

**MELROSE PUBLIC UTILITIES COMMISSION
REGULAR MEETING
MONDAY, JANUARY 11, 2010 – 5:00 P.M.**

AGENDA

1. Call to Order/Roll Call
2. Oath of Office
3. Appointment of Officers
4. Approval of Agenda
5. Consent Agenda
 - a. Approval of Minutes
 - b. Approval of Bills/Purchase Orders
 - c. Approval of Investments
 - d. Delinquent Accounts Report
6. Reports
 - a. Wellhead Protection Program Annual Report
 - b. Water Tower Lights
 - c. MMUA 2010 Dues
 - d. Annual Distributed Generation Interconnection Report
7. Action Items
 - a. Designation of the following:
 - 1) Grievance Representative Designation
 - 2) Ad Hoc Labor and Personnel Committee Representative Designation
 - b. Charged Off Accounts/Accounts Collected
 - c. Fifth Street North Lift Station Remote Terminal Unit Quote
 - d. Well Field Water Main Break
 - e. Mid-West Board Meeting/Utilities Commission March Meeting
 - f. MMUA Scholarship/Utilities Scholarship
 - g. Advance Metering Infrastructure
 - h. Method of Calculating Electric Utility Franchise Fee
 - i. Water Treatment Plant
 - j. DGR Amendment to Agreement
8. Old Business

9. New Business

10. Informational Items
 - a. LMCIT Dividend
 - b. 2009 PAC Spreadsheet
 - c. Thank You From Scholarship Recipient Corisa Van Heel
 - d. Schools and Conferences

11. Adjournment

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MONDAY, JANUARY 11, 2010 – 5:00 P.M.**

A.I. #1 CALL TO ORDER/ROLL CALL

The Melrose Public Utilities Commission met in a Regular Meeting on Monday, January 11, 2010 at 5:00 p.m. at the Melrose City Center pursuant to due notice being given thereof. Present were Commission Members Lyle Olmscheid, Ralph Wiehoff and Tom Budde, Public Works Director John Harren, Electrical Supervisor Dale Lyon, Water/Wastewater Supervisor Scott Gilbertson, and Assistant City Administrator/Treasurer Karen Thostenson. The Assistant City Administrator called the meeting to order.

A.I. #2 OATH OF OFFICE

At the Council's January 7 meeting, the Council reappointed Lyle Olmscheid to the Commission for a three-year term and reappointed Tom Budde as the Council's representative for a one-year term. The Assistant City Administrator administered the oaths of office to Mr. Budde and Mr. Olmscheid. The Assistant City Administrator then requested the Commission appoint a Chair, Vice Chair and Secretary for 2010.

A.I. #3 APPOINTMENT OF OFFICERS

A motion was made by Mr. Olmscheid, seconded by Mr. Budde and carried to appoint Mr. Wiehoff as Chair for 2010.

Chair Wiehoff then chaired the remainder of the meeting.

A motion was made by Mr. Olmscheid, seconded by Mr. Wiehoff and carried to appoint Mr. Budde as Vice Chair for 2010.

A motion was made by Mr. Budde, seconded by Mr. Wiehoff and carried to appoint Mr. Olmscheid as Secretary for 2010.

A.I. #4 APPROVAL OF AGENDA

A motion was made by Mr. Budde, seconded by Mr. Olmscheid and unanimously carried to approve the agenda as submitted.

A.I. #5 CONSENT AGENDA

The following were considered for approval under the Consent Agenda:

- a. Approval of the minutes from the Utilities Commission's December 10, 2009 Special Joint Meeting with the Council and the December 14, 2009 Regular Meeting.
- b. The list of bills in the amount of \$746,801.09 (See attached list of bills.)
- c. The investment report for the month of December, 2009.
- d. The delinquent accounts report of the month of December. Mr. Olmscheid inquired as to whether liens or other methods could be used to assure payment of the outstanding Rose Park bills. Staff to check into this matter.

