

WILLMAR MUNICIPAL UTILITIES MINUTES
MUNICIPAL UTILITIES AUDITORIUM
FEBRUARY 23, 2018

The Municipal Utilities Commission met in its regular rescheduled meeting on Friday, February 23, 2018 at 11:45 a.m. in the Municipal Utilities Auditorium with the following Commissioners present: Carol Laumer, Justin Mattern, Abdirizak Mahboub, Nathan Weber, Bruce DeBlicek and Ross Magnuson. Absent was Commissioner Brendan MacDonald.

Others present at the meeting were: General Manager John Harren, Director of Finance Denise Runge, Power Supply Manager Chris Carlson, Customer Service Supervisor Stacy Stien, Facilities & Purchasing Supervisor Kevin Marti, Power Resources Analyst Michelle Marotzke, Staff Electrical Engineer Jeron Smith, Water & Heating Supervisor Joel Braegelman, Compliance Officer & HR Administrator Janell Johnson, Information System Administrator Mike Sangren, Energy Services Rep Mary Kosbab, Power Plant Foreman Brian Hoover, Administrative Secretary Beth Mattheisen, Mayor Marv Calvin, City Attorney Robert Scott (via teleconference), WC Tribune Journalist Shelby Lindrud, and MRES Directors Joni Livingston (Member Services & Communications) and Ray Wahle (Power Supply & Operations).

Commission President Laumer opened the meeting by requesting any additions or revisions to the presented agenda. Commissioner Mattern offered a motion to include a brief discussion of the proposed future WMU facilities. Commissioner DeBlicek seconded the motion to include the additional agenda item following the MRES presentation. The motion was carried by a votes of six ayes and zero nays.

Commissioner Laumer continued by requesting the Commission to offer a resolution to approve the Consent Agenda. Commissioner Mahboub offered a resolution to approve the Consent Agenda as presented. Commissioner Mattern seconded.

RESOLUTION NO. 8

“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 February 12, 2018 Commission meeting; and,
- ❖ Bills represented by vouchers No. 180291 to No. 180366 and associated wire transfers inclusive in the amount of \$1,890,440.44.

Dated this 23rd day of February, 2018.

President

Attest:

Secretary

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

Commissioner Mattern (Planning Committee Chair) reviewed with the Commission the minutes of the February 16th WMU Planning Committee (PC) meeting (see attached). It was noted that designation was established for the 2018 Chair and Vice Chair positions. Commissioner Mattern will continue to serve as Chair, and Commissioner DeBlieck will serve as Vice Chair for the PC. The main topic of discussion focused on power supply options including a Joint Action Agency Analysis presentation. Following review and discussion, Commissioner Mattern offered a motion to approve the minutes of the February 16th WMU Planning Committee meeting as presented. Commissioner DeBlieck seconded the motion which carried by a vote of six ayes and zero nays.

Staff Electrical Engineer Smith presented the Commission with bid award recommendations for consideration. The first bid for discussion and review was the Priam Substation Site Grading project. Bids for the project were opened on January 31st. Landwehr Construction, Inc., of St. Cloud, Minnesota, submitted the low bid for the project in the amount of \$278,547.00. Following a thorough review of the submitted bid by DGR Engineering (project consultant), it was the recommendation of staff to award the bid to Landwehr Construction. Following review and discussion, Commissioner Mattern offered a resolution to approve the bid award with Landwehr Construction, Inc., to conduct the Priam Substation Site Grading. Commissioner Mahboub seconded.

RESOLUTION NO. 9

“BE IT RESOLVED, by the Municipal Utilities Commission of the City of Willmar, Minnesota, that the contract for the Priam Substation Site Grading be awarded to Landwehr Construction, Inc. of St. Cloud, Minnesota, in the amount of \$278,547.00.”

Dated this 23rd day of February, 2018.

