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### **City Utility Leaders Receive High-Level Outlook for Power Industry**

Blue Earth, MN – Nearly 100 Public Power Commissioners, Council Members and Administrators gathered recently for the annual meeting of Central Minnesota Municipal Power Agency (CMMPA). The delegation heard mixed news as they learned that even though their municipal joint action agency is offering stable rates and operating from its strongest financial position in its 27 year history, proposed U.S. Environmental Protection Agency carbon dioxide (CO<sub>2</sub>) rules could cause electricity prices to increase dramatically in the near future.

“As we reviewed CMMPA’s accomplishments and heard from guest speakers from MISO and U.S. Energy Services, it became clear that impending decisions by the EPA could challenge every utility’s ability to deliver comparatively priced electricity from one year to the next,” said Wendy Meyer, Mountain Lake City Administrator and CMMPA President. “The impact could be quite shocking to most consumers.”

The draft EPA rules of concern that dominated the discussion are commonly referred to as the Clean Power Plan or Section 111(d) of the Clean Air Act. In attempting to write rules that will decrease CO<sub>2</sub> 30 percent nationally by 2030, the EPA will in effect alter the traditional dispatch order of power resources onto the transmission system.

“The system is currently designed to balance reliability, cost and environmental considerations in dispatching generation resources; however the proposed rules favor low carbon emission characteristics over reliability and cost,” said Brent Brown, Superintendent of Windom Municipal Utilities. “The speakers made it clear that if this regulatory mandate moves forward as proposed, it would require costly, significant build-out and rebuilding over a short period of time to maintain system reliability.”

The draft rules also establish carbon reductions for each state. Minnesota’s reductions are among the highest with a 41 percent target by 2030 from 2005 emission levels. In comparison, Iowa is set at 16 percent, North Dakota at 11 and 30 percent for the entire nation.

According to presenters from CMMPA and from the Midcontinent Independent System Operator (MISO), a regional transmission organization that operates the grid, a regional compliance approach to reduce carbon would cost 40 percent less than an approach implemented state-by-state. However, the more expensive state-by-state regulatory scheme might be the only option available because states with low reduction targets will want to shield their customers from costs associated with cooperating with states assigned a higher CO<sub>2</sub> burden.

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Guest speaker, Aditya Prabhakar from MISO, noted that compliance costs go beyond those that impact electric generators. It also causes significant cost increases as investments are made to expand the natural gas pipeline and electric transmission systems in order to maintain the reliability that consumers expect.

“CMMPA already has a well-diversified resource mix that is 48 percent carbon free,” said CMMPA CEO Steve Thompson. “Unfortunately, the draft Clean Power Plan ignores the investments made by MN-serving utilities in meeting Minnesota’s renewable energy standard and greenhouse gas goals. Given the information we have today, we are trying to work with our Congressional delegation to convince the EPA that they need to fix the inequitable targets and the many other potentially harmful measures that place Minnesota at a competitive disadvantage to neighboring states.”

Similarly another guest speaker, Ben Straus of Minnesota-based U.S. Energy Services, highlighted additional cost constraints and price volatility as natural gas is expected to replace coal for electric generation due to impending carbon regulations. Even though U.S. natural gas production is likely to increase, higher prices will remain given the lack of infrastructure to meet expected growth for the electric generation sector.

“For municipal utilities, a well-diversified electricity portfolio serves as a hedge against higher-priced energy markets, volatile gas prices and possible carbon risks, said CEO Thompson. “Through the determined leadership of CMMPA’s board and its local public utility owners, we will continue to explore and apply risk management strategies to limit the impact of harmful price fluctuations in the electric energy market.”

CMMPA serves as a municipal, consumer-owned, non-profit agency that helps municipal utilities identify strategies that minimize wholesale power costs, manage future risks and maintain stable competitive rates. In a consultative role, CMMPA offers strategic power supply planning and procurement services to help municipal utility boards address their full or partial utility requirement needs, while allowing them flexibility and autonomy to customize their electric energy portfolio.

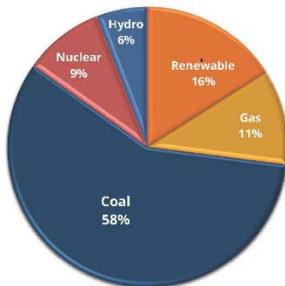
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(A picture, a chart and corresponding taglines are also available for publication and follow on page 3)

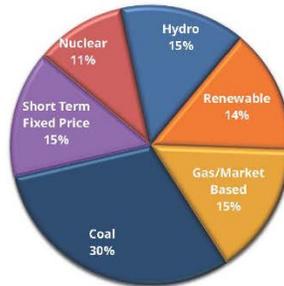


Tagline: (From left to right) Elk River Superintendent of Technical Services Wade Lovelette, Glencoe Light & Power General Manager and CMMPA Treasurer Dave Meyer, and MMUA Associate Executive Director Steve Downer evaluate the latest in distribution mapping software being demonstrated by Systems Engineer Vignesh Subramanian of Central Minnesota Municipal Power Agency (CMMPA).

MISO Energy Resource Mix 2014



CMMPA Energy Resource Mix 2014



Tagline: Through the determined leadership of the 12 municipal member-owners of Central Minnesota Municipal Power Agency (CMMPA), a strategic planning and wholesale power supply organization, CMMPA's wholesale costs are competitive despite its smaller size as a joint power agency. CMMPA operates within the Midcontinent Independent System Operator (MISO) wholesale energy market and transmission grid. Since CMMPA's energy resource mix is more than 45 percent carbon free, its diversified resource portfolio serves as a hedge against the potentially higher priced resource mix of the MISO wholesale energy market, volatile gas prices and possible carbon risks.