

March 2018

# MRES

## Value

A NEWSLETTER OF

### MISSOURI RIVER

ENERGY SERVICES

## Members encouraged to take advantage of Value of Public Power campaign materials

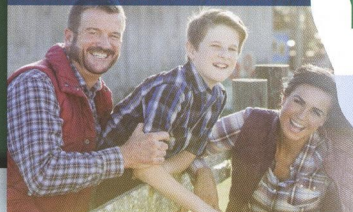
MRES members are encouraged to utilize the Value of Public Power materials that are available on the organization's website in the Members Only section.

The Value of Public Power campaign was established following a directive from the MRES Board of Directors that established the concept as an organizational strategic initiative.

A member focus group, made up of individuals from member utilities who are responsible for local marketing and communications efforts, has worked with MRES communications personnel to develop programs and materials that promote the value of public power.

Materials for the first quarter of 2018 are still available on the website and second-quarter materials will be available soon. Members have been supplied with password information that allows them access to the secure Members Only section of the

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But what we really provide is COMMUNITY.

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*Bill stuffers such as the one pictured above are part of the Value of Public Power campaign materials for the first quarter 2018.*

MRES website. Available resources include infographics, web and social media content, videos, press releases, letters to the editor, radio scripts, and more. Many of these materials are designed to be customized for local use, and, in the case of advertising materials, MRES offers a cost-sharing feature.

Members should direct questions about website access or about the use of the materials to Valerie Larson-Holmes at 800-678-4042 or email [valerie.larson-holmes@mrenergy.com](mailto:valerie.larson-holmes@mrenergy.com).

## MRES Annual Meeting set for May 9-10

*Mark your calendars and make plans to attend the 53rd MRES Annual Meeting scheduled for May 9 and 10 at the Sioux Falls Convention Center.*

Among the featured speakers will be:

*Mike Hyland, senior vice president of engineering services for the American Public Power Association (APPA), who will discuss mutual aid and restoration efforts as a result of 2017 hurricanes, cyber security, the APPA Reliable Public Power Providers (RP3) program, and more.*

*Bruce Hennes, managing partner and CEO of Hennes Communications, who will offer a highly strategic approach to crisis management and crisis communications for a wide variety of situations that could face municipal utilities.*

*Doug Hunter, CEO and general manager of the Utah Associated Municipal Power Systems (UAMPS), who will*

*discuss the country's next generation of advanced nuclear reactors, including potentially game-changing advanced small modular reactors (SMRs).*

*Marty Kanner, president of Kanner & Associates, who will provide an update on federal legislative issues of concern for MRES and its members.*

*Mark Gabriel, administrator and CEO of the Western Area Power Administration (WAPA), who will report on WAPA's rates, the status of the Purchased Power & Wheeling Fund, and WAPA's experience in the Southwest Power Pool energy market.*





Legislative sessions are under way in three of the four states in which MRES has members as well as in Wyoming, which is home to the Laramie River Station, the primary electrical generating resource serving MRES and its members. MRES is monitoring and providing input on many bills of interest and/or concern to MRES and to members.

## IOWA LEGISLATURE

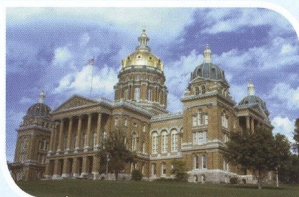
Session began on January 8, and things are moving rapidly as the legislators look to finish before April 17. April 17 marks the day that the legislative per diem ends; legislators may continue to meet after April 17, but at their own expense.

The Omnibus Energy Bill, SF 2311, has been dominating the energy discussion. This bill contains a wide variety of energy policy including rate-rider changes that favor rate-regulated utilities, changes to Iowa Code Chapter 28F allowing municipal joint financing of natural gas systems, transmission investment rights, recovery of fixed costs from qualified utilities, and reduction of energy efficiency reporting. At this writing, the bill is pending on the Senate floor and will soon begin extensive process of debate and amendments. It is expected to pass in some form. MRES is watching several provisions in the bill. One provision would make changes to Iowa code chapter 28F which would allow municipalities to jointly finance and develop natural gas systems.