President

Attest:

Secretary

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

The second bid award recommendation presented was for the furnishing of materials for the Priam Substation (Bids 2-6). DGR Engineering has reviewed all the bids received on February 5th and provided staff with their recommendations for each of the five bids. Staff Electrical Engineer Smith presented the Commission with a recap of each of the bid results and concurred with DGR's presented recommendations. Following review and discussion, Commissioner Magnuson offered a resolution to award the contract bids (Bids 2-6) for the Priam Substation materials as follows: a) Bid #2: 115 kV & 69 kV Circuit Breakers to Siemens - \$261,085.00; b) Bid #3: 115 kV & 69kV Group Operated Air Breaker Switches to Southern States LLC - \$97,755.00; c) Bid #4: 115 kV Instrument Transformers & Line Trap to RESCO - \$89,144.40; d) Bid #5: 69 kV Potential Transformers to RESCO - \$24,610.90; and, e) Bid #6: 115 kV Cap Bank & Reactors to Eaton - \$72,000.00. Commissioner DeBlieck seconded.

RESOLUTION NO. 10

“BE IT RESOLVED, by the Municipal Utilities Commission of the City of Willmar, Minnesota, that Bids 2-6 to furnish materials for the Priam Substation project be awarded as follows:

- a) Bid No. 2 - 115 kV and 69 kV Circuit Breakers: Siemens Industry, Inc. for the total price of \$261,085.00, pending acceptance or success negotiation of the proposed terms and conditions submitted with the bid;
- b) Bid No. 3 - 115kV & 69 kV Group Operated Air Breaker Switches: Southern States LLC for a total price of \$90,755.00;
- c) Bid No. 4 – 115 kV Instrument Transformers & Line Trap: RESCO for the total alternate bid price of \$89,144.40 pending acceptance or successful negotiation of the proposed terms and conditions with the bid;
- d) Bid No. 5 – 69 kV Potential Transformers: RESCO for a total bid price of \$24,610.90 pending acceptance or successful negotiation of the proposed terms and conditions with the bid. Note: The award to RESCO was also recommended for Bid No. 4, so one contract will be assembled for both Bids No. 4 & 5 for a total price of \$113,755.30; and,
- e) Bid No. 6 – 115 kV Capacitor Bank and Reactors: Eaton for a total bid price of \$72,000.00 pending acceptance or successful negotiation of the proposed terms and conditions with the bid.

Dated this 23rd day of February, 2018.

President

Attest:

Secretary

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

Staff Electrical Engineer Smith requested the Commission to authorize DGR Engineering to provide professional services for the South Substation Capacity Bank Circuit Breaker Addition. The installation of a new 69 kV circuit breaker to perform capacitor bank switching will increase the reliability and usability of the capacitor bank. The engineering services will include the design, bidding and construction of the project. The fee structure for the project would be: 1) design - \$15,500 (lump sum); 2) bidding - \$6,000 (lump sum); and, 3) construction - \$8,000 (hourly estimate). The total estimated cost would be \$29,500. It was the recommendation of staff to authorize DGR to proceed with the professional services for the design, bidding and construction for the South Substation cap bank breaker replacement for the total estimated amount of \$29,500. Following review, Commissioner Laumer offered a resolution to authorize DGR Engineering to provide the professional engineering services to conduct the South Substation Capacitor Bank Breaker Replacement in the total estimated amount of \$29,500. Commissioner Mattern seconded.

RESOLUTION NO. 11

“BE IT RESOLVED, by the Municipal Utilities Commission of the City of Willmar, Minnesota, that DGR Engineering be authorized to provide professional services to perform the South Substation

Capacitor Bank Breaker Replacement including the design, bidding, and construction for the total estimated amount of \$29,500.”

Dated this 23rd day of February, 2018.

