



MOORHEAD PUBLIC SERVICE COMMISSION

MEETING AGENDA

Tuesday, January 21, 2025 - 4:30 PM

Hjemkomst Center
202 First Avenue North, Moorhead
Auditorium

Commissioners:

Kristine Thompson, Chairperson
Joel Paulsen, Vice Chairperson
Paul Baker, Secretary
Jason Ness
Heidi Durand
Lisa Borgen

Travis L. Schmidt, General Manager

The Moorhead Public Service Commission welcomes and encourages customer input on issues listed on the agenda or of general water/electric utility interest—time and Commission permitting. Speakers are limited to 3-minute presentations. Customers wishing to address the Commission regarding a specific agenda item will be afforded an opportunity during the discussion of that item. Customers wishing to speak on matters not listed on the agenda will be given the opportunity to do so under the heading “Customers to Be Heard/Recognitions.” Each person requesting the opportunity to speak is asked to fill out a *Request to Speak Form* (located on the table in the back of the room) and present it to the Administrative Assistant in attendance at the meeting. Any follow-up or feedback will be done by e-mail on anything that cannot be resolved this evening.

1. **Call to Order**
2. **Election of Chairperson**
3. **Approve Agenda**
4. **Approve Consent Agenda**

All agenda items listed with an asterisk (*) are on the consent agenda and are considered routine or non-controversial. These items may be enacted by the Commission in one motion, which is a motion to approve the consent agenda. No discussion is expected for the items on the consent agenda; however, prior to approving the consent agenda, the Commission may request specific items be removed from the consent agenda for discussion and separate action.

- *5. **Approve Minutes of December 17, 2024**
- *6. **Approve Bills for Payment**
7. **Customers to Be Heard/Recognitions**
8. **Old Business**

9. Reports

- a. City Council**
- b. Public Service Commission**
- c. General Manager's Report**

***10. Approve Agreement with ASN Contractors for the Relocation of MPS' 115kV Transmission Line at the Storm Water Diversion Channel in West Fargo**

***11. Approve Task Order No. 12 with DGR Engineering for MPS' Northeast Substation**

***12. Approve Task Order No. 11 with Apex Engineering Group for Engineering and Funding Administration Services for MPS' 2025 Lead Service Line Replacement Project**

13. Approve Water Rate Study Proposal from Missouri River Energy Services

14. Approve Revised Organizational Structure and Number of Personnel for 2025 and Amended Section 5.5 in MPS' Personnel Policy Manual

15. Close Meeting for Executive Session (if needed)

16. Upcoming Meetings

- a. Public Service Commission Meetings**
February 4, 2025 (if needed)
February 18, 2025

- b. Meeting Opportunities for Commissioners^(A)**

- **Tours of MPS Water Treatment Plant, Aquifer, Power Supply Grid, MPS Worksites, Employee Gatherings**
(Available Upon Request)
- **MMUA's 2025 Legislative Conference**
January 28-29, 2025, St. Paul, MN
- **APPA's 2025 Legislative Rally**
February 24-26, 2025, Washington, DC
- **MRWA Annual Water & Wastewater Technical Conference**
March 4-6, 2025, St. Cloud, MN
- **MRES Annual Meeting**
May 7-8, 2025, Sioux Falls, SD

17. Adjourn

How to obtain Public Service Commission agendas:

View on the Internet. Any attachments that are not available online may be viewed at the offices of Moorhead Public Service. E-mail subscription: mps@mpsutility.com
Request a copy at Second Floor City Hall, 500 Center Avenue (Moorhead Center Mall). Upon request, accommodations for individuals with disabilities, language barriers, or other needs to allow participation in Commission meetings will be provided. To arrange assistance, call Moorhead Public Service at 218.477.8003 (voice) or 711 (TDD/TTY). ****Moorhead Public Service Commission meetings are broadcast live on Channel 12-Moorhead Community Access Television in Moorhead and digital Channels 67 and 68 for the metro area.****

****Commissioner Heidi Durand will be participating in this meeting via interactive television from her address at 3625 22nd Avenue South, Moorhead, MN 56560, which location is open and accessible to the public during the meeting****

^(A) APPA = American Public Power Association - www.publicpower.org
MMUA = Minnesota Municipal Utilities Association - www.mmua.org
MRES = Missouri River Energy Services - www.mrenergy.com
AWWA = American Water Works Association - www.awwa.org
MN AWWA = American Water Works Association-Minnesota Section - www.mnawwa.org
RRBC = Red River Basin Commission - www.redriverbasincommission.org

Minutes of the Moorhead Public Service Commission
Hjemkomst Center, Auditorium
Tuesday, December 17, 2024 – 4:30 PM

MEMBERS PRESENT: Paul Baker, Heidi Durand (video), Matthew Gilbertson (video), Joel Paulsen, and Kristine Thompson

MEMBERS ABSENT: Mari Dailey

OTHERS PRESENT: General Manager Travis Schmidt; Staff Members Adam Benhardt, Taylor Holte, Jake Long, Kurt McClain, Mark Moilanen, Susan Orth, Marc Pritchard, and James Sumba; MPS Attorney John Boulger

1. CALL TO ORDER.

Chairperson Thompson called the meeting to order at 4:33 PM. A quorum of the following members was present: Baker, Durand, Gilbertson, Paulsen, and Thompson.

2. APPROVE AGENDA.

Commissioner Durand made a motion to approve the agenda, with the addition of Agenda Item #17, Approve MPS' 2025, 2026, and 2027 Base Pay Structures. Commissioner Paulsen seconded the motion. The motion passed with a 5-0 vote. Voting Yes: Baker, Durand, Gilbertson, Paulsen, and Thompson. Voting No: None.

3. APPROVE CONSENT AGENDA.

Commissioner Paulsen made a motion to approve the consent agenda. Commissioner Baker seconded the motion. The motion passed with a 5-0 vote. Voting Yes: Baker, Durand, Gilbertson, Paulsen, and Thompson. Voting No: None.

[The consent agenda approved above includes all items shown herein with an asterisk (*). These items were considered routine or non-controversial by the Commission and were enacted by the Commission in one motion, which is the motion above to approve the consent agenda.]