There was some initial resistance from the delivered fuels advocates, but it seems to have fallen by the wayside. Also, a provision in the bill seeks to clarify non-rate-regulated utilities' ability to recover fixed costs from a customer with distributed generation. Finally, the investor-owned utilities were pushing a measure in the bill to allow large industrial customers served by a rate-regulated utility with loads exceeding 15 MW to opt-out of energy efficiency programs and any expenses associated with them. Unfortunately, that led to an amendment that would allow any customer from any utility to opt-out of participation and costs of the utility's energy efficiency or demand response program. This bill has a long ways to go before the end of session and will face many other amendments, debates, and iterations.

Much attention has also been focused on the Senate Republican Tax bill, SF 2383. The bill was introduced on Feb. 22 and was quickly passed out of the Senate Ways and Means Committee. It passed the Senate on Feb. 28 on a vote of 29 to 21. While the proposed changes in this bill are expected to reduce taxes by up to \$1 billion, the House is working on its own version of tax relief with direct support from the Governor's office. With both the Senate and the Governor's office pushing for reform, some form of tax relief will likely pass this session—but the form of passage is still being debated.

Finally, like many other states, Iowa is considering increasing the criminal penalties for trespass and vandalism at critical energy infrastructure sites or potential sites. SF 2235 has passed the Senate and is pending in the House; it is highly likely it will pass this year.



## MINNESOTA LEGISLATURE

Just prior to the start of session, there was a special election held Feb. 12 to replace two legislators who previously resigned. Senate District 54 stayed with a Democrat as Karla Bigham (Cottage Grove) won the seat despite a close election with former House member Denny McNamara (R-Hastings). In House District 23B, Jeremy Munson (R-Lake Crystal) won the seat handily. District 23B includes MRES Member St. James and Associate Janesville.

On Feb. 20, state lawmakers returned to St. Paul to kick off the 2018 legislative session. The very first order of business was funding the state legislature. The legislature finally had a budget of its own after months of using funds from the Legislative Coordinating Commission to pay staff and operations.

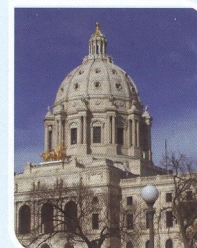
A conference committee passed a clean funding bill with no amendments the second day of session, which was approved by both legislative bodies one day later.

One of the next big discussions this session will be the federal Tax Cuts and Jobs Bill. The passage of the federal legislation may require some conforming changes to Minnesota's state tax code. The Department of Revenue has estimated that simply matching Minnesota's tax code to the new federal changes would result in a \$463 million state tax increase on Minnesota taxpayers this fiscal year, and up to \$1.2 billion in the next budget cycle. That is because the federal government eliminated many deductions and credits that previously flowed through to state taxes to reduce Minnesota tax liabilities.

The February budget forecast was released in late February. The forecast projects a surplus for the remainder of the fiscal year 2018-2019 biennium of \$329 million. This is an improvement over the November forecast, which projected a \$188 million deficit. The change in the forecast is a result of the passage of the federal tax bill last year, higher than expected revenue collections and lower than expected state spending. The forecast also projected a surplus for the 2020-2021 biennium of \$313 million.

Another issue that may be brought up during session is the issue of Sen. Michelle Fischbach (R-Paynesville) serving as the Lt. Governor. Fischbach has stated she would retain her Senate seat while also serving in the administration. A lawsuit on this matter has already been dismissed as premature. But once Fischbach casts a vote, look for a new court case to be filed.

On the energy front, the Minnesota Conservative Energy Forum is hosting events for Senators pushing "customer choice." While there has not been a bill introduced in the Senate, it appears that they are pushing the concept that large industrial customers should be able to buy their power directly from the market via a non-utility and therefore go "off the grid" and away from their utility. The issue of course being that in order to buy from the market, you still need to be connected to the grid. That grid must also continue to be maintained, upgraded, and operated by the utility and that will cost money—money that will likely come from residential customers. This will be an ongoing issue this session and probably in future sessions.

