

**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
SPECIAL MEETING
Thursday, April 8th, 2010**

1. CALL TO ORDER

The meeting was called to order by Chairman Larry Bartels.

2. ROLL CALL

Roll call was taken and a quorum established

Members Present: Larry Bartels, Chairman
Bob Hutter, Commissioner
Jonathan Ness, Commissioner
Randy Keranen, Commissioner
Joseph Johnson, Commissioner
Also Present: Hal Becker, General Manager
Aimee Dreger, Recorder

3. AGENDA

There was a motion to Approve Agenda by Randy Keranen and second by Bob Hutter.

Motion carried

4. Review Generation Study

Generation Power Point Presentation.

Mr. Becker presented a power point presentation of Delano Municipal Utilities generators.

The generators provide DMU with the ability to provide sufficient capacity and also with extra capacity to sell to other utilities. According to MISO (Midwest Independent Transmission System Operator) utilities need to have a 15% reserve on top of capacity. The current generators provide us with that capability.

The two most recent generators installed are Generator #2 and Generator #9. Generator #2 was purchased in 1996 went and went online in 1999. The bond was paid off in 2008. Generator #9 was purchased in 1999 and went online in 2002. The bond for Generator #9 will be paid off this year. DMU would have to buy capacity plus an additional 15% reserve of energy if we did not have these latest generators.

Currently, MISO (Midwest Independent Transmission System Operator) has shut down our ability to sell capacity until they have finished our generation capacity study. When MISO has completed and approved the study, DMU will be able to start selling capacity again. Capacity sales will be needed as the State of Minnesota currently does not allow new coal and nuclear power plants to be built.

Commissioner Ness asked who makes up MISO and Mr. Becker replied it is made up of board members but does not have any agency to oversee them. That is one topic Mr. Becker and other utility managers and supervisors bring to the representatives in Washington D.C. at the annual conference.

Commissioner Johnson inquired how much capacity we sell and Mr. Becker replied we sell all the extra capacity available to sell. When a customer actually needs the energy, we would run the generators and they pay for 125% of the costs.

Commissioner Keranen asked what does it cost to run the generators and Mr. Becker replied all the units are expensive and they are totally dependant on what the cost of diesel fuel is. The purchase of Generator 9 was to ensure DMU was independent in their energy needs and was able to support Delano's future energy need. It was not installed to run to obtain a lower cost for energy. The engines are easily maintained and built to last many years. When building Generator #9, we also purchased several critical spare parts for our future maintenance needs.

Commissioner Ness asked if the new Cap & Trade laws will affect DMU generators and Mr. Becker replied yes because the generators run on non-renewable energy.

SPREAD SHEET

Commissioner Ness opened the discussion by explaining the purpose of the spreadsheet. The attempt was to go through historical data to evaluate the outcome of capital projects and to decide if the end results of a project or investment were good or bad. He would like to utilize this spreadsheet to look at future capital projects and can model it with this spreadsheet in the form of “net present value”.

Commissioner Bartels commented we are not doing a project or even thinking of a capital project right now with MISO’s (Midwest Independent Transmission System Operator) rules and regulations in place. Commissioner Ness further commented that going forward he would like to see a process to better justify what we are spending funds on.

Mr. Becker pointed out that there are also the non financial reasons and factors for decisions made and Commissioner Hutter explained the Generator Nine project was not built for financial reasons. Mr. Becker further explained before Generator 9 was built, DMU was at the point where we needed more capacity and the decision presented was either to keep putting the little generator units in or install a larger unit to allow us to double the community energy use. The City of Delano projection of growth was higher at that time. The actual installation of Generator 9 was done over a period of time to keep costs down. Commissioner Ness went on to say another reason to do a net present value is to learn from past projects that will help us in the future.

