



City Council Memorandum

To: Mayor Fasbender & City Council Members
From: Ryan Stempiski, P.E. – Public Works Director
Date: December 15, 2025
Item: Conduct Public Hearing and Consider Resolution Dispensing of the Requirements of Minn. Stat. 462.356 for the Disposal of Hydroelectric Plant

COUNCIL ACTION REQUESTED

Council has been requested to conduct a public hearing regarding the disposal of the Hydroelectric Plant. Additionally, the Council has been requested to consider adopting the enclosed resolution dispensing of the requirement of Minn. Stat. 462.356 for the disposal of the Hydroelectric Plant.

BACKGROUND

The Hydroelectric Plant was constructed in 1985 and is now an aging facility. The City had an engineering study completed in 2023 to identify maintenance costs in the next 25 years. This information was combined with the other rising annual expenses and historic revenues to provide a comprehensive review of the plant. It was determined that the plant will lose approximately \$14 Million over the next the next 25 years. Some notable annual costs include:

- Dewatering estimated \$500,000 every 5 years
- Insurance \$200,000+ each year and minimal insurers available
- Rent to the USACE \$100,000 each year
- Licenses and Fees of \$50,000 to FERC (Federal Energy Regulatory Commission) plus an estimated \$1 Million re-licensing fee on the horizon
- Routine Repairs \$50,000 each year
- Dedicated operator staff with daily rounds (0.5 FTE)

Maintenance costs are over 4 times greater than average reported by the US Energy Information Administration due to the accessibility of this Hydroelectric Plant (in the middle of the Mississippi River) and economy of scale (same efforts needed as a large plant). Power production is challenging as navigation is and always will be the primary function at Lock and Dam No. 2. The USACE (who owns and operates the Lock and Dam) frequently regulates the upper and lower pool head, which impacts the amount of power we can produce. Furthermore, more frequent breakdowns and maintenance requirements require shut down of production for those repairs. The system is complex to accommodate the variable head and flow making expertise, parts, and repairs expensive and challenging to schedule in a timely manner. Power costs have continued to decline over the years per our agreement with Xcel Energy, those rates are set by the avoided costs of a power plant and capability payments based on seasonal performance.

Staff were directed by the Utilities Committee to work with the USACE to surrender the FERC License to operate the plant. This process proved to be unfamiliar, took a long time, and was costly. Ultimately USACE also can recommend improvements to the facility prior to the surrender, which would be unknown. Due to these challenges and unknowns, the USACE recommended a transfer to a private entity if possible. With the assistance of a hydro power expert in the industry from WSB, a buyer from the private market is now interested. With the transfer of the facility being timely and cost effective the end result is the elimination of financial and operational liability:

- Transfer generally can be completed in 90 to 120 depending on complexity
- As-is condition

- No payment to the City. Value is in saving money in an aging facility expensive to maintain. IX-02 (a,b)
- It would keep the Hydro Plant in operation producing clean energy under a different owner more aligned with the hydro power industry.

NEXT STEPS

The Public Hearing required in Charter Section 7.04 was published in the November 27th Hastings Journal. The Public Hearing will be conducted at the December 15th City Council Meeting. Adopt the attached Resolution per Minn. Stat. 462.356 to dispense of the requirement that the Planning Commission review the disposal of the Plant. This determination is recommended as there is no relationship between the Plant and the Hastings Comprehensive Plan.

At a future City Council Meeting, a Resolution of Sale will need to be adopted by the City Council. This is scheduled for January 20, 2026. Thereafter closing with the private entity would be scheduled and the FERC License, Xcel Agreement, and USACE Agreement would be transferred accordingly.

COUNCIL ACTION REQUESTED

Council is requested to conduct the public hearing for the project and adopt the enclosed resolution dispensing of the requirement of Minn. Stat. 462.356 for the disposal of the Hydroelectric Plant.

ATTACHMENTS

Resolution Adopting Dispensing of the Requirement of Minn. Stat. 462.356 for the Disposal of the Hydroelectric Plant

**CITY OF HASTINGS
DAKOTA COUNTY, MINNESOTA**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HASTINGS
DISPENSING OF THE REQUIRMENTS OF MINN. STAT. §462.356 FOR THE
DISPOSAL OF HYDROELECTRIC PLANT**

WHEREAS, the City of Hastings owns the Hastings Hydroelectric Plant located at and upon the Mississippi River Lock and Dam No. 2 (“Plant”) upon Parcel Identification No. 190210060010 and desires to dispose and sell the Plant; and

WHEREAS, Minn. Stat. §462.356, Subd. 2 requires the Planning Commission to review the disposal of any publicly owned interest in real property within the City and report its findings to the City Council as to compliance of the disposal with the Hastings Comprehensive Plan; and

WHEREAS, the requirement that the Planning Commission review the disposal of publicly owned interest in real property may be dispensed by the City Council by resolution by two-thirds vote when in Council’s judgment it finds that the disposal of the real property has no relationship to the Hastings Comprehensive Plan.

NOW THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF HASTINGS AS FOLLOWS:

1. The City hereby dispenses of the requirement that the Planning Commission review the disposal of the Plant because the proposed disposal has no relationship to the Hastings Comprehensive Plan.

Council member _____ moved a second to this resolution and upon being put to a vote it was adopted by the Council Members present.

Adopted by the Hastings City Council on _____, 2025, by the following vote:

Ayes:
Nays:
Absent:

Mary Fasbender, Mayor

ATTEST:

Kelly Murtaugh, City Clerk SEAL