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MRES Today

A NEWSLETTER OF



**MISSOURI
RIVER**
ENERGY SERVICES

WAPA anticipates rate increase starting in 2025

During recent preference power customer meetings, Western Area Power Administration (WAPA) announced that it anticipates a need to increase its firm power supply rate. The rate increase, if implemented, would become effective Jan. 1, 2025.

Early estimated rate impacts could be between 2 to 4 mills per kilowatt-hour (kWh) in 2025 through 2028. The current rate, which took effect Jan. 1, 2023, is 27.91 mills per kWh or 2.791 cents per kWh. A 4 mill per kWh increase would be equivalent to a 14% rate increase.

WAPA rates consist of two parts:

1. The base component, which covers annual operating and maintenance costs, capital investments for additions or replacements, annual interest on investments, normal purchases and transmission costs.
2. The drought adder, which recovers the cost of power purchased to meet customer allocations during drought conditions, historical drought debt and interest on drought debt.

A formal rate process is anticipated to begin in early 2024 for a rate adjustment in 2025.

WAPA is not projecting a change to the drought adder for 2024. Any possible upward pressure on drought costs has been somewhat alleviated for two reasons: higher than average snowpack in 2023 is filling the reservoir system, and WAPA's year-to-date purchase-power expenses are coming in lower than anticipated, which will result in purchase-power expenses at or below estimated levels for fiscal year 2023.

Missouri River Energy Services (MRES) has 59 members that receive power from the Upper Great Plains Region, Pick-Sloan Eastern Division of WAPA. These MRES members, along with other WAPA customers in the Pick-Sloan Eastern Division, pay all costs associated with power generation and transmission along with the operating and investment costs — including interest — of the hydroelectric facilities that serve them. Like the customers it serves, WAPA is not-for-profit, and as such firm power rates are cost-based.

Garrison Dam
Riverdale, North Dakota
Photo courtesy of ND Tourism



Heller receives APPA's highest award before retiring

Tom Heller, president emeritus of MRES, recently received the Alex Radin Distinguished Service Award during the American Public Power Association's (APPA) National Conference in Seattle, Washington. The award is the highest award granted by APPA and recognizes exceptional leadership in and dedication to public power.

Tom Heller has filled the president emeritus role since stepping down as Missouri River's president and CEO on May 12, and he will fully retire on June 30 from the organization he led for more than three decades. As president emeritus, Heller helped the organization transition to new President and CEO Matt Schull on an as-needed basis.

Heller came to MRES in 1992, serving as the fourth CEO since MRES was founded in 1965. He has spent nearly 48 years working in public power — with 31 of those years at MRES and 17 at Moorhead Public Service in Moorhead, Minnesota, where he was the utility's general manager and served on the MRES and Western Minnesota Municipal Power Agency boards of directors.

Heller has been consistently involved with APPA and public power throughout his career. He has also served on numerous



Tom Heller (center) is pictured with Dave Osburn, APPA Awards Committee chair and general manager of Oklahoma Municipal Power Authority in Edmond, Oklahoma (left), and Tony Cannon, APPA Board of Directors chair and general manager/CEO of Greenville Utilities Commission in North Carolina (right).

regional and national boards and committees, including APPA's board of directors, the Electric Power Research Institute board of directors, the Transmission Access Policy Study Group, and the Public Power CEO Climate Change and Generation Policy Task Force.

Heller led by example, and he will be missed by fellow employees, MRES members and the boards.

MISO projects sufficient generation this summer

The Midcontinent Independent System Operator (MISO) is projecting it will have sufficient generating capacity to meet electric demand under normal operating conditions this summer. MISO made the announcement during a summer preparedness and messaging webinar it held on June 1.

MISO is one of two regional transmission organizations (RTOs) that operate the grid with MRES members in its footprint. Twenty-eight MRES members are in MISO, while 33 are in the Southwest Power Pool (SPP).

This year's announcement was in stark contrast to projections leading up to summer 2022, when RTOs across the country, including MISO, warned that there would be an elevated risk of electricity shortages. Last year's projections proved valid, as unpredictable weather patterns combined with high consumer demand contributed to grid reliability concerns across the country. As a result, MISO issued eight capacity advisories, eight hot weather alerts, five max generation alerts and one max generation warning last summer that affected MRES members.

