

**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 March 7th, 2011**

1. CALL TO ORDER

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

2. Council Members Present: Mayor Dale Graunke, Holly Schrupp, Betsy Stolfa, Derek Schansberg, and Dan Vick.

Commission Members Present: Chairman Larry Bartels, Jonathan Ness, and Derek Schansberg.

Commission Members Absent: Bob Hutter and Randy Keranen

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, Paul Twite, Operations Manager for DMU, Wendy Biel, 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 3.6 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 mid-March, 2011.

One of our goals for DMU is to provide a reliable source of energy in a cost effective manner. CAPX is a project that would reduce our transmission costs. The driving need for the CAPX project is to meet the 6,300 MW load growth in the region through the year 2020. It is also needed to meet the 25% RES (Renewable Energy Sources) requirements from the federal government. CMMPA has lobbied to be a part of investing in this project. We are able to get 12.83% rate of return from the FERC (Federal Energy Regulation Commission) ruling. DMU has the opportunity to invest a total of 3.6% of the 5.29% CMMPA has a share in. DMU will be liable for the debt but it will be issued by CMMPA by bonding and will be on their financials, not on DMU's financial. We will see the rate of return on our CMMPA billing as a credit under the transmission. Commissioner Ness voiced a concern on the cash flow in the future to discount the total by 5% for future cash flow rates. He also is concerned on the rate of return and commented when transmission costs will be higher; the rate of return will be lower over the years. Mr. Becker went on to say this project is unique in that we have a guaranteed rate of return with the FERC ruling.

Commissioner Ness compiled a spreadsheet with his take on the analysis of our transmission costs. His key points are the risk of taking on more debt with participating in the CAPX2020 project and the impact on the customers' energy costs.

A concern the City Council has is being in the midst of the electric utility evaluation and if this project would be prudent at this time if the utility would be sold in the future. The DMU portion of CAPX2020 could be sold to another entity that meets CMMPA's requirements for purchase.

City Administrator Phil Kern commented the new business model we have is we do not handle our energy decisions, they are with CMMPA and we are entering into a complex electric world where we have to rely on CMMPA's business decisions. A couple questions would be is this agreement in line with the City's goals with keeping the electric utility and are we in this for the long term.

Commissioner Bartels commented we have discussed all these points and concerns at DMU Commission meetings and we have thought out all the risks. The Commission voted in favor of CAPX2020. The CAPX2020 is going to be built whether we participate in the project or decide not to.

The City Council will discuss and make a decision concerning CAPX2020 at the next council meeting.

There being no further discussion, the meeting was adjourned.

ADJOURNMENT

Larry Bartels, Chairman

Jonathan Ness, Secretary