

Utility Advisory Board Meeting

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REGULAR MEETING

RIVER FALLS UTILITY ADVISORY BOARD

January 18, 2016 6:30 p.m.

Council Chambers, City Hall

The Regular Meeting of the River Falls Utility Advisory Board was called to order by President Hanson at 6:30 p.m. Present: Chris Gagne, Grant Hanson, Diane Odeen, Wayne Beebe, Tim Thum, and Adam Myszewski. Absent: Duane Pederson. Staff present: Kevin Westhuis, Utility Director; Kristi Hartmon, Administrative Assistant; David Keating, Civil Engineer; Mike Noreen, Conservation and Efficiency Coordinator, Wayne Siverling, Electric Operations Superintendent, Greg Koehler, Lead Water Operator and Julie Bergstrom, Finance Director; Other Present: Mark Lundgren, MSA Professional Services, Dave Krause, Krause Power Engineering, Patricia LaRue, River Falls Resident

M/S Beebe/Odeen to approve minutes of the November 16, 2015 Regular Meeting. Motion Carried.

CONSENT AGENDA:

1. Acknowledgment of the following minutes:
West Central Wisconsin Biosolids Facility Commission Meeting – 10-20-15 and 11-17-15
POWERful Choices Committee – 11-12-15 and 12-10-15

M/S Odeen/Beebe to approve Consent Agenda. Motion Carried.

River Falls City Resident, Patricia LaRue addressed the board regarding hydro power; fossil fuel versus clean energy. Ms. LaRue started by saying “I am here to sell you electricity”. Ms. LaRue stated that the City of River Falls is saving money over the life of the hydro dams license. Fuel for the hydro is free and fossil fuel is at a higher cost. LaRue explained that the hydro’s are a valuable assets to the City, are paid for, are making money, and have value. The hydro plants are a 1M dollar asset to the City. Ms. LaRue stated she would like residents to know more about what the hydro’s are. The city puts out a pamphlet of an overview of River Falls and in the Utility section there is nothing on the Hydro’s. LaRue is asking the City to give a shout out to the hydros and give a one-minute city rap. Possibly create a dashboard that shows the community the value in supporting clean energy like generation from the solar garden and generation from hydros. LaRue suggested the City mount cameras on power plant and video stream the upper dams, the ducks and other scenery and put a camera on Lake Louise so the community can view. LaRue suggested inserts in the billing statements to educate the community “who own the hydro power” on how revenue, expenses and PILOT and depreciation are considered. Give the city useful information. LaRue thanked the board for their time. Council Representative Odeen stated to Ms. LaRue that as far as the deadline of the license goes, there will be a lot of information available to the community about what the options are. Odeen also stated that it is not 7 months that our license is good for, we have much longer and the Utility Advisory Board and City Council will take the time necessary for decisions that the entire community can participate in. Gange stated he welcomed the thoughts on this issue and LaRue state a lot of great facts there.

RESOLUTIONS:

2. Resolution Authorizing Purchase of 69KV Transformer and Switchgear for Power Plant Substation Project

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3. David Keating, Civil Engineer and Dave Krause with Krause Power Engineering gave a presentation on the purchase of a 69kV Transformer and Switchgear for the Power Plant Substation Project. Keating gave a brief update on the project and stated they have 2 bids in, one for the 69KV Transformer and one for the Switchgear and looking for the board's recommendation to approve those bid awards. Keating stated that they submitted all necessary paperwork to the PSC and received preliminary approval from them with final approval by the end of January 2016. Keating state the variance is within the 20' for an industrial zone from the property boundary and don't anticipate any problems and will meet with that board in March. There are some existing utilities in the way (8" sanitary line – 30 ft. down). Having conversions with the utility department on what we want to do. It is not ideal to build a building on existing utilities and discussions are being continued. Utility Director Westhuis stated that the City is going out for a RFP for a consultant to help with long term planning of potential moving and relocating the lines. Council Member Odeen asked how old the line is. Lead Water Operator Koehler stated that it is 40's vintage. The water department is going to get that line cleaned and televised as soon as possible and the contractors also said there is a stronger lining available if lining was to be done.

