

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
SPECIAL MEETING
Tuesday, December 8, 2009

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

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

3. AGENDA

There was a motion to Approve Agenda by Larry Bartels and second by Randy Keranen.
 Motion carried.

4. Review the 2010 Budget

A. Capital Expenditures

In reviewing the capital expenditures in the budget forecast, capacity sales are at \$136,000 based on the information we have received from CMMPA (Central Minnesota Municipal Power Association). The trend for capacity sales has been slipping and will for the next couple of years.

The highlighted columns are CMMPA and the budget for this is going up dramatically. One reason is the reallocation of \$1,500 from other fees into the dues. Next, there are two new charges from MISO that will increase our budget due to rising energy fees which in turn forced our rate to go up. Commissioner Ness raised questions in regards to CMMPA's efficiency and why the dues and fees have been increasing dramatically. He also asked if there are other agencies/competitors we can look at instead of CMMPA. The DMU has looked at other agencies and it is difficult to get into other agencies as their members do not want to give up their share of low cost energy. Another option would be to be on our own for purchasing power and this option would be cost prohibitive.

Mr. Becker explained that MISO has been the major contributor to CMMPA's rate increases as CMMPA has had to hire full time staff to keep up with MISO's regulations. One of the new requirements from MISO is our capacity study. Agencies cannot sell capacity without having this study done by MISO. DMU was required to prepay for the costs for this study. MISO is currently working on the DMU study and is unable to give us an update at this time. One of the main topics when the general managers go to Washington is a request for an investigation on MISO.

In the monthly CMMPA meetings, financials are gone thru thoroughly similar to our monthly commission meetings and our annual budget process. As Commissioner Bartels pointed out, there are costs beyond our control with increases and adding to that will be the uncertain future with the CAP and trade tax coming. Commissioner Hutter added we have lost a lot of control being small due to MISO's increased costs and bigger companies offering different rates. All of this makes it more difficult for smaller utilities to keep rates lower. With the help of CMMPA, the Commission has been successful over the last 1-2 years in lowering our rates.

The commissioners discussed the purchase of two new trucks. We have \$60,000 budgeted for this capital expense and the quotes came in less than that and that did not include the trade in amount. The new trucks will not have the racks. They will have regular truck boxes as an alternative to the original quote that the commission accepted earlier in 2009.

A new Geothermal heating/cooling system has been proposed. The commission approved \$16,500 in 2009 for a heat pump system to replace the obsolete heating and air conditioning system in the plant. This project has been on hold while staff evaluates the merits of going to a geothermal system. If we go to the geothermal system, DMU can use some of the CIP funds. We currently do not have any other projects to use CIP the money on. The company that the commissioners approve for this air heat pump system submitted a revised quote for \$44,300. Staff received an additional quote for \$53,000. The company will drill up to 10 wells. If DMU locks in this contract, we can use the CIP funds from the 2009 budget. DMU can split the project in two if necessary and use CIP funds from 2010. If the commissioners are in agreement, we will need to amend first resolution to put in standard heat pump system and accept the geothermal heating system.

Another major topic discussed was the proposed 5% increase in the electric rates. Commissioner Ness has stated he would like to see the DMU avoid a rate increase and bond if needed this year instead of raising rates. Commissioner Bartels pointed out our cash reserves are very low and our auditors are not satisfied with our reserves. We need to build up our reserves.

Commissioner Keranen asked if there are any more highway 12 costs. Mr. Becker said we do not have any additional costs for highway 12, but a water main project has been moved up. A new water main needs to be installed between well #1 and 4th ST. S. We purchased the plastic pipe for this project already to save an additional \$3,000.

Commissioner Keranen stated he would like to see a bit of an increase to help build our cash reserves. Commissioner Bartels pointed out we can increase rates later in the year if needed. Also, once our bond is paid off in 2010, that will allow the DMU to move forward in building up funds to pay for infrastructure costs for a new industrial park.

In the water department, a 5% rate increase was discussed to improve our cash flow from last year and to keep building our reserves. Commissioner Keranen asked if we have any additional costs at the water treatment plant. Staff stated we have only one project scheduled for 2010 and that is well #1 and 4th ST. project.

B. Salaries

The City Council has discussed a 2.4% salary increase for its city employees. The DMU model is 3.65%. Commissioner Ness asked if we could justify a higher salary increase based on the fact that our line employees are hard to replace. The general consensus is we should follow the city this year and catch up as the economy turns around. Mr. Becker pointed out statewide they are looking for linemen but still recommended that DMU should stay in line this year with the city.

C. Employment Contract

The Commissioners discussed issues regarding an employment agreement with the General Manager. This was an issue that was raised by Commissioner Sam Nelson. It was discussed that a three month notice rather than a two week notice would allow for a smoother transition in the event of the General Manager retiring.

There was a motion by Bob Hutter and second by Randy Keranen to authorize entering into an employment agreement with the General Manager and authorizing the chairman and secretary to sign the employment agreement.

Motion carried.

D. Commission Meeting date change

There was a motion to move the regular Commission meeting from Monday, December 21st to Thursday, December 17th, 2009 by Bob Hutter and second by Randy Keranen.

Motion carried.

5. ADJOURNMENT

