

City of Madison
Electric Advisory Committee Minutes
Madison, SD 57042

May 18, 2015

The Electric Advisory Committee of the City of Madison met on the 18th day of May, 2015 with the following members present: Jeremiah Corbin, Bob Maxwell, Randy Hoffman and Nate Jones. Also present were Jeff Heinemeyer, Mayor Lindsay, Chuck Clement, Bob Thill, Jerry Seitz, Steve Moses and Jenn Eimers.

Absent: Dustin Williams.

Motion by Maxwell, second by Jones that the minutes of April 13th, 2015 be approved. Motion passed unanimously.

Motion by Jones, second by Maxwell that the agenda for May 18th be approved. Motion carried unanimously.

Steve Moses, customer service representative from Heartland Consumer Power District, appeared before the committee upon request. He began by suggesting that the City be sure to have mutual aid agreements with other utilities in case of an emergency where the City would need assistance from other electric organizations. Heinemeyer will check on this.

Moses continued by explaining his experience working with utilities who have seen serious storm damage, especially as it relates to FEMA assistance. FEMA requires that any damage to the City must exceed \$1.3 million before they will participate. However, once the damage exceeds that level, FEMA will participate on a 75% cost share basis back to dollar one. Reimbursement may take up to a year to receive.

Moses also told the committee that he had discussed with the Minnesota Municipal Utilities Association the existence of any cash reserve policies that either they recommend or other Minnesota utilities might have. The Association does not have a policy, nor do they have samples of others. Heinemeyer explained that he had met with officials from Marshall, Minnesota and New Ulm, Minnesota. Marshall has a policy that states they will keep at least 120 days in their cash reserves, down from the 180 day policy they previously had. They have imposed a fuel adjustment clause that levels out cash flow issues. New Ulm has an informal policy of keeping 180 days of cash in reserve, which is the recommendation of their bond underwriters. They also have a fuel adjustment clause.

The committee and Mr. Moses also discussed financial credits, mandates and other load management related issues. It appears that Madison is one of the few cities that give a financial credit to those customers who participate in the program.

The committee discussed the recommendation from the May meeting that the City participate in the new Heartland programs for residential lighting rebates, lifetime electric water heater rebates and commercial refrigeration, lighting and motor incentives, with the implementation procedure to be developed by the City. After considerable discussion and clarification, the City will research the issue further and approve the programs in the near future.

Heinemeyer reviewed the current debt of the City's electric department. It consists of:

- 1) A 15 year bond issue for a distribution improvement project in the west area of town that will be paid off in 2019. The 2019 payment is bigger than the others---\$756,000 vs. approximately \$400,000 in the preceding years. However, the City will be able to use its \$316,000 restricted debt service reserve for the 2019 payment.
- 2) A 20 year bond issue for the generation plant scheduled for payoff in 2025. The current annual payment of approximately \$400,000 will be over \$800,000 in 2025. A debt service reserve of \$370,000 can be used for the 2025 payment. Heinemeyer noted note that the contract with Basin will expire at that time. Their annual payment to the City slightly exceeds the debt service payment. The 10 MW capacity at the generation plant will then be available to sell to anyone, this should be a sizeable revenue generator for which the City may want some outside assistance in marketing.

The committee will meet again on June 22 at 3:00.

Motion by Maxwell, second by Jones that the committee adjourn. The committee adjourned at 4:30.