President

Attest:

Secretary

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

In an effort to keep the Commission well-informed of departmental developments, projects and updates, staff members presented the following educational topics for review and discussion:

- 1) Water Department Review (Water & Heating Supervisor Braegelman)
 - a. Annual Water Dept. Summary
 - b. 2017 Capital Improvement Budget – Water Dept.
 - c. Water Main Break History Overview
- 2) SWOT Analysis Review: Operations (Facilities & Purchasing Supervisor Marti & Power Resources Analyst Marotzke)
 - a. Strengths
 - b. Weaknesses
 - c. Opportunities
 - d. Threats

At this time, General Manager Harren introduced Missouri River Energy Services (MRES) Directors Joni Livingston (Member Services & Communications) and Ray Wahle (Power Supply & Operations) who presented the Commission with an overview of the benefits and opportunities available to all members of MRES (joint action agency). MRES is a not-for-profit joint-action agency serving 60 municipal electric utilities located in four states (Minnesota, Iowa, North Dakota & South Dakota). Western Minnesota Municipal Power Agency (WMMPA) finances the construction and acquisition of generation and transmission facilities for MRES. As a member of MRES, some of the advantages as a member include, but not limited to: joint goals & benefits; sharing of future challenges; sharing both risks and opportunities; larger voice with legislators; shared resources & expertise; shared technical & administrative support; participating in future projects/opportunities; advocacy for WAPA allocations; and, cost-based pricing. Membership in MRES would begin by submitting an S-1 Agreement along with associated ancillary membership agreements, and to receive MRES Board of Directors approval. A review of the MRES power supply proposal and considerations for WMU was presented which included: 1) cost to provide power supply; 2) MRES membership buy-in; 3) economic development discount; 4) purchasing of capacity (12 MW diesel generators); and, 5) analysis based on S-1 membership in MRES.

Following the thorough presentation, Commissioner Laumer thanked Directors Livingston & Wahle for their time and efforts in presenting the informative data to the Commission. Following discussion, Commissioner Mahboub offered a motion to proceed with the process to develop a membership agreement between MRES and WMU and to direct staff to submit the necessary

documentation to proceed as required (S-1 Agreements, ancillary documents/agreements, etc.). Commissioner DeBlieck seconded the motion which carried by a vote of six ayes and zero nays.

Commissioner Mattern informed the Commission that at the February 5th City Council meeting, Mayor Calvin had requested information regarding WMU's current status of their proposed future building/facilities. Facilities & Purchasing Supervisor Marti created a correspondence illustrating key points taken from the WMU Long Range Facilities Plan related to WMU's operational needs, and decisions made by the Commission to focus on a single facility encompassing all WMU employees. General Manager Harren reviewed the correspondence with the Commission noting that functionality and location were key issues. Harren further stated that while the project remains a low priority, the Utility continues to budget finances toward the future project. The information provided will be submitted to City Administrator Holland. The Commission will be provided with any future discussions as they develop.

General Manager Harren informed the Commission that scheduling of both WMU Labor and Planning Committee meetings will be forthcoming. Labor Committee agenda items will include: Commissioner 101; review roles & responsibilities of MUC and management staff; and, MUC Self-Evaluations. Planning Committee agenda items will include: EAA; Joint Action Agency; WMU/City MOA; and, new gas contract (current contract extension).

For information: 2018 Upcoming meetings/events to note include:

- APPA Legislative Rally – February 26-28 (Washington, DC)
- MMUA Legislative Conference – April 3-4 (St. Paul)
- MRES Annual Meeting – May 9 (Sioux Falls)
- APPA National Conference – June 15-20 (New Orleans, LA)

There being no further business to come before the Commission, Commissioner Laumer declared the meeting adjourned at 1:45 p.m.

Respectfully Submitted,

WILLMAR MUNICIPAL UTILITIES

Beth Mattheisen
Administrative Secretary

ATTEST:

Abdirizak Mahboub, Secretary



WILLMAR MUNICIPAL UTILITIES

WMU PLANNING COMMITTEE MEETING MINUTES

Friday, February 16, 2018 - 2:00 p.m.

