

**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
Wednesday, February 23, 2011**

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
 *Arrival at 8:10pm
 Randy Keranen, Commissioner
 Jonathan Ness, Commissioner
 Derek Schansberg, Commissioner

Also Present: Hal Becker, General Manager
 Aimee Dreger, Recorder

3. AGENDA

A. There was a motion made by Randy Keranen with a second by Jonathan Ness to approve the agenda with addition of 7B city wide leadership workshop.

Motion Carried

4. MINUTES

A. There was a motion by Randy Keranen with a second by Jonathan Ness to approve the minutes of the special meeting conducted on January 20th, 2011.

Motion Carried

B. There was a motion by Derek Schansberg with a second by Larry Bartels to approve the minutes of the special meeting conducted on January 24th, 2011.

Motion Carried

C. There was a motion by Jonathan Ness with a second by Randy Keranen to approve the minutes of the regular meeting conducted on January 20th, 2011.

Motion Carried

5. POWER COST ADJUSTMENT

The PCA is lower due in part due to wholesale costs coming in lower than expected and transmission costs being lower. The bulk of our recovery from the Big Stone II is complete and this has also been a factor in a lower PCA. The Commission inquired if we expect the transmission credits to continually come in and Mr. Becker replied it does depend on the market although we do anticipate a steady amount coming in each month.

A. There was a motion made by Jonathan Ness with a second by Derek Schansberg to approve the power cost adjustment for bills due February 27th, 2011 at negative .01633.

Motion Carried

6. FINANCIALS

- A. Review and Approve the Audit Report for 2010 as Presented by Larson Allen, Auditors Craig Popenhagen, Principal and Michelle Hoffman, Senior
 - i. SAS 114 letter
 - ii. Yellow Book Letter
 - iii. MN Legal Compliance Letter
 - iv. Management Letter
 - v. Final Draft 2010 Financials

The Larson Allen Auditors presented their report to the Commission. The results included a clean opinion on financial statements and a clean report on internal controls. The audit provides reasonable, but not absolute assurance and they also reported no changes in the DMU accounting policies. They further added they received full cooperation from management. The auditors did recommend an addition to the travel policy to include travel out of state.

There was a motion by Jonathan Ness and a second by Derek Schansberg to approve audit report by Larson Allen, Auditors.

Motion Carried

- B. Motion to Approve the Financials for December 2010

There was a motion by Jonathan Ness and a second by Randy Keranen to approve financials for December 2010.

Motion Carried

- C. Review and Approve the Financials for January 2011

In the electric department, we are about 13% under budget. We used more cash than planned so we are \$43,000 behind on budget. In the water department, we are 6% under budget for water revenue.

There was a motion by Jonathan Ness and a second by Derek Schansberg to approve the financials for January 2011.

Motion Carried

7. General Manager Report

A. Conservation Improvement Program

For the Conservation Improvement Program we are at about 10% of our goal for 2011. Our current projects in progress are two lighting retrofits, a parking lot retrofit, and an air compressor upgrade. Commissioner Schansberg asked how we calculate the rebates. Mr. Becker replied we look at each Commercial and Industrial project and look at the set criteria for that project. If we do not have previous criteria, we research with other utilities and the State of Minnesota to set up the rebates. The State of Minnesota gives guidance on rebates and we also use other utility rebate programs to model after. It was also discussed how our Operations Manager contacts for the commercial rebates and he contacts them or they will call in to discuss new projects.

B. City Wide Leadership Workshop

Mr. Becker attended a leadership workshop given by the City of Delano with the other city managers and city council members. The workshop included working on the cities goals and planning. Mr. Becker suggested the Commission discuss at a special meeting to define DMU goals, adopt some of the cities goal setting ideas and align with the cities goals. The Commission added that we need ways to define and make these goals measurable. When the valuation study is complete, this will help DMU define the goals and help make decisions on future projects and planning.

Mr. Becker presented a power point presentation by the DMU staff to give examples of goals and the ways DMU is already moving toward future goals and growth.

Mr. Becker discussed the City of Delano's need for a possible short term loan of \$500,000. It has been discussed how DMU is able to help the city and there is currently existing projects that we are making payments on that total \$275,000 of those projects. DMU is also in a cash position to loan them \$225,000 at 2% on a 3-5 year payment plan to help make the bond payments in the sewer fund. The city could delay bonding if DMU is able to loan them the funds. It was further discussed by the Commission if it would be prudent giving them a loan now if interest rates will be higher in the future and Mr. Becker replied the city staff is studying that option.

8. Unfinished Business

A. Approve DMU Changes to Cover out of State Travel Policy

i. Employees –

There was a motion by Jonathan Ness and a second by Randy Keranen to approve the Travel Policy for Delano Municipal Utility employees.

Motion Carried

ii. Commissioners-DMU Staff will draft a travel policy for Commissioners for a future meeting.

B. Approve Personnel Policy

There was a motion by Jonathan Ness and a second by Derek Schansberg to approve the Delano Municipal Utility Personnel Policies.

