

WILLMAR MUNICIPAL UTILITIES COMMISSION
MEETING MINUTES OF SEPTEMBER 14, 2020

The Municipal Utilities Commission (MUC) met in its regular scheduled meeting via Zoom (teleconference service) on Monday, September 14, 2020 at 11:45 a.m. with the following Commissioners present: Justin Mattern, Carol Laumer, Nathan Weber, Bruce DeBlieck, Ross Magnuson and Cole Erickson. Absent was Commissioner Abdirizak Mahboub.

Others present at the meeting were: General Manager John Harren, Facilities & Maintenance Supervisor Kevin Marti, Compliance/HR Manager Janell Johnson, Finance & Office Services Supervisor Andrea Prekker, Energy Services/Marketing Rep Michelle Marotzke, IS Coordinator Mike Sangren, Administrative Secretary Beth Mattheisen, City Attorney Robert Scott, and City Councilman Shawn Mueske.

Due to the absence of Commission Secretary Mahboub, Commission President Mattern opened the meeting by appointing Commissioner Laumer to serve as Acting Secretary. Following the appointment, Commissioner Mattern presented a statement prepared by City Attorney Scott regarding the current COVID-19 health pandemic, the peacetime emergency declared by Governor Walz pursuant to MN Statutes, Chapter 12, and the need to conduct our current meetings by telephone or other electronics pursuant to MN Statutes § 13D.021, until such time it is no longer impractical or imprudent for the Commission to resume in-person meetings. As a matter of procedure, let the minutes reflect that all resolutions and motions were conducted by verbal roll call.

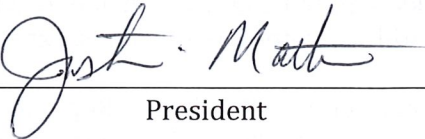
Commissioner Mattern continued by asking if any revisions were needed to the agenda presented. There being none, Commissioner Mattern requested a resolution to approve the Consent Agenda. Following review and discussion, Commissioner Laumer offered a resolution to approve the Consent Agenda as presented. Commissioner Magnuson seconded.

RESOLUTION NO. 30

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

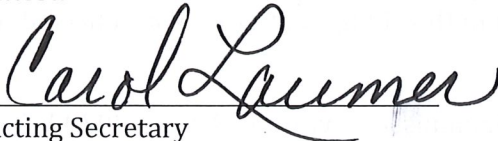
- ❖ Minutes from the August 24, 2020 Commission meeting; and,
- ❖ Bills represented by vouchers No. 20201196 to No. 20201338 and associated wire transfers inclusive in the amount of \$1,340,390.88.

Dated this 14th day of September, 2020.



President

Attest:



Acting 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 21st WMU Planning Committee meeting minutes (see attached). The main topic of discussion focused on the proposed 2021 WMU Budget. Following a review of the minutes, Commissioner DeBlieck offered a motion to

approve the minutes as presented. Commissioner Laumer seconded the motion which carried by a vote of six ayes and zero nays.

Finance & Office Services Supervisor Prekker and General Manager Harren reviewed with the Commission the proposed 2021 WMU Budget (including Operations & Maintenance Budget and Capital Budget). Harren noted that among the major factors and costs effecting the proposed budget were: transmission construction projects, Power Plant area cleanup, and COVID-19. The recommended 2021 WMU Budget was set at \$34,902,103 with the largest budgeted cost item being purchased power estimated at \$14,823,756. Prekker presented a status update of the Capital Budget in the amount of \$26,484,815. It was noted that the Intergovernmental Transfer to the City of Willmar would be set at \$2,202,600 for 2021. The Statement of Cash Flows: 5-Year Capital Improvement Plan (2021-2025), including both the Electric and Water Divisions, was presented for review. It was further noted that possibly utilizing the bonding process for a number of future capital projects may be advantageous. Staff will continue to monitor and compile data regarding bonding options and readdress the subject in early 2021. Following review and discussion, Commissioner DeBlieck offered a resolution to approve the 2021 WMU Budget which includes both the O&M and Capital Budgets as presented. Commission Laumer seconded.