***4. APPROVE MINUTES OF DECEMBER 3, 2024.**

Commissioner Paulsen made a motion to approve the minutes of December 3, 2024. Commissioner Baker seconded the motion. The motion passed with a 5-0 vote. Voting Yes: Baker, Durand, Gilbertson, Paulsen, and Thompson. Voting No: None.

***5. APPROVE BILLS FOR PAYMENT.**

Commissioner Paulsen made a motion to approve the bills for payment. Commissioner Baker seconded the motion. The motion passed with a 5-0 vote. Voting Yes: Baker, Durand, Gilbertson, Paulsen, and Thompson. Voting No: None.

***6. APPROVE TASK ORDER NO. 2025-1 WITH SANDMAN STRUCTURAL ENGINEERS FOR MPS' REDUNDANT NETWORK OPERATIONS CENTER.**

Commissioner Paulsen made a motion to approve Task Order No. 2025-1 with Sandman Structural Engineers for the structural design of Moorhead Public Service's redundant Network Operations Center in an amount not-to-exceed \$35,000. Commissioner Baker seconded the motion. The motion passed with a 5-0 vote. Voting Yes: Baker, Durand, Gilbertson, Paulsen, and Thompson. Voting No: None.

***7. APPROVE PROFESSIONAL SERVICES FOR BIENNIAL EXTERNAL LABORATORY ASSESSMENT.**

Commissioner Paulsen made a motion to approve professional services for a biennial compliance audit of Moorhead Public Service's laboratory for the Minnesota Environmental Laboratory Accreditation Program with Shepherd Technical Services, LLC, in the amount of \$3,646. Commissioner Baker seconded the motion. The motion passed with a 5-0 vote. Voting Yes: Baker, Durand, Gilbertson, Paulsen, and Thompson. Voting No: None.

***8. APPROVE SPECIFICATIONS AND AUTHORIZE ADVERTISEMENT FOR BIDS FOR 2025 WATER TREATMENT AND WASTEWATER TREATMENT CHEMICALS.**

Commissioner Paulsen made a motion to approve the specifications and authorize advertisement for bids for 2025 Water Treatment and Wastewater Treatment Chemicals. Commissioner Baker seconded the motion. The motion passed with a 5-0 vote. Voting Yes: Baker, Durand, Gilbertson, Paulsen, and Thompson. Voting No: None.

***9. APPROVE 2025 PAYROLL VENDORS.**

Commissioner Paulsen made a motion to approve 2025 payroll vendors. Commissioner Baker seconded the motion. The motion passed with a 5-0 vote. Voting Yes: Baker, Durand, Gilbertson, Paulsen, and Thompson. Voting No: None.

***10. APPROVE 2025 DELEGATES.**

Commissioner Paulsen made a motion to approve 2025 delegates and alternates. Commissioner Baker seconded the motion. The motion passed with a 5-0 vote. Voting Yes: Baker, Durand, Gilbertson, Paulsen, and Thompson. Voting No: None.

***11. APPROVE 2025 MEMBERSHIPS.**

Commissioner Paulsen made a motion to approve 2025 memberships. Commissioner Baker seconded the motion. The motion passed with a 5-0 vote. Voting Yes: Baker, Durand, Gilbertson, Paulsen, and Thompson. Voting No: None.

12. CUSTOMERS TO BE HEARD/RECOGNITIONS.

There were no customers to be heard.

General Manager Travis Schmidt stated that Commissioner Dailey has resigned from the Moorhead Public Service Commission, and that the Moorhead City Council recently appointed Jason Ness as the replacement for Ward 1. Schmidt recognized Commissioner Gilbertson for his two years of service on the Moorhead Public Service Commission.

Chairperson Thompson also thanked Commissioner Gilbertson and Commissioner Dailey for serving on the Moorhead Public Service Commission.

13. OLD BUSINESS.

There was no old business to discuss.

14. REPORTS.

City Council.

No report was made.

Public Service Commission.

No report was made.

General Manager's Report.

General Manager Travis Schmidt stated that Moorhead Public Service (MPS) employees engaged in community events by participating in Xcel Energy's Holiday Lights Parade and ringing the bell for The Salvation Army.

Schmidt stated that Water Plant Manager Marc Pritchard and he met with West Central Regional Water District, that is currently being developed, to discuss Moorhead being a potential anchor point. Schmidt will provide more information to the Commission as it continues to develop.

Schmidt informed the Commission that there was an issue at MPS' Water Treatment Plant (WTP) regarding a bent valve on a chlorine gas tank. WTP staff reached out to the Moorhead Fire Department for assistance in removing and disposing of the tank to avoid any potential leaks.

Schmidt also noted that MPS employees finalized a toy drive that was held internally.

Accept Report on MPS' Advanced Metering Infrastructure Project.

IT Division Manager Kurt McClain provided an update on MPS' Advanced Metering Infrastructure Project.

Commissioner Paulsen made a motion to accept the report on Moorhead Public Service's Advanced Metering Infrastructure Project. Commissioner Baker seconded the motion. The motion passed with a 5-0 vote. Voting Yes: Baker, Durand, Gilbertson, Paulsen, and Thompson. Voting No: None.

Accept Report on Cogeneration and Small Power Production Tariff Report for 2025 and Update on Distributed Generation Workbook.

Project Engineer Taylor Holte provided an overview of the report for homeowners wanting to install solar panels.

Commissioner Baker made a motion to accept the report on Cogeneration and Small Power Production Tariff Report for 2025, update the Distributed Generation Workbook, and authorize the General Manager to approve and sign the Distributed Generation Interconnection Agreements for 2025.

Commissioner Paulsen seconded the motion. The motion passed with a 5-0 vote. Voting Yes: Baker, Durand, Gilbertson, Paulsen, and Thompson. Voting No: None.

15. APPROVE FINAL 2025 BUDGET AND RATES.

Finance Division Manager Mark Moilanen provided information on the electric and water rate increases for 2025. Chairperson Thompson commended staff for keeping MPS' electric and water rates affordable for its ratepayers.

Commissioner Paulsen made a motion to approve the 2025 Moorhead Public Service Commission's budgets and rates. The budget include increases equivalent to an overall 2.0 percent for electric rates and an overall 5.5 percent increase in water rates. Commissioner Durand seconded the motion. The motion passed with a 5-0 vote. Voting Yes: Baker, Durand, Gilbertson, Paulsen, and Thompson. Voting No: None.