5. Review Interconnection Agreement

The three documents to review are for customers who are installing other energy sources such as solar power. An example of the need for these agreements would be if a customer wanted to put in solar power and if they generate more energy than their needs, the extra energy would come into our grid. The State of Minnesota statutes dictate we are obligated to purchase that energy at retail pricing instead of at a wholesale energy price. The DMU staff researched what other utilities have for these agreements. We have a particular customer that is interested in installing solar power. Although we all want to do the right thing by going green and encourage our customers to follow, the negative side is recovering infrastructure costs. When a customer is on solar power and generates all their own energy, we have no way of to recover those infrastructure costs. We also have the potential to lose funds from the purchasing solar energy at retail cost instead of our energy purchased at wholesale.

Commissioner Johnson offered to review the application and agreement and suggest changes as necessary. Commissioner Bartels stated this will be on the agenda at the next regular meeting.

- A. Application:
- B. DMU Power Purchase Agreement
- C. Statewide Contract for Co-generation

6. Open Discussion

WAREHOUSE:

Commissioner Bartels opened the discussion by explaining the history of our warehouse. There were two sheds built by Gene Johnson and the City of Delano purchased them. Delano Municipal Utilities made a capital payment on a permanent lease for one of the sheds. There was a need for more space so an enclosure was built and insulated between the two sheds for a work space.

Commissioner Bartels went on to explain in 2006, the city applied for a DNR grant to clean up the Highway 12 and the river area to get structures out of the flood area. The last property is the Leland automotive business and the city has to buy them out or relocate the business. An option would be to relocate that business to the warehouse if we can accommodate the utilities in a different way. Option A would be to purchase the XCEL building located directly across the power plant. Option B would be to build a new pole shed on city owned property. Mr. Becker further explained purchasing the XCEL building would be a temporary solution as future plans would be to tear that building down because it is in a flood plain. These options will be further discussed at the next City Council and Commission meetings.

BYLAWS AND MISSION STATEMENT

Commissioner Johnson opened the discussion by stating one of the things he has noticed is that Delano Municipal Utilities does not have bylaws, a mission statement or a vision statement. He went on to explain we need to protect ourselves with policies and procedures similar to general corporate bylaws. Commissioner Hutter agreed it would be beneficial to be clearer on who we are and what we do as a commission and utility. Commissioner Johnson also explained it would benefit a newly appointed commissioner on how we make decisions and where we want to go. Commissioner Ness also agreed that it would be beneficial to have these to follow. He would also like to see a five year plan to maybe include plans to start infrastructure for an industrial park as an example. Commissioner Johnson stated we do not want to change who we are, we want to document who we are as a commission and a utility. Mr. Becker said when Commissioner Johnson had brought this up previously, DMU staff started checking into who has bylaws in other utilities and will check into the larger utilities for example. Commissioner Johnson will pull some ideas together and look into this issue further and share his findings at the next meeting. Commissioner Bartels suggested getting a law student in college to help us compose bylaws.

7. Discuss RFP for selecting a firm to evaluate the Electric Utility

Mr. Becker opened the discussion explaining the City of Delano is sending out RFP's (Request for Proposals) to evaluate the value of the utility. The staff at DMU will work very closely with them and assist in any way possible. City Administrator Phil Kern has talked to Springsted and a couple other companies that do evaluations. The city council has approved to get quotes at this time. Commissioner Bartels further explained Phil will bring back the quotes to the city council to approve. Commissioner Ness asked if Springsted gave any perspective when an evaluation could be done and Mr. Becker replied no, not at this time. Commissioner Johnson commented that we as the commission want to be clear on our expectations for this study. Mr. Becker pointed out that we will have a joint meeting with the City Council concerning this issue. Commissioner Johnson inquired where do the proposals go when they come back and Mr. Becker replied they will come back to Phil and then we will have our joint meeting to discuss and decide on all the proposals. Commissioner Keranen commented it will be interesting to see what will come out of the study and a further thought would be the consideration of the employees that are at the utility. Commissioner Ness commented he thinks that our rates are competitive with XCEL and Wright/Hennepin. Mr. Becker commented the employees are concerned with this issue because this is their livelihood and the 1996 study looked at that. Commissioner Ness added that we have been through studies in previous years and we have not even made a decision if we are going to proceed with the study.

8. ADJOURNMENT

There being no further business before the Commission, the meeting was adjourned.

Larry Bartels, Chairman

Jonathan Ness, Secretary