During its recent webinar, MISO emphasized several key messages. For starters, although this summer's weather isn't expected to be as severe as last summer, MISO believes extreme and unpredictable weather events remain the largest stressor to grid stability. MISO also said its generation

portfolio is shifting to a higher percentage of renewables, which adds to the complexity of managing the grid.

During the webinar, MISO emphasized the importance of a diverse set of generation resources and a robust transmission system to deliver power as it is needed. To that end, MISO has engaged in Long Range Transmission Planning (LRTP) to reliably and efficiently accommodate the generation portfolio shift underway. In fact, MISO approved Tranche 1 of its \$10.3 billion LRTP effort in July 2022. As part of the plan, MRES and Otter Tail Power Company reached an agreement to invest in a new 345-kilovolt (kV) transmission project that will be developed in two segments within the MISO footprint.

Additionally, MISO has ramped up its efforts to stay prepared this summer, and it continuously communicates and drills with its member utilities to coordinate plans related to energy emergency events. Along those same lines, MRES has several energy emergency response plans and communication materials available for members to use in the event of an energy emergency. These resources include tips on how to communicate with customers, energy emergency alert templates for both MISO and SPP, social media posts, graphics, and more. To view or download these materials, go to the members-only section of mrenergy.com.



Repairs, capital project finished at Elbow Lake substation

A little over a year ago on May 30, 2022, an EF-2 tornado with winds between 111 and 135 mph tore through Grant County, Minnesota, damaging Missouri River's Elbow Lake substation. The tornado was one of 13 confirmed by the National Weather Service that evening.

The most substantial damage at the substation involved its 115-kV bus and line switch, as well as the fence surrounding the perimeter. In addition, 23 H-frame transmission structures and nearly 2 miles of transmission lines were damaged.

Separately, MRES had a capital project planned for 2022 to add an additional line switch and two dead-end structures to the substation. That capital project had not started at the time of the tornado.

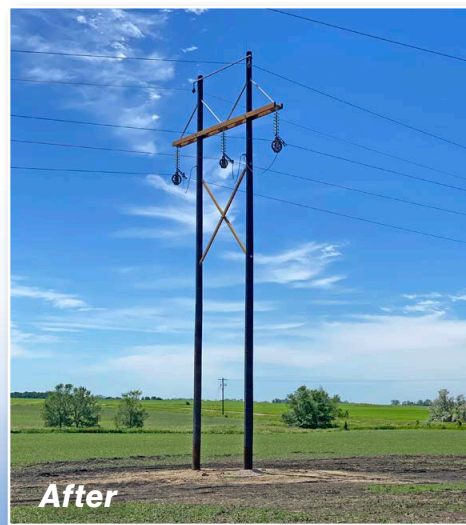
Soon after the tornado, the line and temporary bus at the substation were returned to service in June 2022, but permanent fixes to the

substation from the tornado damage, as well as the capital project improvements, were completed in May 2023.

MRES applied and received a grant totaling more than \$1.38 million from the Federal Emergency Management Agency (FEMA) to pay for the tornado damage to the line and for part of the damage at the substation not covered by insurance. MRES currently has an active claim with its insurance provider for the tornado damage at the substation.



