

DRAFT
MINUTES OF THE DELANO WATER, LIGHT AND POWER COMMISSION
CITY OF DELANO, COUNTY OF WRIGHT, STATE OF MINNESOTA
WITH ALL ACCOUNTS BEING AUDITED BY SAID COMMISSION
JOINT MEETING
Thursday, February 18th, 2010

CALL TO ORDER

The meeting was called to order by Commissioner Chairman Larry Bartels and Council Member Holly Schrupp.

ROLL CALL

Council Members Present: Joe McDonald, Mayor, Holly Schrupp, Betsy Stolfa, and Larry Bartels*

Commission Members Present: Larry Bartels*, Chairman, Bob Hutter, Jonathan Ness, Randy Keranen, and Joseph Johnson

Also Present: Hal Becker, General Manager, Delano Municipal Utilities, Phil Kern, City Administrator, Mark Johnson, City Attorney, Bob Schulte, CEO of CMMPA (Central Minnesota Municipal Power Association), Mike Gavin, CMMPA Attorney, Paula Bauman, recorder for the City Council, and Aimee Dreger, recorder for the Utilities Commission.

Bob Schulte opened the meeting with a brief review of CMMPA and the goals for this evening. CMMPA is a place where all the members come together to do things they cannot do themselves and receive the benefits of group purchases compared to purchasing power individually. CMMPA is a resource planner for the members and compose request for proposals for supplies. For the last request for proposals for energy that CMMPA sent out, 27 suppliers responded. We compared them and presented the data to the members for them to decide which proposal to accept. CMMPA is also currently researching other options to replace Big Stone II and looking at the current wind energy proposal priced from \$39 to \$49 per megawatt. We are starting to see some proposals for wind energy coming down from the \$70 per megawatt and we are looking purchasing renewable energy at this time.

CMMPA is the market participant for the members and they also come together for industry changes and updates with technology.

Bob Schulte continued with the agreement goals and status. The CMMPA Agreement that originally created the agency has since been revised three times. Tonight we are discussing the fourth revision. The fourth revision defines what a full member is and what the qualifications are to be full members of the agency. The agreement also helps us with the bonding and who is responsible for those bonds. The goal for this evening is to bring the agreement up to date. Changing the notice from 60 day notice to a five year agreement is necessary to provide members the necessary stability to purchase power and it allows us to change the way CMMPA does allocations. The members decided they needed more revisions on how a member leaves and what their liabilities would be if they left the agency.

CMMPA's effort is to have everyone comfortable with the revisions and have a formal approval by the March 2010 CMMPA board meeting.

Bob Schulte went on to comment on the changes made on the previous draft after receiving comments and concerns from Mark Johnson.

Commissioner Ness asked Mr. Schulte what is the exit clause in other utilities/agencies on 30 year terms. Mr. Schulte replied that they do not have an exit clause. In the CMMPA agreement, members have to pay any accumulated liabilities during the five years after giving notice to leave the agency.

Betsy Stolfa asked why the city has to be involved in the signing of the agreement and not just the commission. Mr. Schulte responded that the city is the primary bond issuer, the city council signed the original agreement and they should sign the revisions, and CMMPA wants them to be in concurrence with the commission.

Mark Johnson asked Mr. Schulte about the Kenyon situation and to explain the majority vote for this agreement. Mr. Schulte responded that a majority of the twelve member's city councils and commissions need to say yes, and even though the statute says we need a majority, although CMMPA would like all to be in agreement.

Commissioner Keranen asked the council members what it would take for the City council to approve this agreement.

Mr. Johnson said it has been a long process and his job is to look for risks for the City of Delano. You have a contractual commitment to raise rates with this agreement if funds are needed.

Commissioner Bartels added there is risk, we are the end of this approval and we have made changes and on our time schedule, these are always the toughest things to do between the city and the commission. He also went on to say he does not ever see the CMMPA board abusing the ability to bond.

Commissioner Hutter commented there are also some alternatives and risks involved. Moving forward, the best alternative is to sign the agreement.

Commissioner Ness commented he does not agree with the liability of the agreement.

Brad Hotchkiss would encourage the commission to look at the value of the electric portion of the utility and he will bring it to the council meeting to propose that the city pay for an unbiased study of the value of the utility. If we know the value of the utility this would help us to make the right decision in these situations. Commissioner Bartels commented that unless we put it up for sale, we will not know how much the electric utility would be worth.

There was a motion by Bob Hutter and a second by Randy Keranen to sign the CMMPA agreement. Commissioners' Bartels, Hutter, Keranen, and Johnson voted yes. Commissioner Ness voted no.

Majority Motion Carried

THE DELANO WATER, LIGHT AND POWER COMMISSION was adjourned by Commission Chairman Larry Bartels.

Mayor McDonald commented his dilemma is how do I vote against our council and tell the constituents that I voted yes to the agreement when our legal council has advised against it.

Hal Becker commented the CMMPA agency has done an outstanding job for Delano and he has been a part of it. When there is a major issue, he would bring that back to discuss with the commission. Mr. Becker also feels it is very important for the city and the utility to support the agency as this is the best option we have for our customers and citizens.

Phil Kern asked Bob Schulte what happens if the city council does not approve this agreement. The agreement will be the controlling agreement since it does have a majority vote from the other CMMPA members.

The conclusion is to add an additional clause on the signature paper to say what the limitations are for the city council and this amended agreement will be voted on at the March 2nd, 2010 city council meeting.