RESOLUTION NO. 31

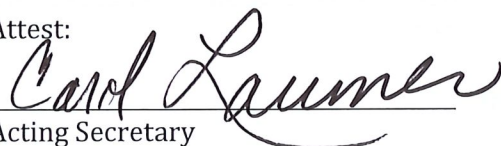
“BE IT RESOLVED, by the Municipal Utilities Commission of the City of Willmar, Minnesota, that the 2021 WMU Budget including the Operating & Maintenance Budget and Capital Budget be approved as presented.”

Dated this 14th day of September, 2020.



President

Attest:



Acting Secretary

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

Finance & Office Services Supervisor Prekker presented the Commission with the July 2020 Financial Reports along with a recap of the July 31, 2020 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. Prekker noted that also included with the financial data were graphs depicting the 2019/2020 monthly year-to-date revenues, expenses, and retained earnings.

Energy Services/Marketing Rep Marotzke reviewed with the Commission the WMU Cost of Power Report for July 2020. This report is illustrated using a rolling year-to-date format and provides the overall cost of power for the year (.069 per kWh twelve-month rolling average). Also reflected in the analysis is the month-to-date cost (.092 per kWh).

Facilities & Maintenance Supervisor Marti presented the Commission with the August 2020 Wind Turbine Report. Turbine availabilities for the month of August were at 96.3% (Unit #3) and 91.5% (Unit #4) with a monthly total production of 352,244 kilowatt hours. The total generation year-to-date for 2020 is 4,715,524 kilowatt hours. Currently, WMU personnel are conducting annual maintenance on the wind turbines and anticipate completion by the end of this week. Marti informed the Commission of an issue which had been discovered on one of the blade mounting

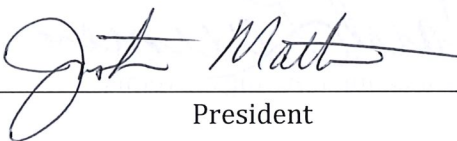
plates. Staff will continue to weekly monitor the situation and will provide photos to the Commission in conjunction with the September 2020 Wind Turbine Report.

IS Coordinator Sangren informed the Commission of the need to schedule the 2020 Penetration Test (Pen Test). The Pen Test is conducted annually to evaluate the security of WMU's computer system (cyber security) and to identify both weaknesses and strengths of the system. Two vendors had submitted quotes to WMU for the 2020 testing. Following review of the quotes, White Oak Security (WOS) of Plymouth, Minnesota, had been selected to perform the Pen Test. Sangren noted that the second vendor submitted a substantially higher quote than WOS. (Due to confidentiality, the identity of the second vendor was not disclosed.) Based on a thorough statement of work, staff is recommending that WOS be selected to conduct the upcoming Pen Test (both external and internal testing) in the amount of \$15,591 (same price as 2019). Going forward, Sangren would like to establish a rotating two-year schedule with WOS and another firm (i.e. NetSPI who conducted WMU's 2018 Pen Test). The reason for rotating between two vendors would help prevent one vendor from becoming too familiar or complacent with WMU's infrastructure, and also to avoid having too many vendors in our system. Following review & discussion, Commissioner Laumer offered a resolution to authorize White Oak Security to conduct the 2020 Pen Test of the Utility in the amount of \$15,591. Commissioner Erickson seconded.

RESOLUTION NO. 32


"BE IT RESOLVED, by the Municipal Utilities Commission of the City of Willmar, Minnesota, that White Oak Security of Plymouth, Minnesota, be authorized to conduct the penetration testing to identify possible impact and potential risks regarding security concerns of software applications and networking assets for the total amount of \$15,591."

Dated this 14th day of September, 2020.