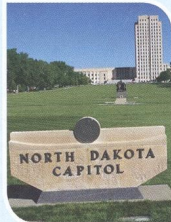




## NORTH DAKOTA LEGISLATURE

The North Dakota Legislative Assembly meets in regular session only in odd-numbered years; however, interim committee work takes place in even-numbered years. MRES is monitoring potential bill drafts and legislation in a variety of interim committees.

- The Energy Development and Transmission Committee has been having ongoing discussion on taxing various forms of generation, as well as incentives for various forms of generation. The committee has received presentations comparing three forms of power (coal, natural gas, and wind) in terms of capacity factor, levelized capital costs, fixed operations and maintenance costs, transmission invested, levelized cost of electricity, and levelized avoided cost of electricity. Additionally, it has received information on state tax incentives, federal tax incentives, and the estimated fiscal impact of sales tax exemptions for each of these three types of resources.
- The Judiciary Committee has been gathering information on costs, the ability to reach the public, and the necessity of publication of legal notices; in particular, the required publications of state political subdivisions that also maintain their own websites. The committee is set to consider a bill draft related to publishing legal notices at its next meeting in April.
- The Natural Resources Committee is continuing to take testimony and gather data on the impact of wind energy development on the environment.



North Dakota voters may get to vote on a ballot measure in November regarding raising the state's oil extraction tax, which would reverse a central piece of the overhaul that state lawmakers passed nearly three years ago. A ballot measure to increase the oil extraction tax from 5 percent to its previous 6.5 percent is being circulated for signatures. The Republican-led 2015 legislature lowered the tax to 5 percent and eliminated price-based tax breaks known as triggers in an effort to make North Dakota's tax revenues more predictable and competitive.

## SOUTH DAKOTA LEGISLATURE

The South Dakota legislative session convened Jan. 9. It has been a busy one with more bills introduced than in previous years. The legislature will continue to work through March 9. They will go into recess and return on March 26, which is the day reserved for consideration of gubernatorial vetoes.

There have been number of wind energy and related transmission siting bills considered this session. HB 1234 would require the PUC to promulgate rules regarding bonding and decommissioning requirements for wind facilities. The bill passed 56 to 11 by the House and was then referred to the Senate Local Government committee. It is expected to pass this session.



SB 62, a bill to require certain notification when a cyber breach has occurred, has garnered a lot of attention this session. Attorney General Marty Jackley is the prime proponent of the bill. He has

spoken as a bill sponsor, telling legislators that the groups who worked on the creation of the bill believe that it is not overly burdensome on businesses, that the law syncs up with federal law, and that the proposed penalties are in line with other states. The bill has passed both the Senate and the House at this writing and is expected to be signed by the Governor.

Finally, session was dominated by a number of bills on ballot measure, Constitutional measure, and initiated measure reform. Several bills have passed and some were signed by the Governor early in session. Some bills that have passed or are expected to pass would: limit campaign contribution amounts, require fiscal notes for certain initiated measures, establish a process for resolving conflicts between initiated measures that have passed, revise the language format that must be used in ballot measure petitions, and set forth a procedure for public comments on pending ballot measures.

## WYOMING LEGISLATURE

The Wyoming 2018 legislative session began Feb. 12 and ended March 10. Wyoming limits its session to 20 days with the possibility of an additional three days. It is no surprise that budget and revenue will take center stage; but there have been some non-budget bills MRES is watching:

SF 14 creates a committee that in turn would create a Wyoming biennial energy strategy. The four-member, Governor-appointed committee would include one person from the energy industry, one from the environmental community, one from the public, and one at-large member. The biennial energy strategy will be submitted to the legislature through the Joint Minerals, Business, and Economic Development interim committee by Aug. 30, 2019 and every two years thereafter. At this writing, it is pending before the Minerals Committee.