16. CLOSE MEETING FOR EXECUTIVE SESSION.

Chairperson Thompson stated that the meeting will be closed for executive session as permitted by Minnesota Statutes, Section 13D.03, to discuss labor negotiation strategies related to negotiations with IBEW, Local 1426.

Commissioner Durand made a motion to close the meeting for executive session, and that action is expected in open session upon conclusion of executive session. Commissioner Paulsen seconded the motion.

THE MEETING CLOSED FOR EXECUTIVE SESSION AT 4:56 PM.

PRESENT IN CLOSED SESSION WERE: COMMISSIONERS PAUL BAKER, HEIDI DURAND (VIDEO), MATTHEW GILBERTSON (VIDEO), JOEL PAULSEN, AND KRISTINE THOMPSON; GENERAL MANAGER TRAVIS SCHMIDT; STAFF MEMBERS MARK MOILANEN; AND MPS ATTORNEY JOHN BOULGER.

Commissioner Gilbertson made a motion to re-open the meeting. Commissioner Baker seconded the motion. The motion passed with a 5-0 vote. Voting Yes: Baker, Durand, Gilbertson, Paulsen, and Thompson. Voting No: None.

THE MEETING RE-OPENED AT 5:19 PM.

Chairperson Thompson made a motion to approve the resolution approving the Labor Agreement between the Moorhead Public Service Commission and the International Brotherhood of Electrical Workers (IBEW), Local No. 1426, contingent upon ratification by IBEW, Local No. 1426, and final legal review, and authorize the General Manager to enter into a Memorandum of Understanding with IBEW to transition current IBEW employees to the Base Pay Structure, contingent upon final legal review. Commissioner Durand seconded the motion. The motion passed with a 5-0 vote. Voting Yes: Baker, Durand, Gilbertson, Paulsen, and Thompson. Voting No: None.

17. APPROVE MPS' 2025, 2026, AND 2027 BASE PAY STRUCTURES.

General Manager Travis Schmidt stated that MPS staff worked with Flaherty & Hood, PA, staff to obtain a market update, and is recommending the Base Pay Structure adjustments for 2025, 2026, and 2027.

Commissioner Durand made a motion to approve Moorhead Public Service's 2025, 2026, and 2027 Base Pay Structures, contingent upon finalizing the Labor Agreement with IBEW. Commissioner Paulsen

seconded the motion. The motion passed with a 5-0 vote. Voting Yes: Baker, Durand, Gilbertson, Paulsen, and Thompson. Voting No: None.

18. UPCOMING MEETINGS.

Upcoming meetings of the Moorhead Public Service Commission are scheduled for January 7, 2025, (if needed) and January 21, 2025.

19. ADJOURN.

The meeting adjourned at 5:22 PM.

The minutes herein are approved on this 21st day of January, 2025.

APPROVED BY:

ATTEST:

Kristine Thompson
Chairpersonⁱ

Paul Baker
Secretaryⁱ

ⁱ Pursuant to the Bylaws of the Moorhead Public Service Commission adopted January 18, 2022, Article 3, Section 11, states, "The Chairperson and Secretary shall sign, execute, and acknowledge all instruments authorized by the Commission or as are incident to the office. If either the Chairperson or Secretary is unavailable to execute an instrument, the Vice Chairperson may execute the instrument in place of the unavailable officer. Execution of instruments by two officers is required."

General Manager's Report

1. **Annual Generation Verification Test.**

The Centennial Generating Station (CGS) is a generating plant with five diesel generators that were commissioned in 2011. The CGS is capable of generating approximately 10 megawatts of electricity, which is one-eighth of Moorhead Public Service's (MPS') load on a peak day or, one-fifth of MPS' load on a non-peak day. On July 31, 2024, MPS staff completed the annual generation verification test as required by the Reserved Capacity Agreement (RCA) between MPS and Missouri River Energy Services (MRES). MPS demonstrated the capability of generating 10,086 kilowatts, which meets the requirements specified in the RCA (see attached letter from MRES).

2. **MPS Receives National Commendation from APPA for Electric Restoration Efforts to Kissimmee Utility Authority and Orlando Utilities Commission.**

On December 30, 2024, MPS received national commendation from American Public Power Association for providing electric restoration efforts to Kissimmee Utility Authority and Orlando Utilities Commission after Hurricane Milton.

3. **Notification on RRVCPA Rate Adjustments.**

MPS received notification via Red River Valley Cooperative Power Association's (RRVCPA's) December 2024 "*Sparks*" Newsletter that RRVCPA will need to adjust its rates about 6.8 percent overall beginning January 1, 2025. RRVCPA wholesale power supplier, Minnkota Power Cooperative, will also increase about 8.5 percent beginning April 1, 2025.

Division/Response Person: Travis L. Schmidt, General Manager.

December 17, 2024

Travis Schmidt
General Manager
Moorhead Public Service
P.O. Box 779
Moorhead, MN 56561

RE: Annual GVTC Testing

Dear Travis:

On July 31, 2024, Moorhead Public Service (MPS) operated its generating equipment at the request of Missouri River Energy Services (MRES) to perform the annual generation verification test. Under the Reserved Capacity Agreement (RCA) between MPS and MRES dated May 4, 2023, this testing is to be conducted annually in accordance with the Generation Verification Test Capacity (GVTC) section of the RCA. Through this testing, your equipment demonstrated a capability of 10,086 kilowatts (kW), via the revenue meter, less auxiliary loads. The contracted generation capacity specified in the RCA is 10,000 kW. This capacity will remain in effect through August 31, 2025, and meets the expectations of MRES under the agreement. Based upon Section 4.1 of the RCA, this contracted capacity can be impacted by the equivalent forced outage rate (EFOR) of greater than 5% for your units. Please give necessary attention to your units to minimize your forced outages.

Since MPS is in the Southwest Power Pool (SPP) market, SPP requires the results of the annual generation verification test to be entered into SPP's Engineering Data Submission Tool (EDST). MRES has entered MPS's test results of 10.0 megawatts as the net test capacity into the SPP EDST system.