Before



After

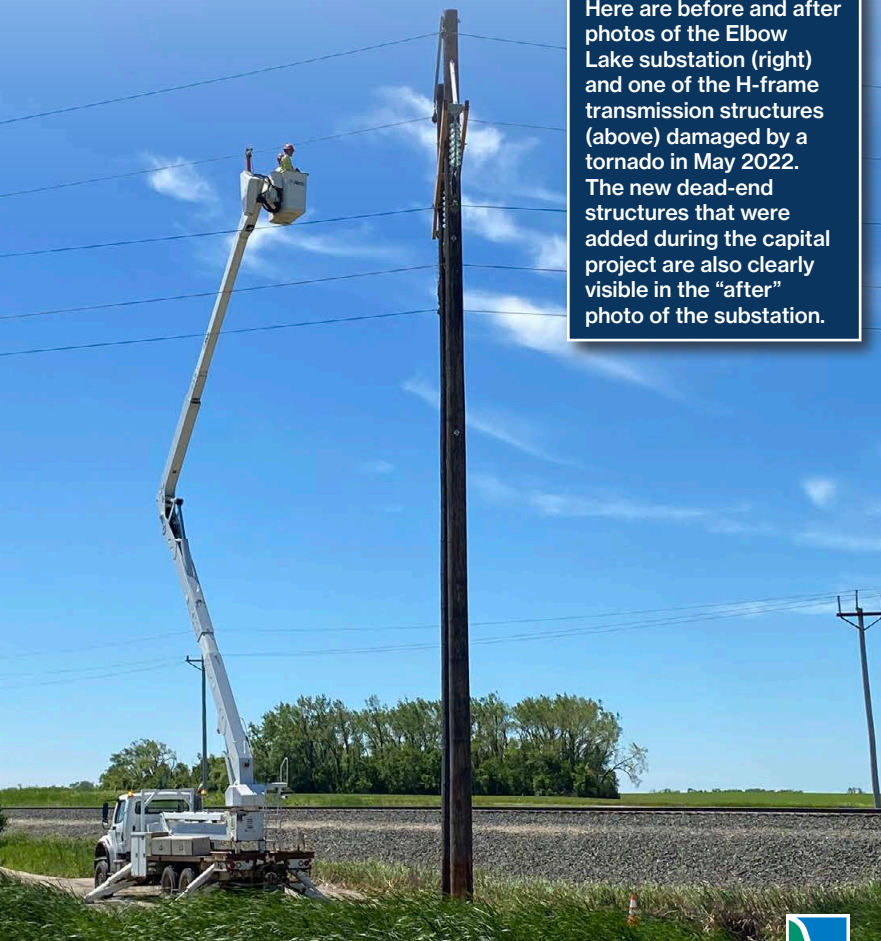
Here are before and after photos of the Elbow Lake substation (right) and one of the H-frame transmission structures (above) damaged by a tornado in May 2022. The new dead-end structures that were added during the capital project are also clearly visible in the "after" photo of the substation.



Before



After



Late in the evening on May 22, the Minnesota Legislature adjourned its regular session, which marked the last of the five state legislative sessions that MRES monitors in Iowa, Minnesota, North Dakota, South Dakota and Wyoming.

All five states saw one-party rule this year. For Iowa, North Dakota, South Dakota and Wyoming, Republicans controlled the legislative and executive branches, while in Minnesota it was the Democratic-Farmer-Labor Party (DFL). Despite the one-party control in each of the states, the sessions were fraught with tension over renewable energy mandates, eminent domain, landowner rights and diversity issues.

Iowa

Iowa's session started with Gov. Kim Reynolds' announcement of her 2023 priorities, which included education savings accounts, hard caps on medical malpractice cases, maternal health and a significant reorganization of state government. By the end of session, Reynolds was able to check each of these items off her wish list, including a 900-page bill reorganizing state government and agencies.

For municipal electric utilities, it was a successful session in that the Iowa Association of Municipal Utilities, individual municipal utilities and rural electric cooperatives (RECs) secured passage of HF 599, a bill that clarifies the Iowa Utilities Board's limited jurisdiction over municipal and cooperative electric utilities. Additionally,



Visit the legislative pages online at mrenergy.com for more information and for links to specific bills.

eminent domain bills that would have made transmission more difficult to site and bills to implement deregulation failed to pass.

However, HF 617 was passed to include an interim study of the adequacy of current rate-making law and procedures, identification of changes in law or procedure to advance stated policy objectives, recommendations for changes in law and administrative rules, and identification of rate-making laws and procedures of other states that could enhance

competitiveness in Iowa. While this legislation is aimed at investor-owned utility (IOU) rate-making practices, it could bring into play principles that would impact municipals, including allowing third parties to come between electric utilities and their customers.