A motion was by Mr. Olmscheid, seconded by Mr. Budde and unanimously carried to approve the Consent Agenda.

A.I. #6 REPORTS

- a. Public Works Director Harren reported that the Wellhead Protection Program Annual Report has been completed and is on file at the Administration Office. Based on the Wellhead Protection Program Implementation Schedule, all tasks are on schedule. Some of the 2009 activities included nitrate sampling, training session for area farmers regarding "Putting an Economic Value on Manure," Sauk River Water Festival, meeting with MRWA, USDA/Fire and Ambulance Station and staff from Washington, DC regarding CRP funding in DWSMA areas, hazardous waste pickup, etc. The evaluation will be submitted to the Council on January 21, 2010.
- b. Director Harren reported that as a result of comments received regarding the lighting of the north water tower, the Electric Department made adjustments to the north tower lights to minimize the impact to vehicles traveling on the street, and to the homes on or near Fifth Street North. The Bob Barutt home was one of the primary homes affected by the lighting, but after the adjustments were made, they were agreeable to the lighting. Supervisor Lyon stated that reflectors have also been ordered to be placed on the north tower lights to minimize the impact on vehicles traveling in the area.
- c. Director Harren reported that the Minnesota Municipal Utilities Association (MMUA) dues for 2010 are \$11,908. This is \$30 more than the combined total of the MMUA dues, CIP and legislative assessment in 2009. These are now all being combined into one dues statement.
- d. Director Harren noted that the Annual Distributed Generation Report has been submitted to the Department of Commerce as required. No requests were filed; however, three inquiries were received in 2009, two of which were for wind and solar energy.

A.I. #7 ACTION ITEMS

- a1. Consideration was then given to designating the Grievance Representative for 2010. For 2009, Mr. Olmscheid had served as the Commission's representative and Joe Finken served as the Council representative. The Council, at its January 7 meeting, appointed Joe Finken to serve as Council Grievance Representative.

A motion was made by Mr. Budde, seconded by Mr. Wiehoff and carried to reappoint Mr. Olmscheid as Commission Grievance Representative for 2010.

- a2. Consideration was also given to designating a representative to the Ad Hoc Labor & Personnel Committee. The Council, at its January 7 meeting, reappointed Mayor Eric Seanger and Jenny Mayers, to serve on this Committee for 2010. Mr. Olmscheid has served as the Utilities Commission representative in the past.

A motion was made by Mr. Budde, seconded by Mr. Budde and carried to reappoint Mr. Olmscheid to the Ad Hoc Labor & Personnel Committee for 2010.

- b. The Assistant City Administrator/Treasurer presented the Charged Off Accounts/Accounts Collected Reports for the fourth quarter and 2009 yearend. She recommended the following accounts be charged off:

Shawn Iacono & Holly Slack	\$ 25.13
Edith Mayers & Tammy Mayers	31.23
Rachael Brown & Deryk Tabb	52.03
Yeidi Mar Natal	<u>149.70</u>
Total	\$258.09

The total amounts charged off for 2009 was \$2,878.65. The total amount collected in 2010 was \$515.76. The Assistant City Administrator/Treasurer stated that the total amount of utility billings for 2009 was \$10,098,203.

A motion was made by Mr. Olmscheid, seconded by Mr. Budde and unanimously carried to approve charging off the uncollectible accounts.

- c. Supervisor Gilbertson reported that he had obtained one quote and is awaiting a second quote for a remote terminal unit (RTU) on the newly installed Fifth Street North lift station. The RTU was omitted from the original plan and improvement contract as staff felt that it would be less costly to add the RTU later instead of including it in the project. The quote obtained from Total Controls is \$8,533. Staff is still awaiting the quote from Telemetry Process. Supervisor Gilbertson recommended that approval be given to the low quote received. The quotes will be on file at the City Offices.

A motion was made by Mr. Budde, seconded by Mr. Olmscheid and unanimously carried to approve the low quote received for the purchase of the Fifth Street North lift station RTU.