Respectfully,



Brent A. Moeller, P.E.
Director of Generation Resources

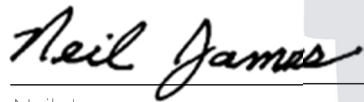
c: Generation Verification File
Tim Blodgett



MUTUAL AID COMMENDATION

Moorhead Public Service

In recognition of its support in electric power restoration efforts,
the American Public Power Association recognizes
Moorhead Public Service
for providing mutual aid assistance to
Kissimmee Utility Authority



Neil James
Chair, Mutual Aid Committee



Scott Corwin
President & CEO



Powering Strong Communities

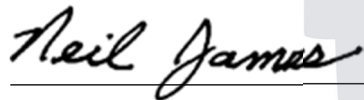


MUTUAL AID COMMENDATION

Moorhead Public Service

In recognition of its support in electric power restoration efforts, the American Public Power Association recognizes

Moorhead Public Service
for providing mutual aid assistance to
Orlando Utilities Commission



Neil James
Chair, Mutual Aid Committee



Scott Corwin
President & CEO

AMERICAN
**PUBLIC
POWER**
ASSOCIATION

Powering Strong Communities

SPARKS

Red River Valley Co-op Power is an equal opportunity provider and employer.

Sparks (USPS 509-300) is published nine times a year – January, February/ March, April, May/June, July, August/ September, October, November and December – by the Red River Valley Cooperative Power Association, 109 2nd Ave. E, Halstad, MN 56548. Periodical postage paid at Halstad, MN 56548. POSTMASTER: Send address changes to Sparks, Red River Valley Cooperative Power Association, P.O. Box 358, Halstad, MN 56548-0358.

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Rich Whitcomb, Editor
Jennifer Erickson, Graphic Artist

December 2024
Volume 68, No. 9

Halstad, Minnesota (USPS 509-300)

OFFICERS & DIRECTORS

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Chief Executive Officer

Scheduled Board Meeting

Board meetings are held in Halstad at the cooperative office starting at 8:30 a.m. on the next-to-last Monday of each month.

Outages:
800-788-7784

On the cover: A painting titled "Olive and the Craggy Tree" by Lisa Burns, a professional painter from rural Barnesville.



Expected Rate Adjustments

by Rich Whitcomb, CEO

An overall wholesale power increase of about 8.5% beginning April 1, 2025 and sustained higher prices of materials and items like wire, transformers, bucket trucks, and insurance means your cooperative will need to adjust its rates about 6.8% overall beginning Jan. 1, 2025.

Directors reviewed a detailed draft of next year's budget in November and approved the budget and adjustments at their December meeting. As an example, a household using 1,000 kWh would see an average increase of \$15 per month.

When deciding what components to change and how much, consideration was

given to the knowledge that historically our facility charge has not collected the amount of distribution costs that previous cost of service studies have indicated it should. A more accurate facility charge amount will help ensure a more predictable budget and revenue stream that is not so dependent on variable kWh sales due to weather and other factors. Rate increases are never fun. These adjustments are necessary to meet required financial ratios and maintain strong reliability. As a not-for-profit cooperative, Red River Valley Co-op Power increases rates only when necessary and after reviewing expenses thoroughly. Below is a breakdown of the expected rate adjustments:

CLASS	COMPONENT	CURRENT	PROPOSED
Rate 1 (Residential/general)	Facility charge	\$40	\$51
	All kWh	12.1 cents	12.5 cents
Rate 2 (Small commercial)	Facility charge	\$54	\$63
	All kWh	12.1 cents	12.5 cents
Rate 3 (Large power)	Facility charge	\$62	\$72
	All kWh	9.1 cents	9.2 cents
	Demand per kW	\$10.60	\$11.30
Apartment	Facility charge	\$27	\$37
	kWh	12.1 cents	12.5 cents
Off-Peak (Dual fuel/cycled)	Facility charge	\$5	\$6
	kWh	6.5 cents	6.8 cents
Off-Peak (Short-term)	Facility charge	\$5	\$6
	kWh	7.8 cents	8.3 cents
Yard light standard	Fee	\$8.50	\$9
Yard light decorative	Fee	\$10.50	\$10.75

*Rates 3A/AA (Industrial) and 3B (Irrigation) also will see increases as well.

**The excess kWh rate for Rate 3 (>40,000) was eliminated.

SEASONS GREETINGS *From all of us at Red River Valley Co-op Power*

Our offices will be closed Tuesday, Dec. 24, and Wednesday, Dec. 25, for the Christmas holiday.

We will also be closed Wednesday, Jan. 1, for the New Year's holiday.

If you experience a power outage on those days, you may reach the lineworkers on call by phoning dispatch at (800) 788-7784.

Approve Agreement with ASN Constructors for the Relocation of MPS' 115kV Transmission Line at the Storm Water Diversion Channel in West Fargo

RECOMMENDATION:

The General Manager respectfully requests the Commission approve the Agreement with ASN Constructors for the relocation of MPS' 115kV transmission line at the Storm Water Diversion Channel in West Fargo.

BACKGROUND:

The Metro Flood Diversion Authority (MFDA) is constructing a new Storm Water Diversion Channel (Channel) in West Fargo. Part of the project includes relocating utilities in the path of the Channel. In March 2022, the Commission and the MFDA entered into a Memorandum of Understanding (MOU) for the purpose of ensuring "a coordinated, time-efficient, and cost-effective process of completing the Utility Relocation Project, as well as the operations and maintenance activities after completing the Utility Relocation Project." The Utility Relocation Project impacts MPS' 115kV transmission line in the area. The MOU lays out the responsibilities of each party regarding the need to relocate MPS' transmission line within the future Channel area.

MPS was given the option of either relocating the transmission line at MFDA's cost, or having MFDA's Public Private Partnerships developer—ASN Constructors (ASN) to relocate the line, with MPS' approval of the design. MPS opted to have ASN design and relocate the line due to the strict timeline of the project, and concerns with MPS being responsible for added costs due to unplanned delays or coordination of work being done by other contractors in the Channel area.

MPS planned to upsize the conductor on the transmission line from T2-266 ACSR to 795 Drake ACSS, which is the conductor size that MPS uses on all new 115kV transmission lines. MPS will be responsible for the additional cost related to the conductor and structure upgrades.

The purpose of this Agreement (available upon request) with ASN is to resolve some differences in the interpretation of the MOU. The plan from MPS' perspective was to upgrade the conductor on the transmission line outside the Channel area, and this upgrade would have completed the remaining segment of the transmission line in this area. The perspective from ASN was that the scope was confined to the area immediately impacted by the Channel area. Due to differing views and lack of specific language defining the scope, additional steps must be taken to achieve MPS' original goal of upgrading the conductor on this segment of the transmission line all at one time.

