

**MELROSE PUBLIC UTILITIES COMMISSION
REGULAR MEETING
MONDAY, MARCH 16, 2015 – 4:00 P.M.**

AGENDA

1. Call to Order/Roll Call
2. Approval of Agenda
3. Consent Agenda
 - a. Approval of Minutes
 - b. Approval of Bills/Purchase Orders
 - c. Approval of Investments
 - d. Delinquent Accounts Report
4. Reports
5. Action Items
 - a. 2015-2016 LMCIT Worker's Compensation Insurance Quote
 - b. South Water Tower
 - c. Cost Share / Frozen Line
 - d. Summer Intern
 - * e. 2015 Padmount Inspection and Maintenance Contract
 - * f. 1st Street SW Sewer Improvement Project
6. Old Business
 - a. Struvite Issues
 - b. Southwest Substation Easement Update
 - c. Xcel Underbuilt
 - d. Telecommuting Policy
7. New Business
 - a. Jennie-O Turkey Store Billing
 - b. Regional Transmission Organization (RTO) / Pancake Transmission Rate
 - c. CIP Reimbursement
 - d. Meeting Schedule
 - e. Software Purchase
8. Informational Items
 - a. Central Minnesota Water Education Alliance Award
 - b. Schools and Conferences
 - c. Single Phase / Three Phase Padmount Transformers
9. Adjournment

* Amendments

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MONDAY, MARCH 16, 2015 – 4:00 P.M.**

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

The Melrose Public Utilities Commission met in a Regular Meeting on Monday, March 16, 2015 at 4:00 p.m. at the Melrose City Center pursuant to due notice being given thereof. Present were Commission Members Eric Seanger, Lyle Olmscheid, and Dick Christenson, Electrical Supervisor Dale Lyon, Water/Wastewater Coordinator Tim Vogel, City Administrator/Treasurer Michael Brethorst, Finance Director Tessa Beuning, and City Clerk Patti Haase. Chair Seanger called the meeting to order.

A.I. #2 APPROVAL OF AGENDA

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

A.I. #3 CONSENT AGENDA

The following were considered for approval under the Consent Agenda:

- a) the minutes from Commission's February 9 Regular Meeting.
- b) list of bills in the amount of \$ 972,663.21. (See attached list)
- c) Investments Report for the month of February. (See attached list)
- d) the Delinquent Accounts Report for the month of February.

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

A.I. #4 REPORTS

None

A.I. #5 ACTION ITEMS

- a. The Commission gave consideration to approving the quote received from the League of Minnesota Cities Insurance Trust (LMCIT) for worker's compensation insurance for the period of March 7, 2015 through March 7, 2016. The net premium costs for the upcoming period are \$44,377. The quote in 2014 was \$45,261, which is decrease of 2%. The experience modification decreased to 0.67% for the 2015-2016 coverage period, down from .69% for the 2014-2015 coverage period. It is recommended that the City again approve the regular premium option.

The General Fund share of the premium is \$28,845 and the Utilities' share is \$15,532 (compared to \$29,501 and \$15,760, respectively for the past year).

The Council, at its February 19 meeting, approved the worker's comp insurance renewal quote from LMCIT in the amount of \$44,377.

A motion was made by Mr. Christenson, seconded by Mr. Olmscheid and unanimously carried concurring with the Council to approve the worker's compensation insurance renewal quote from LMCIT in the amount of \$44,377.

- b. Administrator Brethorst noted that a negotiated agreement has been tentatively met to raise the rent for the south water tower for its Third Amendment. This amendment addresses Sprint's need to add an additional antenna to support the growing data needs in the service area. A rate of \$200 a month has been agreed to. Additionally, Melrose has proposed verbiage changes to the agreement that were not addressed when the contract was originally drafted 10 years ago.

There is proposed verbiage to address the lessee's obligations during tower maintenance, reimbursement for modifications to the tower and cost-sharing of 360 Virtual Imagery of the towers. Pending final review, it is anticipated the new antenna will be placed during the 2nd quarter of 2015.

