

Kaukauna, WI  
July 27, 2023

The regular meeting of Kaukauna Utilities Commission was called to order at 4:00 p.m. by President Lee Meyerhofer. Commission Members present were John Moore, Pennie Thiele, Sue Hennes, Greg Lenz, Lee Meyerhofer, Tony Penterman, and Paul Van Berkel. Also present were Michael Avanzi, Clara Pickett, Dave Pahl, Zach Moureau, Tara Schmitz, Eric Miller, Hazael Becerra, Jake Waldschmidt, Kayla Coonen, Andy Vanden Heuvel, and Amy Brick from KU. Also present was Steve Engebos, WPPI Energy and City Attorney, Kevin Davidson.

There was no public comment.

Operational Technology Specialists Jake Waldschmidt and Kayla Coonen presented on the Operational Technology Application.

It was moved by John Moore, seconded by Greg Lenz to approve the minutes of the June 27, 2023 Commission meeting as amended.

All members voted aye.

Motion Carried

Manager of Engineering & Project Management Eric Miller provided additional information that was requested by the Commission at the June 27, 2023 Commission meeting regarding the release of easement request from Kaukauna Utilities customer Carl Rambo who lives at 1417 Hoover Avenue in Little Chute. Eric informed the Commission the existing underground electric lines were installed in 1993 and Kaukauna Utilities has prescriptive rights to own, operate, and maintain them. The owner has agreed to allow a five-foot utility easement on that side of his property contingent upon KU releasing our easement rights on the west side of the property. KU located our electric lines on the east side of the lot and the locates show they are within the proposed easement area. Staff will confirm that when the underground line needs to be rebuilt in the future, the easement and prescriptive rights would permit it to be done with the additional possibility of adding other facilities. Below is the information from the June 27, 2023 Commission meeting.

KU has an easement along the western lot line of the lot and Mr. Rambo is requesting KU vacate the easement to allow him to procure the parcel to the west from his neighbors and expand his garage/house. KU's electric distribution facilities in that area are currently underground and run along the eastern side of his parcel, not the western side where the easement is located. AT&T is also named in the easement and has already surrendered their right to it. Mr. Rambo is agreeable to granting KU an easement along the eastern lot line in exchange for the release of our easement rights on the western side of his property.

It was moved by Tony Penterman, seconded by John Moore to authorize the General Manager to execute the Release of Easement form with Carl Rambo, removing the utility's easement along the western lot line of the property at 1417 Hoover Avenue, contingent upon the establishment of an easement for Kaukauna Utilities along the eastern lot line of that same parcel and amended to state Kaukauna Utilities has the right to abandon and replace the underground line in the future when necessary.

All members voted aye.

Motion Carried

Manager of Engineering & Project Management Eric Miller provided additional information that was requested by the Commission at the June 27, 2023 Commission meeting regarding the Joint Use Pole Attachment Agreement with WE Energies stating the agreement has been revised after the last Commission meeting on June 27, 2023. Most changes were minor except for removing Addendum #2. WE Energies was able to acquire meter sockets for all the services to be installed presently, therefore, Addendum #2 has been deleted. Below is the information from the June 27, 2023 Commission meeting:

WE Energies is looking to install facilities in an estimated twenty-nine (29) municipal electric utilities in Wisconsin that will permit their natural gas meters to communicate through radio frequency means. A Task Force was created with representatives from MEUW, Boardman Clark Law Firm, and Forster Electrical Engineering (KU was included in this) with WE Energies affording a significant portion of the cost for the creation of a formal agreement template. Shortly after the Task Force completed their work, WE Energies approached KU to attach to 117 of our structures with AMI telemetry facilities for their natural gas meters. Two addendums requested from WE Energies:

1. They requested that they not be required to place a unique identifier label at the base of each of our poles. They prefer to use KU's existing unique pole number already attached to each pole.
2. All the "gatekeeper" collection units will require electric service to provide power for their equipment. WE Energies stated they do not think they will be able to acquire enough electric meter sockets in the time frame that they would require to install the units given the current supply chain issues. They asked if one unit could be installed with a socket and meter, and that the remaining units be installed without metering presently but billed monthly based off that unit until such time that all of them can be equipped with meter sockets and meters. All units will be required to be metered by the end of 2026.