Motion Carried

C. Approve Employee Staff Salary Increase of 1.4%.

The DMU Employee staff salary increase was in the 2011 budget which was approved in December 2010. As the Commission discussed in previous budget meetings, they compare to other utility salary levels and also to the City of Delano staff which the City Council voted to do step increases for 2011. The Commission went with staff recommendation on a cost of living increase for 2011.

There was a motion by Jonathan Ness and a second by Bob Hutter to approve Employee Staff Salary Increase of 1.4%.

Motion Carried

D. Approve CAPX2020 Project and Make Recommendation to City Council

The CAPX2020 project has been discussed extensively in special workshops as well as a joint meeting with the City Council. CMMPA (Central Minnesota Municipal Power Association) has negotiated a 3.6% investment in this transmission line project with DMU's share at 5.29% of that investment. The FERC (Federal Energy Regulatory Commission) and MISO (Midwest Independent System Operators) have approved all incentives and tariffs which guarantees our revenue stream coming in. It was questioned if FERC could change the ruling in the future and according to Bob Jablon an attorney who works in Washington D. C. explained to another utility in regards to this question that a FERC ruling would be very difficult to change. It was further discussed if there is a risk of contracts being changed after we sign and approve them and Mr. Becker explained any changes are required to go through the CMMPA board and has to be agreed upon by the CMMPA Board. The majority of CMMPA members have participated with an additional four utilities going onto the project. It was also asked if DMU chooses not to participate in CAPX2020, could we potentially get our initial investment back and Mr. Becker answered he will research that although usually we are responsible for the initial administrative costs.

One Commissioner commented that with the valuation study of the electric utility not complete, it is hard to make a decision on a big project such as CAPX2020. The Commission also inquired if there have been any budget issues on the St. Cloud project and Mr. Becker has not heard of any issues of going over the budget.

A concern of the Commission is taking on more liability or debt in regards to this project that may or may not keep our rates competitive. Transmission costs will increase if we invest in CAPX2020 or not. One Commissioner commented that our main goal is to keep our rates competitive, not necessarily the lowest. Further comments are it is a good financial decision yet there are unknown concerns and risks along with this project.

There was a motion by Randy Keranen with a second by Larry Bartels to approve the CAPX2020 project agreement.

Randy Keranen – yes
Bob Hutter – yes
Larry Bartels – yes
Jonathan Ness – nay
Derek Schansberg – nay

Motion Carried

There was a motion by Larry Bartels with a second by Bob Hutter to recommend to the City Council to also approve the CAPX2020 project.

Randy Keranen – yes
Bob Hutter – yes
Larry Bartels – yes
Jonathan Ness – nay
Derek Schansberg – nay

Motion Carried

9. New Business

A. Discuss and Approve 2011 Electric Permit Fees

The Commission has had previous discussions throughout 2010 in regards to Electric Permit Fees. There have also been previous discussions on setting up a development fund with the revenue from the permit fees. It has led to research on how the City of Delano could be more attractive to new businesses coming in. It was also previously discussed that we have not budgeted for permit fees the last two years and therefore not having permit fees will not affect our budget for 2011. The Commission discussed that we will need to come up with a plan to recoup costs of a new industrial park. It was also questioned if the transformer would be part of the fees and Mr. Becker replied it would be included.

Mr. Becker added this is an ongoing issue that impacts us financially and any future issues on this or it is not working in our budget, it will be brought before the commission for review.

There was a motion by Jonathan Ness with a second by Derek Schansberg to eliminate the Electric Permit fees with any project exceeding \$50,000 to come before the Commission for approval. The electric permit fees will be reviewed annually.

Motion Carried

B. Authorize General Manager to attend APPA Legislative Rally in Washington, DC

There was a motion by Jonathan Ness with a second by Larry Bartels to authorize the General Manager to attend APPA Legislative Rally in Washington, DC.

Motion Carried

C. Authorize General Manager to attend MMUA Legislative Rally in St. Paul, MN

There was a motion by Randy Keranen with a second by Jonathan Ness to authorize the General Manager to attend MMUA Legislative Rally in St. Paul, MN.

Motion Carried

D. Approve the use of the Following Temporary Employees:

- i. Ed Williams to work at Water Treatment Facility 15 hours/week

There was a motion by Jonathan Ness with a second by Bob Hutter to authorize Ed Williams to work at Water Treatment Facility 15 hours/week for \$25.00 per hour.

Motion Carried

- ii. Laurie Grimm to Work in Office as on a Needed Basis

There was a motion by Derek Schansberg with a second by Jonathan Ness to authorize Laurie Grimm to Work in Office as on an as needed basis for \$15.94 per hour.

Motion Carried

- iii. Bob Randall to Provide Cleaning Service as a Contract Employee

There was a motion by Derek Schansberg with a second by Bob Hutter to authorize Bob Randall to provide cleaning service as a part time employee for \$15.55 per hour.

Motion Carried

10. CLAIMS

A. There was a motion made by Bob Hutter with a second by Derek Schansberg to approve claims for the month of January 2011 in the amount of \$560,379.91

Motion Carried

11. ADJOURNMENT

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

Larry Bartels, Chairman

Jonathan Ness, Secretary