- d. Director Harren reported that, in the fall/winter of 2009, one of the 12-inch mains coming in from the well fields broke. This is the second break in two years, and both breaks were due to corrosion of the pipe. This pipe is the oldest main of the two and is about 50 years old. The line is in peat soil which is creating the corrosive environment. However, before the line is replaced, system modeling should be completed to determine why there is an increase in pressure in the well houses and a drop in gpm when three pumps are required to run. Director Harren stated it is unknown if this is due to the lines being undersized, or if there is another restriction that needs to be corrected. This issue surfaced after the Five Year Capital Improvement Plan was completed, so funds were not earmarked in the plan. The distance from Wellhouses #4 and #5 to the I-94 is about 2,500 feet. The estimated cost is \$85/foot or about \$212,500.

It was agreed to further discuss this issue along with Agenda Item #7i.

- e. Director Harren stated that the Mid-West Consumer Electric Board Meeting is scheduled for March 8-10 in Washington, DC. He noted that the Utilities Commission meeting is scheduled for March 8. Staff suggested the meeting be changed to Thursday, March 4 or 11.

A motion was made by Mr. Olmscheid, seconded by Mr. Budde and unanimously carried to reschedule the Utilities Commission's March meeting to March 11, and to authorize Director Harren to attend the meeting.

- f. Director Harren reported that the MMUA has again budgeted \$5,000 for its Tom Bovitz Memorial Scholarship Award program that is available for high school seniors who are, or whose legal guardian is, a customer of an MMUA-member municipal electric or gas utility. The scholarship fund is split into \$2,000, \$1,500, \$1,000, and \$500 scholarships, and awarded to essay contest winners who plan on attending a post-secondary educational institution. High school seniors are eligible to enter the essay contest. The due date to submit essays is April 1, 2010. Entries must be submitted to the governing body of the municipal utility, and the local governing body picks a local winner. Every MMUA member may then enter the one local essay contest winner to the state contest. The MMUA Communications/Member Services Committee selects the winners, with announcement in May 2010.

Director Harren stated that in 2009, the Melrose Public Utilities offered a local scholarship in the amount of \$1000. He inquired whether the utility wishes to again offer this scholarship.

A motion was made by Mr. Budde, seconded by Mr. Olmscheid and unanimously carried to offer a Melrose Public Utilities scholarship in the amount of \$1,000.

- g. Director Harren stated that RW Beck has offered MRES members the opportunity to create a high level business case for implementation of Advanced Metering Infrastructure at a cost of \$500.

A motion was made by Mr. Olmscheid, seconded by Mr. Budde and unanimously carried to approve having RW Beck include Melrose in the business case.

- h. Director Harren stated that when the 2010 Electric Rate Study was completed, it was suggested in the study that Melrose consider calculating the franchise fee based on energy (kWhs) sold instead of a percentage of revenue. The City Code allows for three methods of computing the franchise fee, and by agreement, it is currently calculated by revenue. This franchise fee contribution to the City is about \$350,000 per year. The conversion from percent of revenue to kWhs sold would be 3.25 mills, using an estimated 110,000,000 kWhs sold per year. Director Harren stated that this change is being recommended due to the escalating costs of power over the past several years, and the anticipated cap and trade costs forthcoming.

In February 2002, the City and Utilities entered into an Electric Franchise Agreement, and in Section 10.1, a 5% of gross revenue fee was agreed to. In Section 10.2, it states the fee may not be changed more often than annually. As one method of minimizing future rate increases, Director Harren inquired whether the Commission would be interested in requesting that the Council give consideration to amending the 2002 Electric Franchise Agreement. If the Council is agreeable, the change would become effective January 1, 2011.