WMU Conference Room

Present: Commissioners Justin Mattern, Bruce DeBlick and Brendan MacDonald, General Manager John Harren, Director of Finance Denise Runge, Power Supply Manager Chris Carlson, Power Resources Analyst Michelle Marotzke, Staff Electrical Engineer Jeron Smith, Energy Services and Marketing Representative Mary Kosbab and Compliance Officer Janell Johnson.

Commissioner Mattern (Chair) called the meeting to order at 2:06 p.m.

AGENDA ITEM(S):

➤ **Power Supply Options:**

General Manager Harren gave a brief overview of the history relating to the Scope of Work adopted by the commission on 7/25/16 leading up to the reason for pursuing information about joining a Joint Action Agency. He turned the presentation over to Power Supply Manager Carlson who reviewed with the Committee the RFP results between two agencies ("A" and "B") as well as firmed up assumptions based on RFP results.

Specifics of each Agency were discussed. These specifics included:

- Transmission ownership
- Buy-in costs
- Capacity credits for Diesel units and potential new generation
- Renewable Generation
- Board involvement
- Compliance
- Energy Services
- Load Control
- Other fees/dues

The results showed that Agency "B" provided the best opportunities to meet WMU's needs, so staff presented information based on staying independent versus going with Joint Action Agency "B." It was noted that the numbers used were for energy only. The previous modeling included plant and fixed costs; however, evaluating only energy costs provided a more "apples to apples" result. The years modeled were 2027 and 2034, which took into consideration existing purchase power contracts that will expire around those years. Staying independent would require WMU to seek out new contracts and as an independent, the negotiating power is lower than if we were a part of a larger agency.

General Manager Harren also explained that this process showed opportunity in the area of load control, specifically that our load factor results in higher rates in comparison to Agency B's membership. Agency "B" included opportunities to help us enhance our load control program through marketing and equipment replacement. This has a potential savings of around \$500,000 per year.

The ancillary benefits were then discussed at length. Currently, WMU pays approximately \$1 million in costs for benefits such as industry memberships, software programs and reporting services. With Agency "B" most of these costs are included in their membership rates and effectively

go away. Staff discussed opportunities such as key accounts support, compliance support, networking opportunities, transmission expansion support and updates to our rebate program (which hasn't been done in several years and has a cost of approximately \$140,000 to do independently).

Commissioner Mattern asked if Agency "B" offers mutual aid to its members. Director of Finance Runge explained that they may provide assistance; however, they do not coordinate as MMUA does that for Minnesota.

All were in agreement that Agency "B" is the appropriate agency to pursue and that it is preferred over staying independent. Commissioner MacDonald asked if we are able to buy out our existing purchase power contracts to show a savings earlier than 2034 (when the last one expires). General Manager Harren stated that a request was made to renegotiate one of WMU's agreements, however the agreement holder is not interested in renegotiating and the other agreement is shorter term but will also be reviewed.

Commissioner Mattern asked how this move impacts staff. General Manager Harren acknowledged that the two Power Supply positions would be eliminated and/or their responsibilities would change. He commended Power Supply Manager Carlson and Power Resources Analyst for the work they have done in the department and in the research with joining an outside agency. Further discussion with the Labor Committee is forthcoming.

Commissioner DeBlieck asked if we can get capacity credits on our wind energy. Power Supply Manager Carlson stated that we do get them now, but because production affects our credit of 4 MWs, we only get 0.4 MWs worth of credit from MISO. Both joint action agencies would be interested in WMU's renewable energy credits (RECs).

Staff requested to bring forward the recommendation of beginning negotiations with Agency "B" to the full Commission at its 2/23/18 meeting. This would include a presentation by the Agency. The Committee agreed to bring this forward as recommended.

➤ **Other Business:**

It was agreed that Commissioner Mattern would continue as Chair of the Planning Committee and that Commissioner DeBlieck would serve as Vice Chair.

➤ **Adjournment:**

There being no further discussion to come before the WMU Planning Committee, Commissioner Mattern declared the meeting adjourned at 3:16 p.m.