Minnesota

Early in the session, the DFL made it clear they would accomplish all their goals prior to adjournment. And for the most part, they did: 100% carbon-free by 2040, sick and safe leave, paid family and medical leave, recreational marijuana, etc. Additionally, the DFL's energy- and environment-related wish list caused concern for municipal electric utilities (e.g., cumulative impact analysis, 100% by 2040, storage mandate, benchmarking mandate, citizens board reinstatement, diversity reporting, procurement, etc.).



However, with the help of our members and working together with other municipal joint action agencies and cooperatives, we can say we had some success in this session. We were able to amend the 100% carbon-free bill (even after being told there would be no amendments) to include new hydropower of 100 megawatts (MW) or less and that some credit is to be given for market purchases.

We also were successful on a number of other fronts, including: a cooperative or municipal electric utility seat was added to the Green Bank board; municipal utilities are now eligible to be the owners and grant recipients for solar on public building projects; municipal electric utilities must be contacted ahead of electric school bus projects and solar on public building projects; cumulative impact analysis in environmental-justice areas was largely scaled down geographically; and a variety of incentives were passed to help municipal customers with weatherization, heat pumps and other upgrades.

There will be a lot of interim work ahead in Minnesota, though. The Minnesota Public Utilities Commission (MPUC) has opened a docket on the 55% by 2035 renewable energy standard. Additionally, the MPUC will be opening dockets on the following: the 100% by 2040 carbon-free standard, the interconnection of distributed generation of 40 kilowatts or less; and the siting of energy storage of 10 MW or more. Finally, the MPUC will also undertake a study on the optimal amount of storage needed to meet state mandates.

North Dakota

The North Dakota Legislature meets only in odd-numbered years for 80 legislative days. This year, the Legislature saved five of those 80 days in case they needed to come back for any reason, including budget adjustments.



Like many states, eminent domain was on the agenda, and the bills introduced would have made transmission, distribution and generation siting more difficult. However, the bills all failed to pass. The Legislature also expanded the prohibition on cities banning natural gas and extended the prohibition to other fuel types. Finally, in response to resource adequacy concerns, a bill was passed that requires affordability and reliability to be considered in the siting and routing process.

There will be an active interim period filled with committee work on the following items of interest: studies on the mitigation of impacts to wildlife or the environment during siting or operation of energy conversion facilities or transmission; impacts of term limits on the Legislative Assembly; assessing the feasibility of advanced nuclear energy development; and impacts of electric vehicles on the state, including demand and the grid, installation of charging stations, economic development, the minerals industry, installation and upkeep of infrastructure, and gas tax implications.

South Dakota

The main run of the 2023 South Dakota legislative session concluded March 9, with a recess until March 27 when legislators returned for one day to consider Gov. Kristi Noem's vetoes.



On that final day, all of the governor's vetoes were sustained before the Legislature adjourned sine die.

Eminent domain, tax cuts and a host of social issues were the hot topics of South Dakota's session. MRES monitored the eminent domain legislation, in particular, to ensure that the efforts targeted at carbon-capture pipeline projects didn't veer statutorily to encompass electric utilities. There were several pieces of legislation introduced around the issue; however, a coalition of IOUs, RECs and municipal utilities joined

together to help inform and defeat legislation that would have had implications on utility infrastructure. Ultimately, each eminent domain bill died at some point during the session.

The Legislature debated various options to provide South Dakotans with over \$100 million in tax savings. They considered the elimination of state sales taxes on groceries, a similar and smaller sales tax cut on all products (not just groceries), and a property tax cut that would offer South Dakota homeowners up to \$425 in property tax relief each year. There was little appetite to eliminate the grocery sales tax, and the property tax failed to have sufficient support.

The last days of the session were filled with debate on how much to deduct from the general state sales tax rate and whether or not to place a sunset clause (expiration date) on the cut, and, if so, for what time frame. The Senate argued it would be fiscally responsible to add a sunset provision that would lift the tax cut a few years into the future if the state needed the revenue. Ultimately, a compromise was reached in the final hours of the last day and the Legislature approved reducing the general state sales tax from 4.5 to 4.2% with a 2027 sunset, resulting in a \$104 million tax savings for consumers with a correlating reduction in state revenue. The governor signed both the general appropriations bill and the tax cut legislation.

