

June 5, 2017



Minnesota Public Utilities Commission unanimously accepts MRES® IRP

The Minnesota Public Utilities Commission (MPUC) has voted 4-0 to accept for filing the 2017-2031 MRES Integrated Resource Plan (IRP).

MRES files an IRP periodically to keep the MPUC informed about efforts to meet the members' capacity and transmission needs and about plans to continue to meet those needs into the future.

Operations Manager Jerry Tielke, Senior Economist J.P. Schumacher, and Resource Planning Economist Eric Carl conducted research, ran forecasts, and analyzed data that resulted in the preparation of the IRP. This is the sixth time that MRES has submitted, and the MPUC has accepted, an IRP from MRES.

MRES Legal Director Mrg Simon testified at a March 30 hearing of the MPUC and explained a capacity imbalance that came about as MRES entered a second Regional Transmission Organization (RTO) market – the Southwest Power Pool (SPP). MRES has been participating in the Mid-Continent Independent System Operator (MISO) market for several years, but was compelled to also join SPP when the Western Area Power Administration, which supplies electricity and also transmission service to most MRES members, moved its Integrated System transmission facilities into SPP.

Simon explained that the split that occurred due to MRES being in two markets “created a situation that stranded most of our baseload capacity, geographically, in SPP and it was uneconomical for us to obtain SPP network transmission service to MISO to deliver power. It would have cost an additional amount of approximately \$10 million per year to serve our existing MISO load with our existing resources located in SPP.”

This means that MRES is capacity-long in SPP and capacity-deficit in MISO. “We are working to respond, whether it be by entering into arrangements with utilities who are in the opposite position where we can basically swap capacity, or by taking the Exira Station in Iowa, which is in SPP, and building a new transmission line to interconnect it with MISO,” Simon said.

The Commission requested periodic progress reports on MRES plans for dealing with the capacity imbalance and MRES agreed to submit such a report by Sept. 1, 2017 and annually until MRES is able to file a notice of change in circumstances to reflect the long-term plan once it is finalized.

Simon also updated the MPUC on the recently renewed long-term power sales contracts with MRES members and the exception in the contract that allows each member community to develop its own renewable resources up to a limit of five percent of their load. “There is interest among our members in developing renewables,” Simon said, “but it seems unlikely that any of them will approach that five percent threshold in the foreseeable future.” The cap is necessary to ensure the security of bonds that have been sold to finance MRES generation and transmission resources, Simon explained.

Commissioners praised MRES for its preparation and responsiveness, and also supported suggested language for the Order to recognize that the MPUC's role in reviewing the MRES IRP is advisory only.



Final settlement approved in MBPP and Wyoming case dealing with regional haze

A final settlement was approved April 20 by the U.S. Environmental Protection Agency (EPA) and the Department of Justice (DOJ) in a lawsuit brought by the Missouri Basin Power Project (MBPP) and the State of Wyoming against the U.S. Environmental Protection Agency (EPA) concerning emissions of nitrogen oxides (NO_x) from MBPP's Laramie River Station in Wheatland, Wyo. Tentative settlement of the case was announced in December 2016. Following a public notice and comment period, the EPA and DOJ approved the agreement.

MBPP is owned by six regional consumer-owned electric utilities including Western Minnesota Municipal Power Agency (WMMPA), which is represented in the project by Missouri River Energy Services (MRES).

The lawsuit was initiated after EPA rejected part of Wyoming's Regional Haze Plan related to limiting NO_x, which contributes to regional haze. The state had approved the NO_x emissions limits achieved by the use of over-fire air and low-NO_x burners, which had been installed at the Laramie River Station, with the addition of Selective Non-Catalytic Reduction (SNCR) on all three units. EPA said SNCRs were not sufficient and that Selective Catalytic Reduction (SCR) would be required on all three of the plant's units.

It is estimated that the cost of installing SCR technology is more than 10 times higher than the cost of installing SNCR technology and the improvement in visibility is so slight that it cannot be discerned by the human eye.