Like Iowa, Wyoming is also considering a bill to enhance criminal penalties for crimes against infrastructure. SF 74 would make it a felony punishable by imprisonment for not more than 10 years and/or a fine of not more than \$100,000, for any action that vandalizes, damages, defaces or interferes with the operations of critical infrastructure. It further would penalize any organization that aids, abets or encourages such actions with a fine not to exceed \$1 million. At this writing, it has passed out of the Senate Judiciary Committee (5 to 0 vote) and is pending on the Senate floor.

Finally, SF 12 is an interesting bill that sets forth minimal qualifications for the members of the Public Service Commission (PSC). It requires that at least one member of the PSC shall have a license or degree in the field of accounting, business administration, economics, engineering, finance or law; and at least five years of professional experience in a field substantially related to the duties of the PSC. At this writing, it has passed the Senate (20 to 10 vote) and is pending in House Corporations Committee.

For the latest updates on legislative issues, please check the weekly *MRES Legislative Line* email from Legislative and Governmental Relations Director Deb Birgen or log on to [www.mrenergy.com](http://www.mrenergy.com) and click on the Legislative and Regulatory links for bill tracking.





Missouri River Energy Services' Bright Energy Solutions (BES) program cut nearly 8.9 megawatts from MRES peak load in 2017 – the highest annual savings to date. The total cost of this power supply resource was only \$476 per kilowatt. Since 2008, BES has provided nearly 57 megawatts of peak demand savings at an average cost of \$571 per kilowatt.

Commercial and industrial (C&I) programs were responsible for 89 percent of the 2017 peak demand savings, and 83 percent of total incentive costs. More than 82 percent of the C&I demand savings came from lighting and custom programs. The incentives and savings for these two programs will be cut significantly in 2018 due to changes made to the baseline efficiency.

Residential programs produced 11 percent of total 2017 demand savings – down from 16 percent the previous year. About 17 percent of the total incentives were spent on residential programs. About 57 percent of the residential demand savings came from the heating and cooling program.



## Technology Days moving to downtown Sioux Falls

Mark your calendars for Technology Days 2018. The event is set for April 17-18 at the Holiday Inn City Centre, located at 100 W. 8th Street in downtown Sioux Falls.

Topics will include efficient electrification, the newest in lighting science, smart grid technologies, MRES proactive maintenance services, community solar planning, and email security. Keynote speaker Jason Kotecki will provide practical tips for bringing more fun and less stress to the job, creating a better harmony between work and home.

A pre-conference workshop is scheduled for 10 a.m. – noon on April 17. Attendees will choose from a variety of topics and participate in three different 30-minute roundtable discussions to ask questions and share information and best practices with their peers and Bright Energy Solutions staff. The traditional reception has been replaced with "Dinner with Friends." Conference attendees can sign up for one of several group dinners that MRES staff will host at downtown restaurants.

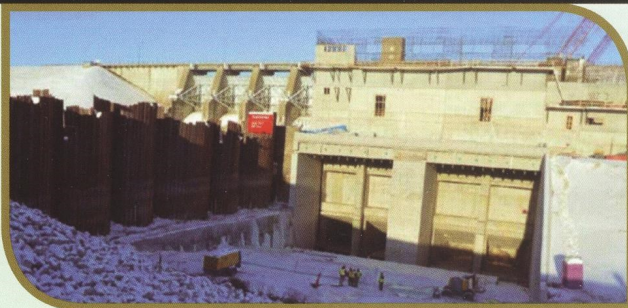
Registration for Technology Days is now available at [www.mrenergy.com](http://www.mrenergy.com), under the Events tab.

## Construction of Red Rock Hydroelectric Project 72 percent complete at end of 2017

At the end of 2017, construction work at the Red Rock Hydroelectric Project was estimated to be 72 percent complete.

A total of 68,325 cubic yards of concrete had been poured and 5,697 tons of rebar had been placed at the site by year-end.

The photo above, which was taken in early January 2018, shows the tailrace area looking toward the powerhouse structure.



## Applications being accepted for 2018 MRES scholarships

Scholarship application materials for both traditional scholarships and for lineworker-specific scholarships were distributed to schools in member communities and placed on the MRES website at <https://www.mrenergy.com/services/scholarships>.