This Agreement defines the terms between MPS and ASN, which lays out the scope for the transmission line to be upgraded, how the work will be performed, and that MPS will be financially responsible. It is in the best interest of MPS to enter into this Agreement and have ASN operate as the project manager for this work. To streamline the coordination and lines of communication, the plan is for ASN to hire a construction contractor to perform both the work of the MOU and this Agreement.

The costs associated with ASN performing the design work is \$20,000. An additional agreement to pay for the construction contractor should be expected at a later date. MPS has accounted for the betterment of the transmission line in its annual budget.

MPS staff recommends the Commission approve the Agreement with ASN that was drafted and approved by MPS Attorney John Boulger.

KEY ISSUES:

- In March 2022, the Commission and the MFDA entered into a MOU for the purpose of ensuring “a coordinated, time-efficient, and cost-effective process of completing the Utility Relocation Project, as well as operations and maintenance activities after completing the Utility Relocation Project.”
- MPS opted to have the ASN design and relocate the line due to the strict timeline of the project, and concerns with MPS being responsible for added costs due to unplanned delays or coordination of work being done by other contractors in the Channel area.
- The purpose of this Agreement with ASN is to resolve some differences in the interpretation of the MOU.

FINANCIAL CONSIDERATIONS:

- The costs associated with ASN performing the design work is \$20,000.
- MPS has accounted for the betterment of the transmission line in its annual budget.

Respectfully Submitted,



Travis L. Schmidt
General Manager

Division/Response Person: Taylor Holte, Project Engineer.

Attachments: Available upon request.

Approve Task Order No. 12 with DGR Engineering for MPS' Northeast Substation

RECOMMENDATION:

The General Manager respectfully requests the Commission approve Task Order No. 12 with DGR Engineering for MPS' Northeast Substation in the amount of \$108,000.

BACKGROUND:

In December 2024, Moorhead Public Service (MPS) entered into a Task Order Agreement for Professional Services with DGR Engineering (DGR). Task Order No. 1 was for miscellaneous engineering services to address items, which included a review of relay settings, fault analysis, or other minor engineering needs. Task Order No. 11 was for a Centennial Substation Differential Relays Upgrade Project. There have been various other task orders that have been utilized from the preceding Task Order Agreement for Professional Services with DGR Engineering, which was originally a five-year agreement beginning on July 16, 2019.

Task Order No. 12 (available upon request) is for the Northeast Substation (NE Substation). This project consists of building a new NE Substation in order to replace and relocate the existing NE Substation. The current location of the NE Substation has water issues that would be difficult to fix, and contains several major pieces of equipment that are reaching their end of life. The proposed solution is to relocate and build a new substation that would be the above floodplain and retire and demolish the old substation once the new NE Substation is operational. Amendments will be made to Task Order No. 12 to account for additional engineering tasks for the NE Substation, such as final design and construction administration.

The first step in relocating the NE Substation is to develop a detailed design and layout for the new NE Substation. Once the design and layout are completed, DGR will prepare specifications and request bids from suppliers for ordering the transformers and 115kV breakers—as these items have long procurement times that could have a major effect on the completion date.

The total cost for Task Order No. 12 for MPS' NE Substation is estimated at \$108,000 and is included in MPS' 2025 budget.

KEY ISSUES:

- The current location of the NE Substation has water issues that would be difficult to fix, and contains several major pieces of equipment that are reaching their end of life.
- The proposed solution is to relocate and build a new substation that would be the above floodplain and retire and demolish the old substation once the new NE Substation is operational .
- The transformers and 115kV breakers have long procurement times that could have a major effect on the completion date.

FINANCIAL CONSIDERATIONS:

- The total cost for Task Order No. 12 for MPS' NE Substation is estimated at \$108,000 and is included in MPS' 2025 budget.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Travis L. Schmidt".

Travis L. Schmidt
General Manager

Division/Response Person: Taylor Holte, Project Engineer.

Attachments: Available upon request.

Approve Task Order No. 11 with Apex Engineering Group for Engineering and Funding Administration Services for MPS' 2025 Lead Service Line Replacement Project

RECOMMENDATION:

The General Manager respectfully requests the Commission approve Task Order No. 11 with Apex Engineering Group, Inc., in an amount not-to-exceed \$56,257 to complete engineering and funding administration services associated with Moorhead Public Service's 2025 Lead Service Line Replacement Project, contingent upon final legal review by Attorney John Boulger.

BACKGROUND:

The U.S. Environmental Protection Agency (EPA) and the Minnesota Department of Health (MDH) regulate lead in drinking water through the Lead and Copper Rule (LCR), which was first published in 1991. This regulation has undergone numerous revisions since 1991, with the latest Lead and Copper Rule Revision (LCRR) taking effect on October 16, 2024. A primary requirement of the LCRR is to inventory all water services, both public and private, within Moorhead Public Service's (MPS) distribution system and submit this information to the MDH. On October 8, 2024, the EPA announced and issued a final rule requiring drinking water systems to identify and replace all lead service lines nationwide within the next 10 years through the Lead and Copper Rule Improvements Rule Revision. Funding for the lead service line replacements has become available through a combination of Bipartisan Infrastructure Law and the State of Minnesota's matching funds.

MPS has submitted applications to attempt to procure funding for lead service line replacement since 2022 through Minnesota's Public Facilities Authority (PFA) Drinking Water Revolving Fund. In 2024, MPS was approved by the PFA for funding and to move forward with the project. With the Lead Service Line Replacement Program (Program) through the PFA in its infancy, MPS proposed to complete a pilot project for replacing 10 private portions of lead service lines in 2024. The pilot project would build the foundation of lead service line replacement projects from the beginning stage of project planning to the final stage of construction. MPS and Apex Engineering Group, Inc., (Apex) developed plans and specifications for the MPS' 2024 Lead Service Line Replacement Pilot Project and the Commission awarded a contract for the project on August 27, 2024. The contractor has currently replaced 6 of the 10 lead service lines and will replace the remaining lead service lines this spring.