Tim Miller of MRES had submitted two options for basing the franchise fee on energy sales. The first option would be setting the franchise fee at 3.25 mills of all kWhs sold against all classes. This would result in industry's franchise fee costs being about 8.7% (\$16,500) greater than the current fees paid, while some other classifications would see a decrease. Option 2 would include different franchise fee rates for the different classifications as well as a rate per demand KW. This option would result in about the same franchise fees being paid by each classification as current fees. Overall, anticipated franchise fees generated from each of these options would be approximately \$348,500, which is only slightly less than the current total of \$350,000.

A motion was made by Mr. Budde, seconded by Mr. Olmscheid and unanimously carried to submit a request to the Council that consideration be given to amending the 2002 Electric Franchise Agreement to be based on energy sales versus revenue, using Option 2 for the franchise fee.

- i. Director Harren stated that, in 2009 when the stimulus funds were announced, staffed inquired with the Department of Health regarding the ability to use stimulus funds for a water treatment plant. At that time, the City was informed its project would not rank high enough on the project priority list to receive funding. According to Heidi Peper of SEH, there were enough stimulus funds to fund projects that ranked 5 and higher. The federal government is now considering a second round of stimulus funding for water treatment plants. With the next round of stimulus funds, the projects ranking below 5 may be accepted. SEH is doing an initial assessment at no charge to determine if Melrose would qualify for stimulus grant funds. This assessment will be available in February. In the past, discussion has been to wait until the debt from the tower bonds are retired before considering a water treatment plant. However, the replacement of Wellhouses #4 & #5 has been in the Five Year Capital Improvement Plan for the past five years. The wellhouses need structural, electrical and cosmetic work. It was also discussed in the past to construct one new wellhouse and to pipe the two wells to one house similar to Wells #8 & #9.

Director Harren stated that, if the Commission is considering a water treatment plant in 2019/2020, then repairs would be appropriate. If not, should Wellhouses #4 & #5 be repaired? Director Harren suggested that perhaps a feasible study should be completed to determine the benefit of combining the well houses. He also inquired whether a survey should be given to the residents regarding a water treatment plant.

The Commission felt that a survey would not be beneficial to be completed. However, it was agreed that the info from Ms. Peper regarding the City's potential for stimulus funding could have an impact on what is decided to be done regarding the water treatment plant, Wellhouses #4 & #5, as well as the water mains from the well fields to the City that have encountered corrosion. It was agreed to table further discussion on this matter until the info is received from Ms. Peper, which is anticipated to be received prior to the Commission's February meeting.

- j. Director Harren stated that DGR has submitted their 2010 Miscellaneous Services Agreement. The fee for the calendar year 2010 will not exceed \$7,000 without prior approval. The rate increase from 2009 is \$1-\$2 per hour depending on the service and personnel grade of the position.

A motion was made by Mr. Olmscheid, seconded by Mr. Budde and unanimously carried to approve the 2010 Miscellaneous Services Agreement with DGR in the amount of \$7,000.

A.I.#8 UNFINISHED BUSINESS

None

A.I. #9 NEW BUSINESS

None

A.I. #10 INFORMATIONAL ITEMS

The following informational items were discussed:

- a. The City has received a check for a 2009 property/casualty dividend in the amount of \$16,551 from the League of Minnesota Cities Insurance Trust (LMCIT). The dividend was shared between the General and Utilities fund in the amounts of \$5,719 and \$10,832 respectively.
- b. 2009 Police Chief spreadsheet which showed the estimated 2009 PAC was \$.005/kWh and the actual was \$.0053/kWh.
- c. Thank you card received from the 2009 City of Melrose Public Utilities Scholarship recipient, Corisa VanHeel.
- d. The following school and/or conferences where registrations have been made:
 - 1. Regional Management Workshop – January 26 in Alexandria. Registration fee: \$174/person. Attending: Electrical Supervisor Lyon, Water/Wastewater Supervisor Gilbertson, and Streets/Parks Worker Gary Middendorf.

A.I. #11 ADJOURNMENT

A motion was made by Mr. Olmscheid, seconded by Mr. Budde and unanimously carried that the meeting be adjourned at 6:00 p.m.

PATRICIA HAASE – CITY CLERK