Commission will consider July 1, 2020 as a potential date for the decommissioning of the Power Plant. Actual approval and directive regarding the future of the Power Plant will be sought at the Nov. 12<sup>th</sup> MUC meeting.

Finalization for a catastrophic event generation/planning process will/may be determined at a later date.

There being no further business to come before the Commission, Commissioner Laumer declared the Work Session adjourned at 1:16 p.m.