MRES offers up to five scholarships for both tracks. Each scholarship is worth \$1,000 and the traditional scholarships are renewable up to an additional three years.

The deadline to submit applications for an MRES scholarship was March 15.





## Board committees named for 2018

MRES Board Chairman Harold Schiebout, Sioux Center, Iowa, has appointed members of the Board of Directors' committees for 2018.

The Executive Committee is made up of the Board's officers: Schiebout, chairman; Don Johnston, Flandreau, S.D., 1st vice chairman; Bill Schwandt, Moorhead, Minn., 2nd vice chairman; Jim Hoyer, Rock Rapids, Iowa, 3rd vice chairman; Norris Severtson, Lakota, N.D., 4th vice chairman; and Brad Roos, Marshall, Minn., secretary/treasurer.

Vernell Roberts, Detroit Lakes, Minn., is chair of the Nominating Committee. Other members include Duane Feeke, Orange City, Iowa; Steve Lehner, Watertown, S.D.; and David Schelkopf, Valley City, N.D.

The Finance Committee is chaired by Schwandt. Other members are Lehner; Scott Hain, Worthington, Minn.; Steve Meyer, Brookings, S.D.; and Rory Weis, Denison, Iowa.

Johnston is chair of the Personnel Committee. Other members are Roos; Severtson; Al Crowder, Alexandria, Minn.; and Leon Schochenmaier, Pierre, S.D.

Roos chairs the Smart Grid Committee. Other members include Hoyer, Roberts, Schelkopf, and Schwandt.

Schiebout serves as an ex-officio member of the Nominating, Finance, Personnel, and Smart Grid committees.

The MRES Board of Directors, elected by the MRES members at the Annual Meeting, establishes policies and rules for the management, administration, and regulation of the business affairs of the agency on behalf of the members. The committees are established to assist in the supervision and control of the agency's affairs through deeper examination of their assigned topics and the development of recommendations to the full Board.

## Five MRES employees honored for outstanding work

Congratulations to the 2017 POWER Award winners! The awards, which honor MRES employees who make outstanding contributions that are often above and beyond their normal job expectations, were presented during the annual Board-Employee luncheon that was held Jan. 10 in Sioux Falls.

This year's POWER Award winners are:

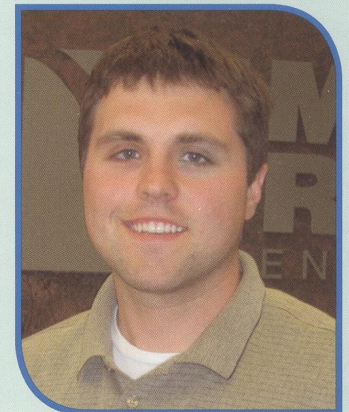
- Electrical Distribution Superintendent Jeff Bechthold and Apprentice Lineworker Clay Welchlin - for providing



*Pictured above, from left, are POWER Award recipients Eric Carl, Jeff Bechthold, Karen Weeden, and Clay Welchlin.*

exceptional customer service when helping with hurricane restoration efforts in Florida.

- Resource Planning Economist Eric Carl - for his recommendations to make several changes to the MRES transmission hedging strategy, saving MRES \$400,000.
- Transmission Engineer II Wes Pfaff - for his work on Southwest Power Pool's transmission filings that resulted in combined transmission revenues of more than \$1 million annually for Denison (Iowa) Municipal Utilities and the City of Vermillion, S.D.
- Senior Rate Analyst Karen Weeden - for her work as committee chair for the first employee engagement survey in 20 years.



*Wes Pfaff*



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## MRES members and staff meet with lawmakers during APPA Legislative Rally

MRES members and staff discussed five primary issues with federal lawmakers during the American Public Power Association's annual Legislative Rally Feb. 26-28 in Washington, D.C.

The discussions centered on legislative fact sheets that also were presented to the congressional delegation representing MRES members. The following offers brief summaries of those issues.