President

Attest:



Acting Secretary

Commissioners Mattern, Laumer & DeBlieck, and General Manager Harren provided the Commission with a recap of the recently held 2020 MMUA Annual Summer Conference (virtual event). Topics of discussion included: communications & stress management during a pandemic, advantages of transmission investments, leading during the COVID-19 pandemic, MMUA's history & annual business meeting, and state/national legislative developments. On behalf of the Commission, Commissioner Mattern expressed his appreciation to both Commissioner DeBlieck on his recent appointment to the MMUA Board of Directors, and to out-going MMUA Board of Director Commissioner Laumer for her time and efforts spent while serving on the MMUA Board.

Commissioner Mattern requested input regarding intentions to serve on the Commission for 2021. Terms and reappointments were reviewed. Currently, one Commissioner (Weber) is eligible for reappointment while one Commissioner (Laumer) has reached her term limitation. Commissioner Weber graciously confirmed his willingness serve as a member of the WMU Commission for another term (2021-2023). A new Commissioner will be appointed by the City to fill the vacancy of out-going Commissioner Laumer. As always, thank you for your time and efforts spent while serving on the Municipal Utilities Commission.

General Manager Harren informed the Commission that meetings of both the WMU Labor and Planning Committees would be forthcoming (TBD). Tentative Labor Committee agenda item would include labor negotiations. Tentative Planning Committee agenda item(s) will include: Power Plant Phases I & II Environmental Studies, Willmar/Priam Ownership & Construction Agreement; and, Power Plant Substation Control Building.

For information: 2020 Upcoming meetings/events to note include:

- MRES Municipal Power Leadership Academy – Sept. 16-17 (virtual)

There being no further business to come before the Commission, Commissioner Laumer offered a motion to adjourn. Commissioner DeBlieck seconded the motion which carried by a vote of six ayes and zero nays, and the meeting was adjourned at 12:45 p.m.

Respectfully Submitted,

WILLMAR MUNICIPAL UTILITIES



Beth Mattheisen
Administrative Secretary

ATTEST:



Carol Laumer, Acting Secretary



WILLMAR MUNICIPAL UTILITIES

WMU PLANNING COMMITTEE MEETING MINUTES

Friday, August 21, 2020 – 12:00 PM

WMU Auditorium

Present: Commissioners Bruce DeBlieck, Ross Magnuson & Carol Laumer, General Manager John Harren, Finance & Office Services Supervisor Andrea Prekker, and Administrative Secretary Beth Mattheisen.

Commissioner DeBlieck (PC Chair) called the meeting to order at 12:00 pm.

AGENDA ITEM(S):

1. 2021 WMU Budget Discussion:

General Manager Harren opened discussion with the Planning Committee regarding the proposed 2021 WMU Budget. Harren identified two significant factors affecting the upcoming budget: 1) financial impact of COVID-19 (loss in commodities); and, 2) inclusion of capital projects originally outside the 5-year budgeted projection. These capital projects were the Priam/Willmar Substations (transmission investment opportunity), Power Plant Substation and the Power Plant site (i.e. clean up). These factors make a significant impact on the budget being presented.

At this time, Finance & Office Services Supervisor Prekker reviewed with the Committee the preliminary 2021 WMU Budget. Departmental analysis (electric, water, heating) and various data were presented for review. The information reflects revenues, expenses, and income associated with each of the divisions for a total projected budget. Included in the presentation were the Operating Budgets, Capital Budget, and Statements of Cash Flow for 2021-2025 (electric, water, and 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 along with the projected/estimated figures for 2021:

