

WILLMAR MUNICIPAL UTILITIES COMMISSION
MEETING MINUTES - SEPTEMBER 26, 2022
11:45 AM - WMU AUDITORIUM

The Municipal Utilities Commission (MUC) met in its regular scheduled meeting on Monday, September 26, 2022, at 11:45 am in the WMU Auditorium with the following Commissioners present: Bruce DeBleck, Cole Erickson, Dave Baumgart, Shawn Mueske, and Carol Laumer. Absent was Commissioner Kadar Abdi.

Others present at the meeting were: General Manager John Harren, Director of Administration Janell Johnson, Finance & Office Services Supervisor Andrea Prekker, Staff Electrical Engineer Jeron Smith, IS Coordinator Mike Sangren, Executive Secretary Beth Mattheisen, City Councilman Michael O'Brien, City Attorney Robert Scott (via teleconference), WC Tribune Journalist Jennifer Kotila, John Kennedy III (incoming Commissioner), and Representative Dave Baker.

The meeting was opened by reciting the Pledge of Allegiance followed by Commission President DeBleck introducing Rep. Dave Baker who was on hand to present funding and legislative updates to the Commission and Staff (funding specifically related to WMU's NE Water Treatment Plant project). Baker also expressed his appreciation for his insight and knowledge General Manager Harren continually provides him on various topics relating to the utility industry. On behalf of the Commission, Commissioner DeBleck thanked Rep. Baker for his time and efforts regarding issues that affect Willmar Municipal Utilities and our community.

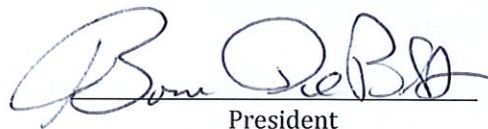
Following the legislative updates, Commissioner DeBleck asked if any revisions were needed to the presented agenda. There being none, a resolution was requested to approve the consent agenda. Following review and discussion, Commissioner Mueske offered a resolution to approve the consent agenda as presented. Commissioner Erickson seconded.

RESOLUTION NO. 36


"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 September 16, 2022, Commission meeting; and,
- ❖ Bills represented by vouchers No. 20221296 to No. 20221354 and associated wire transfers inclusive in the amount of \$4,432,225.81.

Dated this 26th day of September 2022.


President

Attest:


Secretary

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

Commissioner Mueske (PC Chair) reviewed with the Commission the minutes from the September 16th WMU Planning Committee meeting (see attached). Following review, Commissioner Mueske offered a motion to approve the minutes of the September 16, 2022, WMU Planning Committee meeting as presented. Commissioner Laumer seconded the motion which carried by a vote of five ayes and zero nays.

Following approval of the minutes, two additional items were recommended for approval by the WMU Planning Committee. The first item for consideration was to approve a funding preference for financing of the NE Water Treatment Plant project. The two options considered were use of the bonding process or through in-house financing (temporarily borrowing from the electric division). By transferring \$5

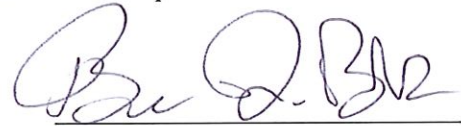
million from the electric division reserve funds, this would significantly decrease the water rate adjustments previously recommended for the years 2023-2026 thereby being less of a burden to WMU customers. Anticipated reserve fund levels were discussed in relation to the Commission's established 50% reserve fund threshold. It was further noted that by using the in-house funding to finance the project, this will result in a savings of approximately \$3.5 million to WMU. Following review and discussion, Commissioner Mueske offered a motion to utilize in-house financing to assist with the funding of the NEWTP project (thereby foregoing the bonding process). Commissioner Baumgart seconded the motion which carried by a vote of five ayes and zero nays.