Wyoming

The 2023 Wyoming Legislature adjourned on March 3. The biggest bill that MRES was monitoring during the session was HB0288, which would have imposed an excise tax on the production of electricity, including coal, but the bill failed to make it out of committee.



In the eminent domain arena, the Legislature considered HB0106, which would have reimposed a moratorium on the exercise of the power of condemnation for wind energy collector systems. Despite passing both chambers, Wyoming's governor vetoed the bill.

Mark your calendars for Tech Days Sept 27-28



Technology Days 2023 will be held Sept. 27-28 at the Hilton Garden Inn Downtown in Sioux Falls, South Dakota. Here is a brief rundown of the topics being covered during the two-day conference:

- Bright Energy Solutions® (BES) program update
- Electric vehicles (EVs) in MRES communities, both now and how to plan for the future
- Lesser-known BES rebates that can lead to big savings
- Advanced metering infrastructure (AMI) and what it can do for your utility
- Emerging technologies such as intelligent efficiency, smart buildings and smart manufacturing.
- “The Richest Man in the World” keynote address by V.J. Smith, a professional speaker, author and former state senator from Brookings, South Dakota
- Ten-minute tech talks on the following topics: new and improved BES website; compressed air leak surveys; MRES® Ambassador Program; customer distributed generation; transformer maintenance; customer communications preferences; rapid imaging; and artificial intelligence

Members can register online at mrenergy.com under the Events tab. The \$50 registration fee includes all meals.

Room reservations can also be made at mrenergy.com. Reservations must be made by Aug. 26 to receive the special MRES Group rate of \$154 (king) or \$144 (two queens) at the Hilton Garden Inn Downtown.

City of Pella takes steps toward added reliability

The City of Pella recently constructed a heated, insulated steel building to enclose two 25,000-gallon fuel-oil storage tanks at its generation facility.

City of Pella Electric Director Nate Spurgeon said the plant was originally designed and built for summer peaking purposes to provide local generation. The plant's registration changed slightly when it became a regional generation asset in 2016 after the City of Pella joined MRES. At the time, the plant was registered in MISO as an in-front-of-the-meter generation asset so it could be called on by MISO for reliability and, in turn, Pella could be made whole for fuel costs.



The City of Pella recently built a steel building to enclose two 25,000-gallon fuel-oil storage tanks to ensure reliable generation during cold, winter months.

Recently, MISO implemented a seasonal accreditation construct for resource adequacy where the generating unit is required to be available year-round. Because Pella's plant was not initially designed to operate in cold weather, recent changes to the plant were necessary to enable it to remain available throughout the winter.

Spurgeon said city officials approved \$600,000 for fiscal year 2023 for the construction of the steel building to enclose the above-ground tanks. When cold weather returns this winter, Spurgeon said the plan is to keep the new building around 50 degrees, which will help ensure Pella can meet MISO's resource adequacy requirements and provide added reliability to the regional grid.

Events Calendar

July 6-9

Annual City Festival

Henning, Minnesota
cityofhenning.com
218-583-2402

July 8-9

Brookings Summer Arts Festival

Brookings, South Dakota
bsaf.com
605-692-2787

July 12-16

51st Annual Sinclair Lewis Days

Sauk Centre, Minnesota
visitsaukcentre.org/summer
320-352-5201

July 13-16

Watonswan County Fair

St. James, Minnesota
watonswancountyfair.com

July 14-16

Burke Stampede Rodeo

Burke, South Dakota
burkestampederodeo.com
605-830-5540

July 22-23

Railroad Days

Sanborn, Iowa
sanbornchamber.com
712-260-8292

To have your event listed, send the event's date, name, location and contact information to info@mrenergy.com.

To be considered for print, information must be submitted at least eight weeks prior to the event.

Please visit mrenergy.com/events to see a full listing of calendar events for MRES and its members.



2023 scholarship winners announced

Each year MRES grants up to 12 scholarships to students entering post-secondary education programs related to the electric utility industry.