Dave Krause gave a design progression update and stated they are in the process of doing the control system design and depending on the review and approvals on the major equipment then that gives them the ability to get drawings from those vendors. The two bids are the two major pieces of equipment. Once we know the answer on the sanitary work they will complete the design of the structures inside the existing fence.

Keating talked about bid package 1 – 69kV Transformer. They received 7 bids and there were 3 sizing options for pricing. The initial bids ranged from \$481,800 to \$795,237. Keating stated that is not as straight forward as looking at the low bidder. Krause spent time calling contractors and firming up their prices and checking their options. The initial budget had about \$750,000 for the transformer. Staff decided to go with mid-sized unit pricing and that's where you will see the discrepancy with not just taking the lowest bid. Based on their bid and follow-up discussions, the recommendation from Krause Power Engineering is for Virginia Transformer for \$572,358. Gange stated after going through the packet it is obvious why you didn't go with the lowest bid and he stated it looks like you went with the 3rd lowest bid because of quality components and the mid-size schedule. Gange appreciates looking at quality components.

Bid package 2 - Switchgear bids. Received 5 bids and the initial bids ranged from \$240,356 to \$490,525. Krause did follow-up with the low bidders. The low bid was Siemens Industries and based on the follow-up discussions with them, Kruase is recommending awarding the bid to Siemens for \$240,356. Board member Thum stated that in this case the low bid seems significantly low and stated there must be some reason for that and asked if staff was confident that it is an equivalent bid and the quality of their offerings is comparable. Krause stated yes and stated when you look at switchgear the most significant component is the interrupting device in this case the circuit breaker and there are very few manufacturers of circuit breakers internationally and Siemens happens to be one of those companies. They not only make the assembly, but they are a breaker manufacture. Odeen moved approval for Resolution No. 2016-01 authorizing the purchase of 69kV Transformer and Switchgear for the Power Plant Substation Project, Myszewski seconded the motion, motion passed.

4. Resolution to Amend Commitment to Community Rate Tariff

Mike Noreen, Energy and Efficiency Coordinator presented on an amendment to the Tariff for the Commitment to Community. Since 2005 municipal electric utilities have been ordered to charge each customer a low-income and energy efficiency fee. 50% of that fee goes to low income programming (RFMU administers locally) and 50% goes to energy efficiency (Focus on Energy).

Each municipal electric utility must collect an average of \$16 per meter per year. Each utility is allowed to determine the amount that a particular class of customers is required to pay and may charge different fees to different classes of customers. RFMU periodically adjusts collections as city demographics and populations change. The current estimated average annual collection of fees for the River Falls Municipal Utilities is \$14.76 per meter per year.

The existing rate structure charges a flat 3% of the total electric bill, with not to exceed charges varying by the rate class of customers. Noreen presented 3 options for the Tariff rate for the board to review and decide on. Based on residential customers, the first option is 1.49% with a not to exceed \$2.00; second option is 1.25% with no cap and the third option is 3.00% with a not to exceed \$1.25. Commercial customers would pay a slightly different rate structure than residential customers. Depending on the tariff chosen, a change to a typical residential customer could result in paying approximately 28 cents less per month. After discussions, staff recommends approval of option 1, due to its balance of reduced impact on low energy users with higher not to exceed charges in the residential and commercial rate class. Board member Gagne asked where you would see a residential application of a high energy user as opposed to a low energy user. Noreen stated that you could have a situation where you have a low-income family and have more people living in a house, so it is not always clear on who is going to use more energy. Some of those options that don't have a cap on them can adversely affect some of the low-income users. Utility Director Westhuis also stated that electric heat is another big driver in the winter time. Gagne stated that he is never in favor of not having some type of cap for that reason as you never know what reason someone is using more energy. If the board did choose the 2nd option without a cap, what could be an amount that someone might pay. Noreen stated a high end for option 2 would be around \$3.00. Gagne asked if a resident wanted to help out the community for this type of program, what option would be the most beneficial. Noreen stated he would go back to option 1 because of the cap and because of the industrial customers. Industrial customers pay a little more up front, but they also qualify for programs through Focus on Energy. Noreen stated industrial customers would benefit from incentives like lighting, motors, pumps and refrigeration. RFMU sends in roughly \$48,000 to the state and normally gets back 2 to 1 from Focus on Energy. Board member Thum asked if there was any consideration on increasing the cap for the larger and industrial power customers. Noreen stated that the 3% is what they are maxing out at. Westhuis stated that option 1 was the option they considered because the larger industrial customers can get some of that money back if they are aggressive with incentives. Odeen made a motion to approve Resolution 2016-02 authorizing the Amendment to the Commitment to Community Rate Tariff, Myszewski seconded, motion passed.