The second item presented for consideration was to approve the recommended four-year water rate adjustments to be implemented January 1, 2023, and to begin the rate ordinance process. Following the 2022 Cost of Service and Water Rate Study conducted by Dave Berg Associates, water rate increases were recommended in the amounts of: 20% (2023), 20% (2024), 20% (2025), and 5% (2026). These rates were if WMU were to bond for the project. By approving the use of in-house financing, the rates would be significantly less at: 20% (2023), 5% (2024), 4% (2025), and 3% (2026). A tentative schedule to complete the rate ordinance process was presented for review. Following review and discussion, Commissioner Laumer offered a resolution to approve the four-year water rate adjustments as presented utilizing in-house financing and to begin the rate ordinance process by conducting a Public Hearing on October 10th. Commissioner Baumgart seconded.

RESOLUTION NO. 37

"BE IT RESOLVED, by the Municipal Utilities Commission of the City of Willmar, Minnesota, that the proposed four-year water rate adjustments be approved effective January 1, 2023, (2023: 20%, 2024: 5%, 2025: 4% and 2026: 3%), and to proceed with the rate adjustment ordinance process for implementation."

Dated this 26th day of September 2022.



President

Attest:



Secretary

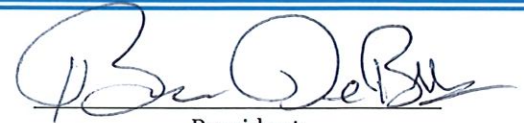
The foregoing resolution was adopted by a vote of five ayes and zero nays.

Staff Electrical Engineer Smith presented an update of the Power Plant Substation project. WMU has hired Braun Engineering to complete the demolition and environmental mitigation of the Power Plant site. DGR Engineering was retained to aid in site planning and provide permitting assistance with the City of Willmar. An amendment is required to the site plan design to meet storm water requirements for the project. Staff is requesting approval of Task Order No. 9 with DGR for consulting services to amend the original site plan design for the Power Plant Sub project for the estimated amount of \$24,300 (could be considerably less). Following discussion, Commissioner Mueske offered a resolution to approve the consultant service agreement with DGR Engineering to provide for an amendment to the Power Plant Substation site plan design be approved as presented. Commissioner Erickson seconded.

RESOLUTION NO. 38

"BE IT RESOLVED, by the Municipal Utilities Commission of the City of Willmar, Minnesota, that Task Order No. 9 with DGR Engineering of Rock Rapids, Iowa, to provide consultant services to amend the Power Plant Substation project site plan design be approved for the estimated amount of \$24,300."

Dated this 26th day of September 2022.



President

Attest:



Secretary

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

Commissioner DeBlieck informed the Commission that Willmar Municipal Utilities will be celebrating Public Power Week, Oct. 2-8, along with more than 2,000 other community-owned, not-for-profit electric utilities that provide electricity to 49 million Americans. Public power puts the people of Willmar first, and Public Power Week gives us the chance to emphasize the advantages of locally owned power to our citizens and remind them of the reliable and safe services WMU provides. Commissioner DeBlieck recited and recommended approval of the resolution designating October 2-8, 2022, as Public Power Week. Commissioner Mueske seconded.

RESOLUTION NO. 38

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

General Manager Harren reminded the Commission of the 2022 MRES Area Meeting to be held in Alexandria (Arrowwood Conf. Center) on Wednesday, October 26th from 9:00 am – 12:30 pm. This meeting allows MRES and its members to discuss customer expectations, new technologies, and ever-changing legislation and regulations. Commissioners are encouraged to attend the informational meeting.

General Manager Harren stated that meetings of both the WMU's Labor and Planning Committees will be forthcoming. Tentative future Labor Committee agenda items will include new WMU logo, year-end policy review, General Manager's year-end review, and health insurance premium adjustment. Tentative future Planning Committee agenda items will include Sprint agreement, year-end policy review, and new building.