The antenna lease is set to expire in 2020. At that time, a rewrite will be prepared to reflect current language to match that of our north tower. An attempt was made to rewrite the whole contract to reflect the updates. The noted difference is the reimbursement costs for local engineering review. The current agreement does not allow for reimbursement for these expenses. The Commission had to absorb these costs through the increase in rent.

A motion was made by Mr. Olmscheid, seconded by Mr. Christenson and unanimously carried authorizing staff to sign the final agreement pending legal review as outlined above.

- c. Chair Seanger reported that this past month, the City had two water lines freeze. One belonged to the City and the other to the property owner. The Utilities was unable to exercise the water shut-off at the curb. Due to this, the owner was unable to postpone the dig until Monday. An emergency locate was issued and the leak was fixed on the weekend.

The property owner has requested the City partner to cover some of the cost associated to the water break. He has asked that the City cover the costs for the emergency call out on the weekend to what he would have had to pay if he was able to have the work completed during the week.

A motion was made by Mr. Christenson, seconded by Mr. Olmscheid and unanimously carried authorizing payment to the property owner to cover the costs over and above what it would have cost to perform the work during regular business hours.

- d. Administrator Brethorst noted that the City has been contacted regarding an internship opportunity at the Wastewater Treatment Facility (WWTF) from a student who is in the Environmental and Technological Studies program at St. Cloud State University (SCSU). The proposed internship would be for 24 hours per week for 15 weeks. The student would be eligible for nine credits toward an undergraduate degree and four credits toward a graduate degree in the Environmental and Technological Studies Department.

City staff is recommending approval of this internship at start on the Temporary/Seasonal pay scale which is \$9.97 per hour x 24 hours/week x 15 weeks = \$3,589.20. The City will need to evaluate this student's progress and submit necessary reports to SCSU.

A motion was made by Mr. Olmscheid, seconded by Mr. Christenson and unanimously carried approving the City to enter into an agreement with SCSU for a 360 hour internship at \$9.97 per hour.

- e. Star Energy Services has submitted their 2015 Contract for Inspection Services for Padmount Inspection and Maintenance. The approximate cost for the 2015 Padmount Inspection and Maintenance is \$5,000.

A motion was made by Mr. Christenson, seconded by Mr. Olmscheid and unanimously carried approving the contract with Star Energy Services for 2015 Padmount Inspection and Maintenance Services in the amount of \$5,000.

- f. The Commission next reviewed the engineer's estimate for the sanitary sewer lining on 1st St SW from 4th Avenue SW to 5th Avenue SW.

A motion was made by Mr. Christenson, seconded by Mr. Olmscheid and unanimously carried approving the specifications and authorizing staff to obtain quotes.

A.I. #6 OLD BUSINESS

- a. Water/Wastewater Coordinator Tim Vogel noted that with the addition of the centrifuge into the WWTF processes, it has caused two noted process concerns. First is that it has created a level change in the amount of ammonia discharged into our equalization basin. It causes spikes in the amount of ammonia in the centrate coming from the centrifuge into the equalization basin. It has not caused us to exceed our discharge limits; however, it does place us close to the amount.

Additionally, it creates conditions that are ideal for struvite (ie. plaque) in the piping and the tanks. Staff has consulted with our engineers and ferric chloride dealers and testing of three types of pipes that are said to be resistant to struvite buildup were completed. The test indicates that there is no one type of pipe that is better than the other; however, it was determined that when the piping is replaced, it will be replaced with fiberglass pipe that is much lighter and cheaper. Staff will also realign the piping in an effort to reduce the amount of turbidity in the piping, plus additional clean outs and valves will be placed that will allow for continuous flow into the equalization tanks. By doing this, the engineers believe we will be able to manage the ammonia levels as well as reduce, but not eliminate, the struvite problem.