- 1) Total Projected Revenues: \$34.9 million (5.46% decrease from 2020)
 - a) COVID-19 factor (usage & revenues):
 - i) Hospitality sector remains low while other areas appear to be rebounding
 - ii) Residential sector holding steady
 - iii) Currently over \$150,000 in waived penalties
 - (1) Staff continues their due diligence in collection process
 - b) No Heating revenue (decommissioned July 1, 2020)
- 2) Total Operating Expenses: \$29.3 million (1.34% decrease from 2020)
 - a) Purchased power is largest operating expense: \$14.6 million
 - b) Increase of 36% in health insurance costs
 - c) Additional water main expense responsibilities beginning 2021
 - d) Intragovernmental Transfer to the City: \$2.2 million
 - i) Reviewed formula & franchise agreement w/City
- 3) Total 2021 Capital Budget: \$26.5 million
 - a) Largest Capital Projects include:
 - i) Transmission Expansion: \$9 million
 - ii) Transmission Construction: \$5 million
 - iii) Water Plant Construction: \$8 million
 - iv) Power Plant Cleanup: \$1.25 million
 - v) Line Dept. Construction: \$1.2 million
- 4) Statement of Cash Flows: (2021 projected year-end net cash balances)
 - a) Electric: \$9.5 million
 - b) Water: \$10.6 million (includes 20% increase approved in 2019 and sale of \$16.8 million bonds)
 - c) Combined: \$22 million

After compiling the budgetary data, Staff has remained conservative with their projections in hopes of returning to “normal” practices in the future. Depending on future dynamics, a potential rate study may be required. Another option for consideration would be to utilize the bonding process (current low rates). This process could potentially be used to bond both water and electric projects depending on future data to be collected in the spring of 2021. Staff will continue to monitor the situation and readdress the subject with the Planning Committee in early 2021.

Recommendation:

Following a thorough review and discussion, it was the consensus of the Planning Committee to accept the presented 2021 WMU Budget with the inclusion of recommended adjustments. The updated 2021 WMU Budget will be submitted to the Commission for approval at the September 14th meeting.

2. Miscellaneous:

General Manager Harren introduced Engineering Technician Dave Andrist. Andrist brought the Committee up to speed on a proposed electric vehicle (EV) charging station project. In 2017, a US federal judge ordered Volkswagen to pay a \$2.98 billion criminal fine for deceitful diesel-powered vehicles emission testing. Volkswagen was ordered to aid in the creation of EV charging stations per the settlement with US Environmental Protection Agency and subsequently the Minnesota Pollution Control Agency (MPCA). After receiving solicited application for grants to install direct current fast-charging stations, MPCA selected ZEF Energy Inc. (Minneapolis) to build all EV charging stations along Minnesota’s key travel corridors.

In 2018, ZEF contacted WMU re installation of an EV charging station in the Willmar community. ZEF selected Willmar’s Super 8 Hotel as their desired location for installation of the charging station. Therefore a standard/uniform electric rate must be determined for both this charging station and those in the future. It was noted that currently there are 2 charging stations located in Willmar (Goodwill and Mills Ford). ZEF informed WMU that neither our standard nor off-peak rates would be feasible for this situation and requested that WMU create a workable rate. Staff requested input from the Planning Committee to assist in establishing a rate based on the “Rule of 100” formula which is used by other utilities. The Rule of 100 calculates the customers demand as follows: total KWH per month/100. WMU’s standard demand rate would then be applied to the calculated demand.

WMU Staff proposed a four-year plan using our standard commercial rate for the first year (no demand). For the second and third years, the Large Power Rate would be used with the Rule of 100 to calculate the demand. The fourth year, our Large Power Rate would be used with the standard demand rate and/or when 30 vehicles charge at the charging station (the earlier of the two). Costs and responsibilities associated with the project were reviewed (i.e. infrastructure, transformer ownership).

Recommendation:

Following discussion, it was the consensus of the Planning Committee to respond to ZEF with a proposed three-year rate concept with flexibility on the 30 vehicle count as the basis to transition to WMU’s standard rate.

3. Adjournment:

There being no further business to come before the WMU Planning Committee, Commissioner DeBleck declared the meeting adjourned at 1: 51 pm.