Commissioner DeBlieck informed the Commission that John Kennedy III (in attendance) is awaiting ratification by the City Council for his appointment to the Municipal Utilities Commission. The City Council is scheduled to approve the appointment at their October 3rd meeting. Commission and Staff introductions were made with Mr. Kennedy presenting a brief background of himself. We look forward to Mr. Kennedy's appointment to serve as a member of the Commission.

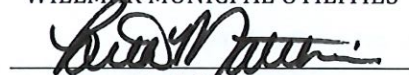
For information: Upcoming events to note include:

- MRES Municipal Power Leadership Academy: September 21-22 (Sioux Falls, SD)

There being no further business to come before the Commission, Commissioner DeBlieck offered a motion to adjourn. Commissioner Mueske seconded the motion which carried by a vote of five ayes and zero nays, and the meeting was adjourned at 12:35pm.

Respectfully Submitted,

WILLMAR MUNICIPAL UTILITIES



Beth Mattheisen
Executive Secretary

ATTEST:



Carol Laumer, Secretary

WILLMAR MUNICIPAL UTILITIES
MUC Planning Committee Meeting Minutes
Friday, September 16, 2022
12:00 pm – WMU Conference Room

Attendees: Commissioners Shawn Mueske, Cole Erickson & Bruce DeBlieck, General Manager John Harren, Director of Administration Janell Johnson, Finance & Office Services Supervisor Andrea Prekker, and Executive Secretary Beth Mattheisen.

Commissioner Mueske (PC Chair) called the meeting to order at 11:50 am.

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1. NE Water Treatment Plant Financing:

General Manager Harren opened discussion with the Planning Committee by providing background information regarding funding of the NE Water Treatment Plant (NEWTP) project along with the impact recent bid awards have on funding of capital projects (NEWTP and Power Plant Demo).

Financing & Office Services Supv. Prekker continued by presenting the Committee with options to finance the \$19.35 million NEWTP project. The two options for consideration are via bonding or through in-house financing (temporarily borrowing from the electric division). By utilizing \$5 million from the electric division reserve funds (in-house), this would assist in decreasing the water rate increases currently recommended for the years 2023-2026. A summary of the cost comparisons was presented. Additional data reviewed included: Cash Flow Statements (years 2023-2032) for both the electric and water divisions incorporating the bond option and in-house financing scenarios; and, average monthly water bill impact of both options. Water bill comparisons included the four service classifications (Residential, Commercial, Small Industrial, and Large Industrial rates) were reviewed.

By borrowing reserve funds from the electric division, this would greatly decrease the water rate increases recommended following the 2022 Water Rate & Cost of Service Study (Dave Berg Associates). The consultant's recommended water rate increases were: 20% (2023), 20% (2024), 20% (2025), and 5% (2026) if WMU bonds for the project. By utilizing the in-house funding, the rates would be significantly less and therefore decreasing the burden to WMU customers. Harren further noted that WMU's cash reserve policy is set by the Commission, and the recommended rate increases would generate funds to replenish the reserves. Proposed water rate increases were reviewed.

Prior to finalization of a funding recommendation, General Manager Harren informed the Committee of two additional factors that have the potential to positively affect the future financial position of the Utility. These factors involve pursuing an additional transmission investment and a possible generation opportunity.

Recommendation:

Following review and discussion, it was an overwhelming consensus by the WMU Planning Committee to recommend utilizing in-house financing to assist with the funding of the NEWTP project thereby foregoing the bonding process. It was further recommended that the Commission begin the rate ordinance process to implement water rate adjustments effective January 1, 2023. The water rate increases proposed are: 20% (2023), 5% (2024), 4% (2025), and 3% (2026). This recommendation will be presented to the Commission for approval at their September 26th meeting.

2. Generation Opportunity:

General Manager Harren informed the Committee of a potential opportunity for a future increase in capacity payments. With the need for additional base load generation in the MISO footprint and in the MRES membership, MRES is in the preliminary stages of considering increasing the capacity payment for local generation. Current payments are \$2.97/kw/month.