### ***Advance refunding of tax-exempt municipal bonds***

States, counties, and cities issue municipal bonds to pay for a variety of infrastructure projects, including electric infrastructure projects. Tax-exempt bonds remain the most important tool available to MRES and its member communities to finance such vital projects.

While Congress chose to preserve the tax-exempt status of municipal bonds in the Tax Cut and Jobs Act, the ability to use advanced refunding (or refinancing) of municipal bonds was regrettably eliminated in the Act. Advanced refunding of outstanding bonds provides substantial savings to taxpayers throughout the country. In the last five years, state and local governments have issued \$392 billion in advance refunding bonds, generating at least \$12 billion in net present value advanced savings.

In his first State of the Union Address, President Donald Trump called on Congress to draft legislation that will "generate" \$1.5 trillion for new infrastructure investments. The President also stated that "every federal dollar" should be "leveraged" by partnering with state and local governments and tapping into private sector investment. The ability to advance refund tax-exempt municipal bonds benefits all Americans – and provides exactly the kind of "leveraging" the President called for.

MRES and its members urge our delegation to cosponsor H.R. 5003, a bill that would reinstate the ability of state and local governments to issue advanced refunding bonds.

### ***Protecting the federal power program***

Threats to the structure or rates of the federal Power Marketing Administrations (PMAs) crop up from time to time as a tool to help reduce the federal budget deficit. The President's fiscal year 2019 budget proposal recycles last year's plan to privatize the transmission assets of the PMAs including the Western Area Power Administration (WAPA).

MRES representatives argue that proposals such as this are short-sighted and would disrupt long-term contracts, raise electricity rates, and threaten a partnership that provides irrigation, flood control, navigation, water supply, fish and wildlife protection, and recreation. MRES and its members vigorously oppose any proposal to change this program that has a long history of mutual benefits for the federal government and the public.

### ***Broadband pole attachments***

Currently, the Federal Communications Commission (FCC) is

charged with regulating rates, terms, and conditions for pole attachments by telecommunication systems, although that jurisdiction does not apply to municipal utilities. Since municipal utilities are already locally rate-regulated, MRES urges continued respect for local decision making on pole attachments as long as municipalities are providing rates, terms, and conditions that are nondiscriminatory.

### ***PURPA reform***

The Public Utility Regulatory Policies Act of 1978 (PURPA) was originally passed by Congress to increase the use of renewables and cogeneration. PURPA requires that electric utilities purchase the output of certain qualifying facilities (QFs), typically small renewable production facilities, which would receive special regulatory treatment under the law. Regardless of a utility's need for power, under PURPA, a QF may force a utility to take the power, even if it results in a loss for the utility.

In addition, utilities may have renewable obligations set by a state. Utilities planned for and made commitments to build or enter into long-term contracts for those renewable resources. Those investments may be circumvented and the utility's costs stranded when a QF invokes the PURPA mandatory purchase requirements. The result is that customers not only pay for renewables that the utility has already built, they must also pay for renewables owned by a third party that are not necessary to meet customer needs or utility obligations.

Since the enactment of PURPA, the electric industry has undergone tremendous change. Robust regional transmission markets now provide non-discriminatory access to interconnection and transmission to sellers and purchasers of electricity. There is no longer a need to push or incentivize the build-out of generation. Further, renewable energy is booming and the amount of renewables is expected to continue to grow. The problems that PURPA was enacted to address no longer exist. MRES is urging its congressional delegation to support legislation that makes common-sense reforms to PURPA that reflect the realities of today's utility industry and regional energy markets, and that prevent abuses of the existing rules under PURPA.

### ***Municipal service territory preservation***

As cities annex new areas into their boundaries, citizens and businesses in the annexed areas want to be able to avail themselves of the services the city has to offer, including ownership of and access to reliable, cost-effective municipal electric service.

Those representing MRES explain that in every state that allows municipal utilities to grow with its city, compensation to the incumbent utility is required. Also, it is important that decisions regarding annexations and service territory remain with the states, rather than with the federal government.