Task Order No. 11 will begin the process to develop plans and specifications for MPS' 2025 Lead Service Line Replacement Project (Replacement Project). During the summer of 2024, 30 private lead service lines were identified by MPS staff following Watermain Replacement Project WT24-04. MPS replaced MPS' portion of the 30 lead services lines. This Replacement Project will replace the remaining private portions—eliminating a partial replacement of the lead service lines. As part of the Program, the replacement project will require a loan/grant agreement with the PFA and project specifications that must be submitted to the MDH and PFA by June 6, 2025. The agreement with the PFA, due to all services being entirely private, will ultimately result in a reimbursable grant for 100 percent of the project costs, which include construction, project administration, and engineering expenses required to complete the project.

MPS Water Division staff has been working with the City of Moorhead's Building Codes Department and MPS Attorney John Boulger to review the process how the funds could be spent, which would include the replacement of lead service lines outside the City's right-of-way. A document has been created that outlines the process for homeowners to receive a private lead service line replacement at no cost to the homeowner.

On December 18, 2018, the Commission approved a Task Order Agreement for Professional Services between MPS and Apex. Task order No. 11 (available upon request) with Apex was generated from the Agreement Between Owner and Engineer for Professional Services – Task Order Edition, EJCDC E-505,

and was revised by MPS staff and legal counsel to include contractual requirements specific to MPS. This standard form has been utilized and approved by the Commission previously for MPS to enter into agreements for professional services.

KEY ISSUES:

- MPS Water Division staff is proposing to complete a project to replace 30 private portions of lead service lines in 2025.
- Thirty private lead service lines have been identified by MPS staff following Watermain Replacement Project WT24-04 that was completed during the summer of 2024.

FINANCIAL CONSIDERATIONS:

- The total cost of Task Order No. 11 with Apex includes an amount not-to-exceed \$56,257 to complete engineering and funding administration services associated with MPS' 2025 Lead Service Line Replacement Pilot Project.
- The agreement with the PFA, due to all services being entirely private, will ultimately result in a reimbursable grant for 100 percent of the project costs, which includes construction, project administration, and engineering expenses required to complete the project.

Respectfully Submitted,



Travis L. Schmidt
General Manager

Division/Response Person: Jake Long, Water Distribution Manager.

Attachments: Available upon request.

Approve Water Rate Study Proposal from Missouri River Energy Services

RECOMMENDATION:

The General Manager respectfully requests the Commission approve the Water Rate Study Proposal from Missouri River Energy Services.

BACKGROUND:

The Moorhead City Charter, Section 12.05, Subd. 7, states "...the Commission may impose just and equitable rates and charges for the use and availability of the utility services and public services under its control." To assure just and equitable rates for each customer class, the Commission periodically completes cost-of-service or rate studies.

The Commission's Policy on Financial Strength states that cost-of-service studies will be performed as needed, but at least every seven years for the Water Division. Missouri River Energy Services (MRES) completed the last Water Rate Study (2022 Study) in 2022. The 2022 Study projected rates for 2022 through 2026. After completion of the 2022 Study, MPS anticipated completing another study in 2026 to determine the rates for 2027 through 2030.

However, in light of the recent announcement of the imminent closure of the Water Division's largest water user and after discussions with MRES, both MPS and MRES believe that it would be prudent to accelerate the timing of the 2026 study and complete it in 2025 instead. In addition, in 2025 MPS eliminated a separate Fire Protection Facility Charge that had been in place for over eight years, and integrated costs related to fire protection capability into a flat, monthly charge that varies by meter size.

A cost-of-service study analyzes the costs of providing service and the appropriate pricing plans to cover future costs, as well as providing the appropriate allocations of costs and distributions (rates) to each customer class. As part of the 2025 Water Rate Study (2025 Study), MRES will update the 2022 Study to include all of the major elements in the prior study and will consider current and forecast financial and customer usage data. Major element updates to be considered in the 2025 Study include expanded infrastructure improvements with associated debt service and continuing flat water sales.

The Water Division has significantly expanded infrastructure improvements since the 2022 Study, which includes continued implementation of the long-range Watermain Asset Management Plan (WAMP), construction of the new Southside Water Tower and related water supply main, and construction of the Lime Sludge Dewatering Facility. Future items to consider include replacement of the aging components associated with Moorhead Public Service's (MPS') Water Treatment Plant, replacement of the aging Highway 10 raw water line, and development of plans to ensure a stable water supply for the future.

The 2025 Study will accomplish the following:

- Evaluate the impact on costs of serving each customer class and meter size after the expected reduction in sales as a result of the closure of the Water Division's largest water customer in 2025.
- Determine whether rates are sufficient to cover operating expenses, capital improvements, debt service obligations, and reserves.
- Design a retail rate plan.
- Compare MPS' rates to other regional utilities.

If approved, MRES will begin working on the 2025 Study in the first quarter of 2025 and it will take approximately four months to complete. Recommendations will be finalized and available for MPS' 2026 Budget Forecasts and Strategic Plan.

The proposed total cost of the 2025 Study is \$18,000. This represents an increase of \$1,000 over the \$17,000 cost to complete the 2022 Study. Attached is the 2025 Study proposal from MRES.

KEY ISSUES:

- The Commission may impose just and equitable rates and charges for utility services.
- The Commission's Policy on Financial Strength states that cost-of-service studies will be performed as needed, but at least every seven years for the Water Division.
- The last Water Rate Study was performed in 2022, and the next study was expected to occur in 2026. However, recent developments surrounding the loss of revenue due to the closure of the Water Division's largest water customer warranted accelerating the timing to 2025.
- The 2025 Study will analyze costs, evaluate costs by customer class, recommend new retail rates, and provide utility comparisons.

FINANCIAL CONSIDERATIONS:

- MPS' 2025 budget includes \$75,500 that has been designated for rate studies and other external studies throughout the year.

Respectfully submitted,



Travis L. Schmidt
General Manager

Division/Response Person: Mark Moilanen, Finance Division Manager.

Attachments:

MRES' 2025 Water Rate Study Proposal

January 14, 2025

Mr. Mark Moilanen
Moorhead Public Service
PO Box 779
Moorhead, MN 56561-0779

RE: Water Rate Study Proposal

Dear Mark:

Missouri River Energy Services (MRES) is pleased to submit this proposal to Moorhead for a water rate study. This will be an update to the last rate study completed by MRES in 2022. It will contain all of the same elements as the prior study and will build on that information, while considering current financial and billing data.