In 2019, WMU looked at installing an additional 10MW of generation and updating our emissions on the current generators but found that it was not financially feasible at that time, so the concept was tabled.

The cost at that time for used generators and to bring our current generation into MPCA compliance was estimated at \$10-12 million. If WMU were to pursue additional generation, this would result in increased revenues in the future.

Recommendation:

Following review and discussion, it was the consensus of the Planning Committee to proceed with having DGR Engineering update their *Potential Generator Addition – Air Quality Permitting Investigation* (created in 2019) for additional information.

3. Transmission Investment: (for information only)

General Manager Harren informed the Planning Committee that CMMPA recently proposed an opportunity to invest in additional transmission.

In 2011/2012, WMU partnered with CMMPA members plus non-members such as WMU to invest in the CAPX 2020 Transmission build out. The section of line that WMU participated in through CMMPA was referred to as the Brookings Line. When CAPX 2020 Lines were built they constructed them for two circuits but only installed one circuit. CAPX 2020, now referred to as Grid North Partners, will be installing the second circuit.

MISO has identified the need for additional transmission in the upper Midwest and the projects are referred to as Tranche 1-4. Grid North Partners is involved in building the additional transmission as approved by MISO. CMMPA is considering taking part in the MISO LRTP Tranche 1 through Grid North Partners. CMMPA investment could be up to \$40 million which is approximately the same as the 2011/2012 CAPX 2020 investment and WMU's contribution was approximately \$550,000.

As we are now part of MRES, we may or may not be able to participate through CMMPA. CMMPA noted there could be a conflict of interest since we are members of MRES. MRES legal counsel is currently looking into the matter.

This was for information only. No action was required at this time.

4. Adjournment:

There being no further business to come before the WMU Planning Committee, Commissioner Mueske declared the meeting adjourned at 12:48 pm.

RESOLUTION NO. 38
2022 PUBLIC POWER WEEK
IN APPRECIATION OF WILLMAR MUNICIPAL UTILITIES,
OUR HOMETOWN ELECTRIC UTILITY

WHEREAS, we, the citizens of Willmar, place high value on local control over community services and therefore have chosen to operate a community owned, locally controlled, not-for-profit electric utility and, as consumers and owners of our electric utility, have a direct say in utility operations and policies;

WHEREAS, Willmar Municipal Utilities provides our homes, businesses, farms, social service, and local government agencies with reliable, efficient, and cost-effective electricity employing sound business practices designed to ensure the best possible service at not-for-profit rates;

WHEREAS, Willmar Municipal Utilities is a valuable community asset that contributes to the well-being of local citizens through energy efficiency, customer service, environmental protection, economic development, and safety awareness;

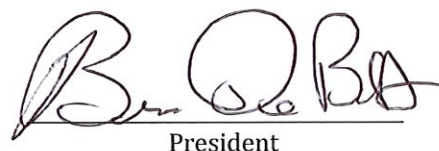
WHEREAS, Willmar Municipal Utilities is a dependable and trustworthy institution whose local operation provides many consumer protections and continues to make our community a better place to live and work, and contributes to protecting the global environment;

NOW, THEREFORE BE IT RESOLVED: that Willmar Municipal Utilities will continue to work to bring low-cost, safe, reliable electricity to community homes and businesses just as it has since 1891, the year when the utility was created to serve all the citizens of Willmar; and

BE IT FURTHER RESOLVED: that the week of Oct. 2-8 be designated Public Power Week to recognize Willmar Municipal Utilities for its contributions to the community and to educate consumer-owners, policy makers, and employees on the benefits of public power;

BE IT FURTHER RESOLVED: that our community joins hands with more than 2,000 other public power systems in the United States in this celebration of public power, which is best for consumers, business, the community, and the nation.

Dated this 26th day of September 2022.



President

ATTEST:


Secretary