5. Resolution to Approve Residential Loan Program for Community Solar

Noreen, Energy and Efficiency Coordinator presented on an option through the renewable energy finance program for residents to take out loans to purchase shares in the community solar project.

Resolution 5921 reallocated the renewable energy finance program last year to a loan program for the community solar project. The City has written a new loan agreement for customers looking to purchase shares in the community solar project, but who cannot afford the initial payment. The agreements states that the loan for the community solar panel would be placed on the property owner's tax roll for a period of up to three years as a special charge. A deposit of \$69 would be collected upfront for each panel. Anyone who pays property taxes in River Falls is eligible.

RFMU would like to provide this loan to allow more people to participate in the program, assist in selling shares and further cement RFMU as a leader in innovation and renewable energy development. Board member Gagne asked if there was any process for credit worthiness. Noreen stated that they would look at a customer's one year billing history. Beebe moved to approve resolution No. 2016-03 approving the community solar loan program. Gagne seconded, the motion passed.

NEW BUSINESS:

7. Water Rate Update - Julie Bergstrom, Assistant City Administrator/Finance Director gave an update on the Water Rates. Bergstrom stated that is has been a year since Trilogy reviewed the rates with the board. PSC received the rate case in May of 2015 and staff has had continuing discussions with PSC staff since that time. In August staff received their first proposal on the rate increase and it was a about a 6% increase. The UAB was updated in September to talk about the proposed rates and also the well #6 issue. The PSC did not want to include an potion of the costs of well #6 in the rates. The water impact fee study was done and the consultant, Christine from Trilogy suggested and recommended part of well #6 be included in the rates. Staff was stuck between two options (PSC and Trilogy). More discussions with the PSC happened this fall. Not a lot of progress was made, but made our case with them that we were concerned. The middle of December the PSC call Bergstrom and said they recently surveyed the sanitary survey report that is prepared every three years by the DNR and felt that the water utility was understaffed considering the number of projects that need to be completed and that were itemized in the survey report. Internal discussion about the report was done with Greg Koehler, Lead Water Operator and Kevin Westhuis, Utility Director. Most if not all were remedied by the end of 2015, however, the water utility does have increasing needs for infrastructure maintenance and could benefit from additional staff in operation. Bergstrom stated that based on that report, the PSC might change their recommendation. At this point staff has received their proposal and would like an answer from the City on how we felt about increasing the rates and still keeping well #6 out of the rates. Bergstrom asked the board how they felt about well #6. Do we continue the fight with well #6, do we except the proposal. There are some things that Bergstrom talked with the PSC about that she wants clarified. Odeen stated that there were 4 points that staff wanted to clarify with PSC (stated in memo to UAB) and asked if staff thinks that can be done. Bergstrom stated that she does.

Bergstrom stated the increase for a minimal water user is \$1.38 and would go to \$2.42 a month. Gagne asked how the water rates would work out with the new soccer fields. Westhuis stated that some of the impacts could affect places like the soccer fields, and ice rink. Gagne asked if there would be anything we could do to work with community sports groups. Westhuis stated that they could possible work something out. Bergstrom stated that the PSC discourages irrigation. Thum asked on a percentage basis, how much total increase is this. Bergstrom stated about another \$200,000 (PSC is proposing a rate of return of 5.25 overall).

Gagne stated that he is never in favor of raising rates on individuals of the community, but at the same point, there has been issues over and over about the water rates and it is about time we do something to take care of our future. Bergstrom stated that we have the expense of the water tower paining and have increase annual spending for main replacement, hydrant replacement, purchased needed equipment for valve exercising. Westhuis stated these are needed to keep our community safe. Odeen asked in the situation we are in now, the PSC will approve a higher water rate than what we actually asked for. And if we want to keep our original lower rate we would have to litigate against the PSC to get the lower rate which will also cost the city. Bergstrom stated that is correct. Gagne stated that this is because of the study they did and we were down manpower. Odeen stated the shortcomings have been addressed. Thum stated we need to

touch on the sanitary survey report as they are suggesting we are 2 positions short. Bergstrom stated that this is something that we would review if we have the funding and needed it we would consider hiring.