Water/Wastewater Coordinator Vogel has made contact with Hawkins Chemical to conduct a test at the WWTF. The plant is going to serve as a testing site for a product that Hawkins has created to help reduce struvite. It is a chemical-based solution and the testing will occur during the summer of 2015.

- b. City Administrator Brethorst stated that in February, the Commission authorized the easements for the placement of the electric feeders and conduit from the Southwest Substation to the main Power Plant. The easements have been sent out to the residents, with 7 of the 12 easements being returned. Letters were also sent out to the affected and adjacent property owners noting the possible impact to their right-of-way (ROW). An additional letter was sent out to 30 residents explaining that this project will replace the overhead line and place the services to their homes from the overhead to underground.

- c. Electrical Supervisor Lyon noted that Xcel Energy, Xcel Energy Consultants, City of Melrose staff and DGR Consultants have conducted a site visit of the proposed upgrade of the Xcel Energy power lines that pass through Melrose. There were three options being explored: 1) One-for-one replacement of conductor, risers, etc.; 2) Directional boring the Melrose line; or 3) Realignment of the Xcel line from its current location to Kraft Drive. There are pros and cons for each. Supervisor Lyon noted that Xcel has decided to change the design of the project and are back at the planning stage and that they would provide an update on the project in approximately two weeks.

Administrator Brethorst stated that he has had no communication from Geronimo Energy regarding the project since November 2014. He outlined the costs expended to date relating to this project. He stated he will continue try to reach Geronimo to establish an administrative agreement. Once this design push is complete, he will coordinate the close-out the work completed with DGR pending a signed agreement.

- d. The Commission next reviewed a draft Telecommuting Policy which is a work arrangement that permits employees to work off-site in their homes for part or all of a workweek in special circumstances such leaves as maternity, care of a sick child, spouse, etc. and/or other extended leaves. Each leave would require City Administrator and/or Appointing Authority approval. The employee would need to complete the Application to Telecommute.

A motion was made by Mr. Christenson, seconded by Mr. Olmscheid and unanimously carried adopting the Telecommuting Policy with changes as agreed upon by Administrator Brethorst and Commission Member Olmscheid.

A.I. #7 NEW BUSINESS

- a. Administrator Brethorst noted that the City placed a credit on the Jennie-O Turkey Store (JOTS) sewer bill in the amount of \$9,767.45 which is the amount of the Peak Daily Limit Surcharge and Tier 2 billing amount for Total Suspended Solids (TSS). On January 7, 2015, it was identified that JOTS had a TSS level of 36,358 lbs. A typical day is about 500 lbs. This was brought to the attention of JOTS on that day. Since this time, it was determined that the most likely cause for this reading is due to a floating chunk of grease that was lodged in their sample stream which created a bad sample. At no other time throughout the billing history has JOTS even remotely approached this level. Based on the high likelihood of this being a true anomaly, JOTS and the Water/Wastewater Coordinator believe this to be the case versus a true slug of TSS.

- b. Several months ago, Western Area Power Association (WAPA) asked for comment about entering into a RTO. An RTO is an organization that coordinates the sale and distribution of power. Consideration was between Southwest Power Pool (SPP) or Midcontinent Independent System Operator (MISO). After much consideration, a decision was to enter into an agreement with SPP.

With this change, MRES has agreed to take active management of the Integrated (Transmission) System (IS) which was managed by WAPA. With this change, they will have total management of the Network Integrated Transmission Service (NITS). With the acquisition and management of the NITS by MRES, Melrose will no longer have to pay “pancaked” IS transmission charges. This will equal about ½ penny per kWh also known as (5 to 5.5 mills /kWh/year).

This is an estimated savings; however, there is a risk as well if the capacity costs in the MISO market exceed the revenues from the sale of excess capacity in the SPP markets, the Utilities would then have to bear the cost difference. It is also projected that our transmission costs from Xcel will also increase for FY 2016. This has not changed from the former assessments. In all, MRES assesses that the Utilities will see less of an increase in the rates in 2016 than originally anticipated. More will be known in the 4th quarter of 2015.

