

**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
Monday December 13th 2010**

1. CALL TO ORDER

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

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

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, Mike Gavin Attorney CMMPA, Steve Thompson CEO CMMPA (Central Minnesota Municipal Power Association), on the conference telephone line is Sarah Denison Reynolds attorney CMMPA Paula Bauman, recorder for the City Council, and Aimee Dreger, recorder for the Utilities Commission.

3. AGENDA

4. Discuss CAPX2020

CAPX2020 is a project CMMPA has presented for Delano Municipal Utilities to participate in for the development of transmission lines from Brookings, South Dakota to Hampton, Minnesota. CMMPA has negotiated at least a 2.2 percent ownership in these transmission lines therefore receiving access and profits to offset our investment when the project is complete and online. In order for DMU to participate, contracts with CMMPA will need to be approved and signed by the City Council and DMU Commission by March 1st, 2011.

Mark Johnson, Delano City Attorney has gone over the contracts and pointed out his questions and concerns in an attached email. As with all CMMPA contracts that involve bonding, the City Council approval is required. One concern discussed is being responsible for bond payments if the project fails. Another fluctuation would be the section that states the agreement can be amended. It was also discussed that the cost has increased since it was proposed in 2007.

CMMPA presented a power point presentation showing how the project will work and the benefits of investing in CAPX2020.

Points in the presentation included that investing in the transmission will bring revenue in to offset the amount we will already be paying for transmission in our rates. Statewide there is growth, making more transmission lines needed. The cost has increased due to normal inflation and a route change. Everyone affected by the transmission lines wanted to invest in this project so they were allowed to invest their load ratio share. CMMPA was able to invest from 2.2% to 5% with a rate of return of 12.8% when this project goes online. We were unable to invest into Big Stone II transmission, so we now have to find other transmission to invest in. The goal is to own enough transmission to offset what we pay to MISO (Midwest Independent Systems

Operators) for transmission and pay for the bond, interest, and maintenance. The Commission requested a follow on the CMMPA Financials for further review.

It was further pointed out by Mike Gavin, CMMPA Attorney, that this is a different project than generation. There are risks but the lines will be built regardless of our investment. If we do invest, we will be able to get the return on our investment. We will get recovery right away as soon as they start breaking ground.

The Federal Energy Regulatory Commission, FERC, has put much higher incentives to invest in the transmission line and this agreement will not be signed until FERC approves it.

It was also discussed the implications are if Delano would want to sell the electric utility and Mike Gavin pointed out we would need to first offer the contract to CMMPA or to a CMMPA approved buyer. It could also go with the purchase as long as they are as credible as the DMU.

There being no further discussion, the meeting was adjourned.

ADJOURNMENT

Larry Bartels, Chairman

Jonathan Ness, Secretary