It was moved by Paul Van Berkel, seconded by Greg Lenz, to authorize the General Manager to approve and execute the proposed joint use agreement with WE Energies.

All members voted aye.

Motion Carried

Finance & Administration Director Clara Pickett discussed permanent changes to the lobby hours stating at the July 13, 2022 Commission meeting, the walk-in lobby hours were revised to 9:00 a.m. – 4:00 p.m., Monday – Thursday and 9:00 a.m. – 12:00 p.m. on Friday as a pilot program, subject to review and change after one year. The revised lobby hours have been well received by staff and customers and she proposed making the hours permanent moving forward or until further notice.

It was moved by Pennie Thiele, seconded by Sue Hennes to approve the revised lobby hours of 9:00 a.m. to 4:00 p.m., Monday through Thursday and 9:00 a.m. to 12:00 p.m. Friday on a permanent basis.

All members voted aye.

Motion Carried

General Manager Michael Avanzi discussed the Badger Hydro Renewable Energy Credits (RECs) Settlement with WPPI stating that the Renewable Portfolio Standard (RPS) requires all electric providers to supply a specified percentage of electricity from renewable resources. Electric providers subject to the RPS include all utilities selling electricity at retail. Because WPPI does not sell at retail, WPPI itself is not subject to the RPS. However, WPPI has taken on the responsibility of planning and

reporting compliance for all WPPI members. Under Wisconsin Acts 9 and 141, the members of a municipal electric company, such as WPPI, may meet the RPS on an aggregate basis. Hydro facilities that are included in the renewable energy baseline, including Badger and all of Kaukauna's other hydros receive several RECs for RPS compliance purposes that is equal to their average generation during the years 2001 through 2003. However, there's a provision in the statutes that provides for an adjustment to this amount to reflect capacity increases from improvements that were made to these facilities on or after January 1, 2004. The Badger Hydro upgrade falls into this category. To account for this upgrade, WPPI requested and received from the PSC an increase in the amount of annual generation from Kaukauna's hydro facilities that can be used for RPS compliance. The increase was from 142,940 MWh to 159,606 MWh and was effective January 1, 2018. (See Docket No. 6685-RF-114.) While the 2000 letter agreement between Kaukauna and WPPI doesn't address facility upgrades, it seems reasonable that the incremental RECs resulting from the upgrade should belong to Kaukauna, since they aren't included in the RPS baseline. However, these RECs are of limited value to Kaukauna. RECs from baseline hydro facilities are not bankable and must be used for RPS compliance in the year in which they are generated. Since all of the major Wisconsin utilities have sufficient renewable facilities to meet their RPS requirements, there is little or no market for Wisconsin RPS-compliant RECs. Hydro RECs in general are not Green-e eligible, so they have little value in the voluntary REC market. These RECs are of value to WPPI, however, since they can use them for Wisconsin RPS compliance, freeing up RECs that can be banked for RPS compliance and that have value in the voluntary market, so the best use of these RECs would be for WPPI to buy them from Kaukauna.

RECs are created for hydro projects in an amount equal to the number of MWh of generation, just like any other renewable project. However, when the RECs are used for Wisconsin RPS compliance, an adjustment factor is applied such that the number of RECs that may be used for WI RPS compliance purposes is equal to the number of MWh of average annual generation during the baseline years of 2001 - 2003 (as adjusted for uprates, as in the case of Badger). As a result, KU's hydros got a total of 142,940 RECs for WI RPS compliance purposes each year until 2018, when this was increased to 159,606 MWh to reflect the Badger uprate. The incremental 16,666 RECs were used by WPPI for WI RPS compliance, and this is the number of RECs for which they originally proposed to compensate KU. However, the price they proposed to use for compensating KU is a price for generic hydro RECs rather than a price for WI RPS compliance RECs. If KU sold the RECs as generic hydro RECs rather than as WI RPS compliance RECs, KU would be able to sell a number of RECs equal to the MWh of actual generation. Therefore, it's more appropriate for WPPI to pay KU for RECs based on the percentage of actual generation represented by the Badger uprate, which was 830,166 MWh from 2018 - 2022. This translates to 86,669 incremental RECs.