- c. Administrator Brethorst stated that under State Law the Utilities is required to spend monies to help reduce the demand and kWh sold to its customers. The Utilities partners with MRES to manage our program. There are CIP reimbursements provided for the purchase of such items as Energy Star rated appliances, low flow shower heads, retrofitting of lights to energy efficient lighting and so on. Historically, checks would be written to the customers for the reimbursements. Sometimes, these checks are as little as \$5, while on the other hand, it is rather significant upwards of \$1,000.

It has been a practice to write checks, however, it is very time-consuming to write a check as a vendor would need to be established for each check, along with coding, printing, and mailing the check. In an effort to streamline the process, issuing bill credits for the amount of the reimbursement has been started. If the customer prefers a check, we will accommodate them.

- d. The Council and Commission will meet on Thursday, April 16, 2015 at 5:00 p.m. to receive the 2014 Audit Report and Auditor’s Management Letter.
- e. Finance Director Beuning noted that City staff has spent approximately six months discussing and looking into a new accounting and utility billing software. After an initial email message to municipalities in Minnesota for recommendations, a number a vendors were reviewed until we decided upon four to look into further. Requests for proposals were received from three of those vendors, and we viewed demonstrations from each of those. A number of references were called to get the best information of each of the vendors to be sure the City was meeting their due diligence on finding the right software to fit the needs of the City. It was focused on finding a system that will be able to provide all technologic needs to bring the City up to speed, but yet focused on not overshooting and getting more than a city of our size needs.

From there, it was narrowed down to one vendor that was best suited the City's needs as well as our budget constraints. Areas particularly focused upon were better reporting features, more advanced technology, increased efficiency for staff, and to reduce the need for manual reporting and adjustments which will also reduce the risk of errors.

It is proposed that the Commission approve the switch to Civic Systems, LLC. Civic Systems serves over 250 municipalities and 300 utilities throughout the Midwest over the last 30 years. The City's contract with ACS/Xerox ends on September 28, 2015 and Civic Systems were confident that they would be able to meet that deadline to have us fully converted by that point.

The total cost of investment for the proposed system is approximately \$77,400. This would be split 37% to General for a cost of \$28,640 and 62% to Utilities with a cost of \$48,760. The annual cost is estimated to be \$7,595 (\$2,950 to General and \$4,645 to Utilities). The investment cost will be paid over two years at 0% interest.

The current annual payments to ACS averaged over the last three years are approximately \$24,814. If the City switches to Civic Systems, an estimated savings of almost \$16,000 over five years and \$104,000 over 10 years will be realized.

A motion was made by Mr. Olmscheid, seconded by Mr. Christenson and unanimously carried approving the switch to Civic Systems software package at the cost as presented.

A.I. #8 INFORMATIONAL ITEMS

The following informational items were then reviewed:

- a. The City is a member of Central Minnesota Water Education Alliance (CMWEA) CMWEA has received the Soil and Water Conservation Society's Education Award. The award will be presented at their March 2 Annual Conference and Meeting in Crookston.
- b. The following is a list of schools and/or conferences where registrations were made:
 1. MRES Energy Technology Days – April 6-8 in Sioux Falls, SD. Attending: Accounting Clerk Stacy Funk, Billing Clerk Rosie Athmann and Electrical Supervisor Dale Lyon.
 2. Safety & Loss Control – March 26. Attending: Human Resource Coordinator Diane Gruber.
- c. The Commission, at its February 9 meeting, authorized Supervisor Lyon to obtain quotes and award the bid to the best value bidder for Single Phase and Three Phase Padmount Transformers – (2) 3/0 Padmount Transformers 112.5 KVA, (5) 1/0 Padmount Transformers 50 KVA, and (3) 1/0 Padmount Transformer 37.5 KVA.

A.I. #9 ADJOURNMENT

A motion was made by Mr. Olmscheid, seconded by Mr. Christenson and unanimously carried that the meeting be adjourned at 5:05 p.m.