Under the terms of the settlement, MBPP is required to install SCR equipment on Unit 1 of the Laramie River Station by July 1, 2019; and to install SNCR equipment on Units 2 and 3 by December 2018. The current estimate of costs to WMMPA is approximately \$45 million.

After the settlement agreement was approved, the parties filed a joint request for the 10th Circuit Court of Appeals to stay further action in the case pending the completion of all terms of the agreement. The Court granted the stay.

The terms require both EPA and Wyoming to propose and adopt revised rules relating to the determination of the Best Available Retrofit Technology to minimize regional haze.

"This settlement will have the dual outcome of improving the environment and of making sure that our principal power generating resource, the Laramie River Station, can continue to operate at full strength for many years to come," said MRES CEO Tom Heller. It also means that the 330 Laramie River Station employees will be able to continue their work. In addition, more than 200 jobs will be created during the plant upgrade.

Basin Electric Power Cooperative, Bismarck, N.D., the project manager for MBPP and the operator of the coal-fired Laramie River Station, negotiated the settlement on behalf of MBPP. In addition to WMMPA/MRES and Basin Electric, other MBPP participants are Tri-State Generation & Transmission Association, Denver; Lincoln Electric System, Lincoln, Neb.; Heartland Consumers Power District, Madison, S.D.; and Wyoming Municipal Power Agency, Lusk, Wyo.



Laramie River Station

*As we announced at the Annual Meeting, the 2016
MRES Annual Report will be available in June. Watch for it!*

Woodbine wins “Keep Iowa Beautiful” Award of Excellence



Iowa Gov. Terry Branstad, right, presents the Robert D. Ray Community Award for Excellence to representatives from the City of Woodbine. From left, pictured are: Councilman Merne Hammitt, Municipal Light and Power Superintendent Jim Reisz, City Administrator Amber Nelson, Councilman John Kerger, Woodbine Main Street Executive Deb Sprecker, and Municipal Light and Power Board Trustee Chuck Warner.

Iowa Gov. Terry Branstad recently presented the City of Woodbine with the Keep Iowa Beautiful – Robert D. Ray Community Award of Excellence. Woodbine is a member of MRES.

The award is given annually to an Iowa city for enhancing the beauty, cleanliness, and attractiveness of the community. It recognizes communities for exceptional efforts in building a stronger, more vital Iowa community both culturally and environmentally.

“Woodbine was recognized for our aggressive downtown revitalization program, saving our historic buildings through preservation and expansion projects, such as the upper-story housing located downtown,” said Deb Sprecker, executive director of Woodbine Main Street. “It’s a remarkable fact – downtown living units are paying their way in Woodbine – creating additional demographic layers, sales tax, property tax, and business traffic patterns, which ultimately boost the bottom line of many small businesses, from grocery to

insurance to retail to real estate, as well as the city budget.” In presenting the award, Keep Iowa Beautiful noted the community makeover, but also praised the community for “having the vision and developing the excellent leadership to make their community a place of beauty and pride for Iowa. This excellence in leadership provides for sustainability of their vision.”

Gov. Branstad emphasized Woodbine’s ability to get projects completed due to a deep and wide leadership pool. Sprecker said the Governor’s praise meant that many community leaders from a variety of backgrounds and with varying levels of experience are working to strengthen and transform Woodbine. “A strong volunteer core should especially be highlighted as they have provided the energy, creative vision, and glue to push revitalization projects to completion,” she said.

Sprecker noted the Main Street office, the school, and the City Council and staff, as paid employees who work hard for their community. “But the purest form of community involvement is the Woodbine volunteer leader base,” she said. “These busy people give freely of their time for their community, and it is great when their dedication and expertise is recognized.”

In addition to Sprecker, other Woodbine officials were on hand to accept the award. They were Councilmen Merne Hammitt and John Kerger, City Administrator Amber Nelson, Woodbine Municipal Light and Power Superintendent Jim Reisz, and Woodbine Municipal Light and Power Board Trustee Chuck Warner.