The water study will accomplish the following:

- Evaluate the costs of serving customers
- Determine whether rates are sufficient to cover operating expenses, capital expenditures, and debt service while maintaining sufficient cash flows
- Evaluate the impacts of recent changes including reduced industrial customer usage and the elimination of the fire protection charges
- Design a multi-year rate plan
- Compare Moorhead rates to other regional utilities

MRES proposes to perform the study in accordance with the enclosed Scope of Services, which outlines the study process and services to be provided. MRES will charge Moorhead a fee of \$18,000 for this service.

MRES proposes to begin your study in the first quarter of 2025. Prior to the initial meeting, Moorhead staff will receive a Data Request, which details the information required to begin the study. It is estimated that the study will be completed by the end of the third quarter of 2025. However, this time estimate could change based on the issues that are encountered.

Mr. Mark Moilanen
Page 2
January 14, 2025

I have attached the Scope of Services for your review. If Moorhead agrees with the foregoing, please sign on page 5, Scope of Services, and return a copy to me at MRES. If you have any questions, please call me at (800) 678-4042.

MRES would appreciate the opportunity to perform this water rate study for Moorhead.

Sincerely,

A handwritten signature in black ink that reads "Tim Miller". The signature is written in a cursive, slightly slanted style.

Tim Miller
Director of Rates

A. Project Description: Water Rate Study

Moorhead (Minnesota) Public Service (Water Utility) is seeking a water cost-of-service and rate design study (Water Rate Study). Missouri River Energy Services (MRES) is proposing to provide such consultative services to Moorhead. The major tasks involved in this Water Rate Study will include the review of historical operating results, development of a water usage forecast, development of a water cost forecast, development of forecasted operating results, analysis of the cost to serve each customer class, determination of necessary rate adjustments, design of new rates, and bill comparisons to other utilities. The proposed 5-year study period (Study Period) for this project is 2025 through 2029.

The specific services to be provided by MRES to conduct the Water Rate Study are more particularly identified in paragraph B, Scope of Services.

B. Scope of Services

The following tasks identify the Services that MRES will perform in accordance with this Water Rate Study.

1) Data Requests

Data Requests encompass the request of information from the Water Utility necessary to develop a projection of revenue requirements, allocation factors, cost-of-service, and rate design analysis.

a) Data Request. The data collection process will be initiated in the form of a letter to the Water Utility staff summarizing the data that MRES will need to review. This letter will allow the Water Utility staff to begin locating and compiling the necessary data to move the study along smoothly.

b) Revenue Requirements. Development of the revenue requirements will include review of annual historical and budgeted operating expenses, anticipated additions to the system, and any other financial obligations of the Water Utility, such as debt service and transfers to the City. The data to be provided by the Water Utility and reviewed by MRES shall cover the most recent four years. The Test Year is based on a future year during the study period.

c) Allocation Data. The data required to complete the study includes monthly billing and accounting data related to retail water operation, monthly water production and purchases, monthly water sales by class, monthly usage for Commercial and Industrial customers, and number, size, and type of customers for each rate class.

d) **Data Review.** MRES will review the information collected as a result of the data request. Typically, adjustments will need to be made to operating expenses that have fluctuated to reflect annualized Test Year levels. Additionally, during this period, any one-time expenses or large non-recurring expenses should be adjusted to reflect normal operations. The adjusted revenue requirements should also account for any reasonably identifiable planned construction costs, improvements, or extensions to the water system.

2) **Project Future Water Requirements**

MRES will analyze the Water Utility's historical sales and customer statistics and will project annual water requirements and retail sales for the 5-year Study Period. The estimates will take into account any recent or anticipated changes in customer service characteristics identified by the Water Utility. In addition, estimated sales during the Study Period will be developed for each customer classification.

3) **Estimate Revenue Requirements**

MRES will evaluate the Water Utility's historical operating results and prepare an estimate of annual revenue requirements for each year of the Study Period. Estimated revenue requirements will include water supply treatment costs, water distribution system costs, customer accounting, administrative and general expenses, investment income (as a credit), an allowance for capital improvements and additions or for rate of return, debt service obligations, and other pertinent expenses.

4) **Estimate Revenues**

Based on the Water Utility's existing rates and estimated sales developed in Task 2, MRES will estimate annual revenues, by customer classification, for each year of the Study Period.

5) **Estimate Operating Results**

Based on estimated revenues and revenue requirements developed above, MRES will prepare a summary of annual operating results for each year of the Study Period. This summary will include a determination of the revenue adjustments, if any, required during the Study Period in order to meet annual revenue requirements or to provide a rate of return sufficient to ensure a greater degree of financial stability for the Water Utility.

6) **Classify Costs**

Using embedded costs, MRES will analyze Test Year revenue requirements and classify to various cost components. Each expense item will be evaluated to determine what, if any, adjustments may be required to ensure an appropriate analysis of the near-term costs of providing service to the Water Utility's customers.

7) **Develop Allocation Factors**

MRES will analyze the service characteristics of the Water Utility's customers and develop appropriate factors for allocating Test Year revenue requirements to individual customer classifications.

8) Allocate Costs

Based on classified revenue requirements and class allocation factors, MRES will calculate the allocated cost of serving each customer classification. The result is an estimate of the revenue requirements by class linked to the aggregate usage and operating expenses of the entire system.

9) Compare Cost-of-Service to Revenues under Existing Rates

MRES will compare the allocated cost-of-service with actual Test Year revenues under existing rates and calculate the percentage adjustment, if any, required in the annual revenue recovery in each customer classification in order to meet the allocated cost of providing service.

10) Initial Meeting and Data Review

MRES will meet with representatives of the Water Utility to review the initial findings of MRES and to identify what, if any, changes to existing retail water rates might be recommended for implementation.

11) Design Rate Alternatives

Based on the results of the above meeting, MRES will design proposed new rates for each customer classification, including new and modified classes as necessary. MRES will also prepare graphical comparisons of monthly bills under existing and proposed rates at various usage levels in each rate classification. MRES will identify changes that may enhance the Water Utility's financial integrity and recover costs in a more equitable manner.

12) Comparisons to Other Utility Rates

A comparison will also be made between the Water Utility's existing and proposed rates and the rates of several municipal utilities. The comparisons will be made relative to rate design as well as level of rates at typical monthly usages for the major rate classes.