Under the March 28, 2019 contract for John Street Hydro, WPPI pays Kaukauna \$0.50/REC for RECs from John Street Hydro, which seems like a reasonable basis for buying the incremental RECs from Kaukauna's baseline hydro facilities. Unfortunately, there's no single source you can go to in order to find the current market price for RECs. You generally have to call up some brokers and see if they know of anyone who is looking to buy the RECs that you're trying to sell. WPPI checked around and got a bid of \$0.50 for vintage 2022 hydro RECs and \$0.65 for vintage 2023. For the 86,669 RECs from 2018-2022 (at \$0.50/REC), the lump sum payment to KU would be \$43,335. WPPI would compensate KU at \$0.65/incremental REC going forward for 2023 and beyond.

As an alternative to the payment of a lump sum for the 2018 - 2022 RECs, WPPI would offer to pay an increased REC price for 2023 - 2027 RECs. With the revised REC price of \$0.65 for 2023 and later RECs, WPPI would pay \$1.15 for 2023 - 2027 RECs and \$0.65 for 2028 and later RECs. This payment would be based on actual generation for those years.

Alternatively, KU could sell the RECs on the market rather than selling them to WPPI. KU could either open an account in the M-RETS tracking system into which WPPI would transfer KU's RECs, or WPPI could hold KU's RECs in a separate subaccount in their M-RETS account and transfer them to buyers at KU's direction. Since KU has limited expertise in buying and selling RECs and would incur the cost of subscribing to the M-RETS tracking system, this option is not recommended.

Due to the uncertainty of future hydro generation especially with recent river flow conditions, staff recommends the lump sum payment. Whether KU takes the lump sum catch-up payment or bases the catch-up payment on future generation, the monetary impact to KU is relatively small compared to the overall annual budget.

It was moved by Sue Hennes, seconded by Tony Penterman to authorize the General Manager to enter into a settlement agreement with WPPI for Badger Hydro RECs which includes a catch-up lump sum payment of \$43,335 for 2018-2022 and a payment of \$0.65/REC for 2023 and beyond with a true up provision every 3-5 years added to the agreement.

Roll call vote:	Lee Meyerhofer	aye
	John Moore	aye
	Sue Hennes	aye
	Greg Lenz	aye
	Paul Van Berkel	aye
	Tony Penterman	aye
	Pennie Thiele	aye

Motion Carried

General Manager Michael Avanzi provided a quarterly update on the 2023 Work Plan and Strategic Intent.

The Commission reviewed the Electric and Water Financial Statements and the monthly reports.

General Manager Michael Avanzi discussed with the Commission the high potential for KU needing to extend an underground distribution line from our system and tie into the Kimberly Hydro Plant. The Village of Kimberly is currently working on a development including a trail where KU would eventually build a line in the future. We would like to install the conduit in the ground for that line now, so crews don't have to go back later and work around the new development at a higher cost. KU staff has been working with the Village of Kimberly on easements. The line would eventually be built from the Little Chute Hydro Plant to the Kimberly Hydro Plant (roughly one mile). The estimated total project cost is \$650,000. However, for labor and material to install the conduit near the new development it is estimated to be \$75,000.

It was moved by Lee Meyerhofer, seconded by Sue Hennes to authorize the General Manager to proceed with installation of conduit along the trail in the Village of Kimberly for \$75,000.

Roll Call Vote	John Moore	aye
	Pennie Thiele	aye
	Greg Lenz	aye
	Lee Meyerhofer	aye
	Paul Van Berkel	aye
	Sue Hennes	aye

Tony Penterman            aye

Motion Carried

General Manager Michael Avanzi introduced employee Erik Hernandez, Relief System Operator.