City Administrator Nelson said “This award is even more special because only one town/city is chosen each year in the whole state of Iowa,” she said. “Woodbine was nominated, and chosen and in my eyes, this is a pretty big deal.”

Keep Iowa Beautiful was established in 2000 by then-Gov. Robert D. Ray and Donald F. Lamberti, co-founder and former executive of Casey’s General Stores, Inc. It is a 501c3 charitable organization working with Iowa citizens, neighborhoods, and communities to improve the economic vitality and cultural health of the state of Iowa. Its goal is to help build stronger communities to develop sustainable futures.



Watch for highlights from the 52nd MRES Annual Meeting in our next issue!

Privatization of PMA transmission facilities is part of Trump Administration budget proposal

The Trump Administration, in its detailed budget for Fiscal Year 2018, is proposing the privatization of federal transmission assets of the Western Area, Bonneville, and Southwestern Power Administrations.

If the proposal is fully implemented by Congress, the Western Area Power Administration (WAPA) transmission assets would be sold in Fiscal Year 2019 generating total projected revenues of \$580 million for the U.S. Treasury. Total projected revenue for the transmission assets sale from all three of the power marketing administrations (PMAs) is \$5.512 billion.

MRES® members purchase a large portion of their wholesale electricity needs from WAPA and rely on WAPA transmission facilities to deliver that electricity.

Many of the proposal's details are unknown including:

- whether all WAPA transmission assets would be sold as a single unit, by marketing area, or by individual project;
- whether a purchaser would need to renegotiate rights-of-way;
- whether priority transmission rights for delivery of PMA power would remain;
- the impact on WAPA's participation in the Southwest Power Pool regional transmission organization;
- whether the assets would be auctioned to the highest bidder.

The idea of privatizing PMA assets is not new. It has been proposed in various forms over the past four decades, but has never come to pass.

MRES CEO Tom Heller, in a letter to MRES members, said the proposal, if enacted by Congress, could:

- increase WAPA transmission costs,
- impede new transmission investments,
- threaten the historic relationship between WAPA and its public power customers,
- threaten the presumed equity that customers have earned via payment for the construction and upkeep of the Pick-Sloan transmission system,
- carve up the system in a way that could result in loss of service in rural areas if less profitable transmission lines are discarded.

"We will be working with our congressional delegation, key congressional committees, and other PMA stakeholders to prevent adoption of this proposal," Heller said.

MRES Members: Have you signed up yet for the IT electronic discussion group? The IT group will now receive a cyber security newsletter published by KnowBe4 called Cyberheist News. The newsletter contains up-to-date information and recommendations about the latest scams and malware. Sign up now for the IT electronic discussion group by sending an email to: subscribe-it@list.mrenergy.com.





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MRES Board adopts resolution in praise of line workers

The MRES Board of Directors, at its April meeting, adopted a resolution honoring professional line workers for their dedication and willingness to perform their duties even in dangerous situations. The resolution coincided with a congressional resolution designating April 18, 2017, as Lineman Appreciation Day.

The MRES resolution, dated April 13, reads:

WHEREAS, professional line workers provide vital expertise on behalf of their communities and utilities, and the people and businesses those utilities serve; and

WHEREAS, the duties of line workers contribute to public safety, even while the line workers are willing to place themselves into situations that are often perilous; and

WHEREAS, line workers are often part of a team of first responders during storms and other catastrophic events, and

WHEREAS, line workers must be available 24 hours a day, 365 days a year to perform their work in a variety of situations including atop high lines and in deep trenches, without regard to weather conditions; and

WHEREAS, the work these brave individuals perform in establishing and maintaining electric service are invaluable to the nation's economy and infrastructure,

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of Missouri River Energy Services (MRES) recognizes with deep appreciation all of the line workers who provide vital services for MRES, for our member communities, and for utilities throughout the region and nation; and

BE IT FURTHER RESOLVED that the MRES Board praises all line workers for their tireless dedication to the job of keeping electricity flowing all the while protecting public safety.