Odeen asked if staff needed anything specific from the board on moving forward with the water rate case. Bergstrom asked if the board feels comfortable coming to a consensus to go ahead with the proposal. Gagne stated that he thinks the proposal is an excellent deal for the city. The board agreed for Bergstrom to go ahead with the proposal.

8. Waste Water Treatment Plant Upgrade Project Update

Mark Lundgren from MSA Professional Services gave the board an update on the WWTP project including bidding, bid due dates and potential costs. Lundgren stated that the finished plans and specifications were sent out to potential bidders. Lundgren gave a brief overview of the project improvements including the solids storage, upgrade of the bio solids equipment for safety and ease of operation, scum handling, and final clarifier use. Lundgren showed diagrams of the site plan, solids handling building (lower level and upper level), and elevation views of what the building will look like. Lundgren gave a brief project schedule with bid opening on February 9th, bid recommendations to UAB on February 15th, and if all goes well the City Council will award the construction bid on February 23rd, with final completion of project in December 2015 (with an option of an August 2017 completion date) depending on how bids come in. The engineer's opinion of probable cost for the upgrades is a construction cost of \$3.55M before contingency. A 15% contingency fund would put the total construction cost around \$4M. Westhuis asked Mr. Lundgren to let the board know how many bidders have shown interest. Mr. Lundgren stated that 6 or 7 contractors have engaged in the process. Board member Hanson asked if River Falls continues to grow at the rate it has, how long the facility would be sufficient for these upgrades. Lundgren answered that the solids handling upgrades will be sufficient for many, many years. The hydraulic capacity would need to be addressed in the future depending on the growth. The plant is rated for 1.8M gallons per day and we are doing 1.2M gallons per day.

REPORTS:

9. Finance Report was included in the packets for review. Bergstrom stated that if the board has any questions she could answer those.
10. Utility Dashboards for, Electric, Water, Waste water and Powerful Choices were included in the UAB Packets. Thumb asked about the renewable energy bar graph and does the number 1,022 represent blocks or kWh he was uncertain what it was. Westhuis stated it is the number of blocks.
11. Monthly Utility Report was included in the UAB packets for review. Odeen stated that the recent cold weather had her thinking of the freezing pipes we had a couple years ago. Have we experienced any freeze ups yet? Westhuis stated we only had one issue with UW-River Falls and it was in a construction area. Staff did send out notice to about a dozen customers that have had a history of frozen water pipes. Staff does this every year to be aware of the potential of a freeze-up. Beebe asked about continued electric work being done on Cty. MM for the primary extension to the city building on Mann property. Hanson stated he didn't think there was a building on the property. Westhuis stated that there is a metal shed on the property that does have electricity. Hanson stated that the Solar garden is energized and up and running. Staff is reaching out to

residents and business to purchase solar shares. Gagne asked how soon the Loan Program will be available. Westhuis stated it will be available by the end of the month as soon as it is passed by City Council. Beebe asked about St. Croix gas leak at the WWTP (it was under the road leading into the plant). Staff smelled gas and St. Croix gas came out and fixed it. It did not affect the plant operations. Beebe asked about well #6 on a chemical scale being sent back to the factory for repair. Koehler stated that staff was not getting a constant measurement of the pounds of chlorine gas that were there and the scales were not telling them that, so they were sent it back to the factory for repair and well #6 was off line for a few days (a temporary was brought in). The well was down for about 4 days just to make sure they were in compliance.

Utility Directory Westhuis reminded the board that they are holding a joint workshop on January 26th to discuss the WPPI Contract Extension. Westhuis handed out information on the contract extension to review before the workshop and stated that if any board members have questions to please contact him.. Gagne asked when the current contract expires and what is WPPI looking to extend to. Westhuis stated that it expires in 2037 and they are looking to extend to 2052.

ADJOURNMENT:

M/S Beebe/Thumb moved to adjourn at 8:16 p.m. Unanimous.

Reported by: Kristi Hartmon, Administrative Assistant


Wayne Beebe
Wayne Beebe, Secretary