General Manager Michael Avanzi reviewed highlights from the monthly department updates informing the Commission Steve Engebos created a Rapid Response Team who will be responsible for responding to key account issues and questions in an expedited timeframe to ensure our key accounts receive priority response to their needs. KU earned the APPA Smart Energy Provider (SEP) designation from December 1, 2023 to November 30, 2025. Staff is preparing for the Employee Engagement Survey at the end of Q3. The first edition of the employee newsletter will be coming out in August. Dave Pahl has been appointed to a task force with the Department of Energy for standardizing distribution transformer standards. We received the Tesla Model Y, and it has been on display with our employees as well as within the community. Staff is researching chargers for our garage for the Tesla along with any future electric vehicles. The Public Service Commission (PSC) approved the construction authorization for the water storage building so our water rate case will continue.

General Manager Michael Avanzi questioned if the Commission would like to create an Ad Hoc Committee for the upcoming water system study. If the Commissioners are interested in sitting on the Committee, they are to contact Lee Meyerhofer.

It was moved by Tony Penterman, seconded by Sue Hennes to direct the Commission President, Lee Meyerhofer, to create an Ad Hoc Committee for the Water System Study.

All members voted aye.

Motion Carried

General Manager Michael Avanzi continued to review highlights from the monthly department updates stating the water department has addressed all the deficiencies from the 2022 sanitary survey. The quarterly customer newsletter went out on July 11<sup>th</sup>, and it went to 2,172 customers with an open rate of 57% that is above industry standards. Staff created a new customer survey through APPA called the Public Power Data Source. The new trash racks for the Badger Power Canal are scheduled to be installed starting September 5, 2023.

The WPPI Annual Meeting is September 13-15 at Blue Harbor Resort & Conference Center in Sheboygan and the MEUW 95<sup>th</sup> Anniversary Celebration is October 18 in Madison. If any Commissioners are interested in attending, they are to let Amy know. Michael reviewed the draft agenda for the Utility Commission Workshop on September 26<sup>th</sup> and asked for any feedback from the Commissioners.

Finance & Administration Director Clara Pickett provided information regarding the custodial credit risk of our deposits at the Bank of Kaukauna. Staff reviewed the deposit risk of KU's deposits with the bank and how it may overlap with that of the city deposits with the bank.

- KU and City deposits are completely independent of each other. Deposits, FDIC insurance and State Deposit Guarantee Fund insurance are segregated per tax identification number. Since the City and KU have separate tax identification numbers, we each hold our own deposits and insurance.

- Deposits are insured by the FDIC in the amount of \$250,000 per bank and by the State Deposit Guarantee Fund in the amount of \$400,000 per bank.
- In addition to the above insurance, KU requires that the Bank of Kaukauna collateralizes all deposits in excess of the above insured amounts through the pledging of appropriate securities or other instruments in the name of the utility. The collateral agreements and a statement of securities pledged are reviewed at least annually to ensure that proper coverage is met.

In summary, KU has proper procedures in place to ensure the safety of public funds.

The Commission chose not to adjourn to closed session pursuant to Wis. State Statute 19.85(f) for review of data Kaukauna Utilities is prohibited from making public under Wis. Stat. 196.137, including Kaukauna Utilities Write Off Journal details, Check Register details and Customer Usage and Billing.

It was moved by John Moore, seconded by Sue Hennes to approve the June accounts receivable write-offs.

Roll Call Vote:	Tony Penterman	aye
	John Moore	aye
	Paul Van Berkel	aye
	Sue Hennes	aye
	Lee Meyerhofer	aye
	Pennie Thiele	aye
	Greg Lenz	aye

Motion Carried

It was moved by John Moore, seconded by Greg Lenz that checks numbered 1297 through 1315, 78403, 78409, and checks numbered 78443 through 78570 in the amount of \$3,862,771.39 be approved for payment.

Roll Call Vote:	John Moore	aye
	Pennie Thiele	aye
	Greg Lenz	aye
	Lee Meyerhofer	aye
	Paul Van Berkel	aye
	Sue Hennes	aye
	Tony Penterman	aye

Motion Carried

It was moved by Tony Penterman, seconded by John Moore to adjourn.

All members voted aye.	Motion Carried
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The meeting ended at 5:29 p.m.

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John P. Moore  
Secretary