This year, five \$1,000 scholarships were awarded to graduating high school seniors from MRES member communities who plan to attend an accredited two- or four-year university or vocation-technical school. Recipients who meet certain performance criteria each year are eligible to renew their scholarships for up to three additional years, making the scholarships worth up to \$4,000 total.

Additionally, seven \$2,000 scholarships were awarded to students enrolling in a one-year powerline/lineworker program at eligible technical schools within the MRES footprint. These scholarships are one-time only and not renewable, and applicants do not need to reside in a household receiving electric service from an MRES member utility.

“Missouri River remains committed to education and developing the utility workforce of tomorrow,” said MRES President and CEO Matt Schull. “All 12 of this year’s recipients are outstanding students who have proven to be assets to their schools and communities, and we wish them success in their studies and future careers.”

The 2023 scholarship winners are:



Logan Barber, of Brewster, Minnesota, plans to enroll in the powerline/lineworker program at Mitchell Technical College in Mitchell, South Dakota.

Bo Biever, of Big Stone City, South Dakota, plans to enroll in the powerline/lineworker program at Mitchell Technical College.



Braeden Bredman, of Barnesville, Minnesota, plans to enroll in the powerline/lineworker program at Minnesota State Community and Technical College in Wadena, Minnesota.

Melanie Brozik, whose family is a customer of Winner (South Dakota) Municipal Utilities, plans to attend the University of South Dakota in Vermillion and major in accounting.



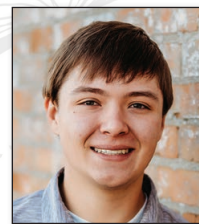
Leah Hayungs, whose family is a customer of Orange City (Iowa) Municipal Utilities, will attend Wartburg College in Waverly, Iowa, and major in communications.

Jazmine Iglesias, whose family is a customer of Denison (Iowa) Municipal Utilities, will attend Iowa State University in Ames this fall, majoring in chemical engineering.



Brock Klarenbeek, of Rock Rapids, Iowa, plans to enroll in the powerline/lineworker program at Mitchell Technical College.

Reece Larson, of Benson, Minnesota, plans to enroll in the powerline/lineworker program at Minnesota State Community and Technical College.



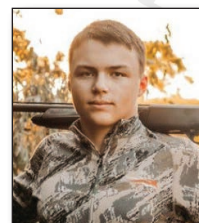
Tate Nesladek, whose family is a customer of Pierre (South Dakota) Municipal Utilities, plans to attend South Dakota State University in Brookings and pursue an electrical engineering degree.

Easton Weeden, of Sioux Falls, South Dakota, plans to enroll in the powerline/lineworker program at Mitchell Technical College.



Anna Wiges, whose family is a customer of Denison Municipal Utilities, plans to attend Iowa State University and major in biology.

Ace Wika, of Breckenridge, Minnesota, plans to enroll in the powerline/lineworker program at Minnesota State Community and Technical College.



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Member profile – Alton, Iowa

Alton can be found in Sioux County in the northwest corner of Iowa. Due to its close proximity to Orange City, the town was originally called East Orange when it was first settled in the 1870s. However, after the railroad arrived in 1882 the town was renamed as Alton and was formally incorporated as a city the following year.

Today, Alton is a small, growing community that offers its residents a great opportunity to live, work, worship, play and raise a family. It has healthcare options for all ages, primary and secondary education, and plenty of opportunities for social interaction. The community also has a thriving business sector, from quaint downtown store fronts to agricultural and industrial businesses.

Alton is home to Sioux Golf & Country Club, which first opened in 1888 and is the oldest nine-hole golf course in Iowa. Alton's two city parks feature a pool, softball and baseball fields, and a walking/biking trail, and the nearby county park has a recreational pond and disc golf.

Alton Municipal Utilities (AMU) offers a full range of services, including electricity, water, wastewater, gas and waste management to the 1,240 people who call Alton home. AMU was established in 1968 and joined MRES later that same year. City Administrator Dale Oltmans is the official representative to MRES, while Lineman and Gas Operator Scott Bortscheller serves as the alternate.



Aerial view of Alton, Iowa