13) Prepare Preliminary Report

MRES will prepare a written report describing the analyses undertaken in the study, including the development of future revenue requirements, cost allocation, proposed rates, and comparison of existing and proposed rates. Estimated operating results at proposed rates will be included. MRES will present copies of this preliminary report to the Water Utility for review and comment.

14) Submit Final Report

Based on comments received from the Water Utility staff, MRES will finalize the report and submit copies to the Water Utility and the Utility Commission.

15) Present Findings to the Utility Commission

MRES will meet with representatives of the Water Utility and the governing board to answer any questions regarding the study.

C. Schedule and Data Requests

MRES will commence its obligations to provide the Services to the Water Utility in the first quarter of 2025. It is estimated that the study will be completed by the end of the third quarter of 2025; however, this time estimate could change based on the issues that are encountered. The ability of MRES to perform the Services is dependent upon the cooperation of Moorhead and the timely response to MRES data requests. MRES will rely on this information in the performance of the study. Because of this reliance, it is essential the Data Requests be completed with accurate information. As the study proceeds, additional information may be requested.

D. Compensation

MRES will provide the Services at a fee of \$18,000. MRES will send an invoice for the above fee when all tasks are completed.

E. Standard of Care

Although MRES cannot guarantee the results of any recommendations made, MRES will use its best efforts to provide accurate and relevant information. The standard of care applicable to this service is the degree of skill and diligence normally practiced by professional consultants performing the same or similar services. MRES is not liable for any damages resulting from services performed, except to the extent that it has not exercised reasonable due care in performing the study. MRES will undertake this study with an understanding that the services are being provided within the context of the ongoing relationship between MRES and Moorhead and that the final responsibility for local policy decisions rests with the staff and governing board of Moorhead.

F. Privacy and Security of Information

Upon disclosing any non-public and confidential information, as defined by applicable law, in response to an MRES data request, the Water Utility must designate in writing the information as confidential, using the phrase "Confidential, Subject to Restricted Access and Disclosure," or similar words. MRES may not disclose such information to any third party, except as required by law, by a specific written agreement between the Water Utility and MRES and/or the subject of the information, or as otherwise provided in this Section. In the event MRES receives a request for disclosure of the confidential information and, in the opinion of MRES legal counsel, disclosure is required by law, then MRES must immediately inform the Water Utility prior to making any such disclosure. MRES will cooperate to enable the Water Utility, or other affected entities, if they so desire, to obtain a protective order or other reliable assurance that confidential treatment will be maintained consistent with applicable law. MRES agrees to defend, indemnify, and hold harmless the Water Utility and their officials, officers, agents, employees, and volunteers from and against any claims resulting from the unauthorized and unlawful disclosure and/or use of data by MRES in violation of the terms of this section. The terms of this section will survive the cancellation or termination of the Services provided by MRES in the performance of the study for a term as provided by law or, in the absence of a specific law, as provided by records management policies of MRES and the Water Utility.

ACCEPTED

MOORHEAD PUBLIC SERVICE

By: _____

Title: _____

Date: _____

MISSOURI RIVER ENERGY SERVICES

Tim Miller

By: _____

Tim Miller, as its
Director of Rates

Date: January 14, 2025

APPROVED

By Tasha Altmann at 3:37 pm, Jan 13, 2025

Approve Revised Organizational Structure and Number of Personnel for 2025 and Amended Section 5.5 in MPS' Personnel Policy Manual

RECOMMENDATION:

The General Manager respectfully requests the Commission approve Moorhead Public Service's revised Organizational Structure and Organizational Structure - Number of Personnel for 2025, and amended Section 5.5 in Moorhead Public Service's Personnel Policy Manual.

BACKGROUND:

The Moorhead Public Service Commission Bylaws, Article 2, Section 5, states:

“The Commission, upon recommendation of the General Manager, shall approve the organizational structure and the number of personnel to be employed by Moorhead Public Service. The General Manager shall be responsible for receiving applications and appointing employees required to operate Moorhead Public Service. The General Manager may make operational changes to the organizational structure of Moorhead Public Service as long as the changes are not substantial. Substantial changes require approval of the Commission.”

General Manager Travis Schmidt recently reviewed Moorhead Public Service's (MPS') Organizational Structure (attached) due to changes that were made to the recently approved Labor Agreement with the International Brotherhood of Electrical Workers (IBEW). The recommended changes that are needed to MPS' Organizational Structure are based upon the changes that were made to the IBEW Labor Agreement, as well as modifications to a couple job titles. The recommended changes are being requested to update any related documents for consistency, and will help with future operations to support long-term employee growth and retention across the organization.

As part of the Commission's Bylaws, the Commission approves the number of employees that MPS employs. MPS currently employs 63 full-time employees and, for 2025, has budgeted for 68 full-time employees. However, General Manager Schmidt requests that 77 positions be available in order to be more fluid with the hiring process and fill vacant or new positions. See the attached Organizational Structure – Number of Personnel. Staff has budgeted for positions in the 2025 budget based upon anticipated needs for 2025, as shown in the Organizational Structure.

General Manager Schmidt is also requesting modifications to Section 5.5 of MPS' Personnel Policy Manual to also update on-call positions based upon the approved IBEW Labor Agreement. Positions were added or removed from the IBEW job classifications as part of the negotiations that occurred in 2024 for the 2025–2027 IBEW Labor Agreement.

KEY ISSUES:

- The Commission's Bylaws direct the Commission to approve MPS' organizational structure and number of personnel.
- General Manager Travis Schmidt recently reviewed the MPS' Organizational Structure due to changes based on the recently approved IBEW Labor Agreement.
- MPS currently employs 63 full-time employees and, for 2025, has budgeted for 68 full-time employees.

FINANCIAL CONSIDERATIONS:

- Staff has budgeted for positions in the 2025 budget based upon anticipated needs for 2025, as shown in the Organizational Structure.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Travis L. Schmidt".

Travis L. Schmidt
General Manager

Division/Response Person: Travis L. Schmidt, General Manager.

Attachments:

Organizational Structure (strike-and-underline and clean versions) (PSC Only)

Organizational Structure – Number of Personnel (strike-and-underline and clean versions) (PSC Only)

MPS' Personnel Policy Manual – Section 5.5 (strike-and-underline and clean versions) (PSC Only)