

**MELROSE PUBLIC UTILITIES COMMISSION  
REGULAR MEETING  
MONDAY, OCTOBER 14, 2019 – 4:45 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. Charged-Off Accounts / Accounts Collected
  - e. Anderson Underground – Invoice
4. Reports
5. Action Items
6. Old Business
  - a. Demand Rate Times Discussion
7. New Business
  - a. Notice of Appointments
  - b. Wastewater Treatment Facilities Finance
  - c. SIU Agreement Language Revisions
  - d. Bright Energy Solutions
  - e. Transformer Testing and Replacement
8. Informational Items
  - a. Compliance Evaluation Report
  - b. Wastewater Treatment Facilities Progress Report
  - c. Wastewater Treatment Facilities Regulator Update
  - d. Schools and Conferences
  - e. Building Permit Report
9. Adjournment

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MONDAY, OCTOBER 14, 2019 – 4:45 P.M.**

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

The Melrose Public Utilities Commission met in a Regular Meeting on Monday, October 14, 2019 at 4:45 p.m. at the Melrose City Center pursuant to due notice being given thereof. Present were Commission Members Eric Seanger, Jeremy Kraemer, City Administrator Colleen Winter, Water/Wastewater Supervisor Tim Vogel, Electrical Supervisor Roger Avelsgard, Finance Director Tessa Beuning and City Clerk Patti Haase. Commission Member Joe Finken arrived at 4:50 p.m. Chair Kraemer called the meeting to order.

**A.I. #2 APPROVAL OF AGENDA**

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

**A.I. #3 CONSENT AGENDA**

The following items were considered for approval under the Consent Agenda:

- a) The minutes from the Commission's September 9 Regular Meeting and September 9 Special Meeting with Industry.
- b) List of bills in the amount of \$326,612.44. (See attached list)
- c) Investments Report for the month of September. (See attached list)
- d) Utility uncollectible accounts in the amount of \$801.59 have been submitted to Revenue Recapture, collections, or written off. A complete list of accounts is on file at the City Office.
- e) At its April 23, 2019 meeting, the Commission approved the bid for Anderson Underground for underground boring work for the South Interstate Underground Project. Work has been completed by Anderson Underground. Electric Supervisor Avelsgard has reviewed Payment Voucher No. 2 and is recommending payment of \$49,783.50 as outlined in the invoice.

A motion was made by Mr. Seanger, seconded by Mr. Kraemer and unanimously carried to approve the Consent Agenda items.

**A.I. #4 REPORTS**

None

**A.I. #5 ACTION ITEMS**

None

## **A.I. #6 OLD BUSINESS**

- a. Electrical Supervisor Avelsgard presented background information on demand rate times. The Public Utilities bills demand on a 15/1 rolling peak demand. This means that any 15-minute time frame within an hour, during the billing month, will set the demand for that month. (i.e. this could be from 1:01 to 1:16, 3:07 to 3:22, or 5:41 to 5:56)

With the implementation of our MDM and customer portals, the peak demands that are represented there is based on a 15/15 minute block. This means that it goes with quarter hours. (i.e., 1:00 to 1:15, 1:15 to 1:30, 1:30 to 1:45, or 1:45 to 2:00)

Supervisor Avelsgard stated that there are 10 different meters that the Utilities have been monitoring and have data on both the 15/1 and 15/15 minute block. He noted that there are differences in the two different ways to collect peak demand. Although most of the time the differences are small, there are a couple of incidents that there is a larger difference. Some of the Utilities' largest loads were identified.

Electrical Supervisor Avelsgard discussed with the Commission on how the peak demand is captured currently and aligning with the customer portal.

Currently, the Utilities will have one customer that is being billed on a 15/15 minute block. When staff started to download the data and running a virtual meter, they had to switch to 15/15 minute block. This customer will have to continue to run that way unless the Utilities do not run them through a virtual meter.

The two choices that the Utilities have are to continue with collecting the peak demand on a rolling 15/1 minute block or switch to a straight 15/15 minute block.

A motion was made by Mr. Seanger, seconded by Mr. Kraemer and unanimously carried to switch demand billing to the 15/15 minute block.

## **A.I. #7 NEW BUSINESS**

- a. City Administrator Winter noted that at the Council's first meeting in January 2020, consideration will be given to making appointments to the various boards and commissions. A notice regarding same will be published in the Melrose Beacon on October 16 and October 30 informing residents that those interested in seeking appointment should submit their application to the City Clerk by no later than Friday, November 8. Applications are available at the Melrose City Center. Terms are expiring on the following boards and commissions:
- Melrose Public Utilities Commission – one member (three-year term)  
Term expiring: Eric Seanger
  - Planning and Zoning Commission – two members (four-year term)  
Term expiring: Jason Seanger, and Kevin Thomas
  - Melrose Area Development Authority: one member (six-year term)  
Term expiring: Don Brower
  - Melrose Housing and Redevelopment Authority: one member (five-year term)  
Term expiring: Matt McDonald

b. City Administrator Winter stated that on October 1, the Senate Capital Committee came to Melrose to find out about the proposed wastewater treatment facilities (WWTF) upgrades and to hear the City's pitch for requesting bonding dollars. City Administrator Winter believes that the information was very well received and several of the Senators asked good questions. As a follow up to that meeting, to answer the questions posed by the Committee and underscore the importance of the bond dollars, the below information and rate tables were presented for review:

- The rate calculations assumed that \$2,000,000 of the \$4,000,000 fund balance would go towards the project. The Utilities has been raising rates by 5% since 2012 to arrive at the \$2,000,000.
- Currently, \$712,266 is funded annually for depreciation. To fund the project and keep palatable rates, a reduced amount of depreciation would be funded was assumed. The City also increased the funded depreciation over the 20-year window. To answer the question about the rate impacts with and without funding, this assumption was removed and continued to fund \$712,266 of depreciation each year.
  - To continue to fund depreciation as historically done, residential rates would take a one-time increase of 28% (from \$44.69 per month, to \$57.25). Industry rates would go up between 16%-30%, depending on industry. For Jennie-O Turkey Store (JOTS), it would be \$250,000 more each year (based on 2018 discharge characteristics).
  - Taking the same scenario as above, but then removing \$5.75 million from the capital project from bonding dollars, the residential rates could go down 4.3% (from \$44.69 to \$42.77). Industry rates could go down about 5%.

Administrator Winter presented the rate tables with different scenarios of funding depreciation. She proposed that individual letters be sent to the Capital Committee members requesting their support of the project. She also suggested that the City get letters from Industry stating they are in support of the project.

A motion was made by Mr. Seanger, seconded by Mr. Finken and unanimously carried authorizing staff to send individual letters to the Capital Committee members requesting their support and to request letters from Industry stating their support.

c. As discussed last month, staff will be meeting with Industry to go over the new rate schedule and incorporate in the SIU agreement. Administrator Winter recommends that the Utilities Commission consider approving using the rate schedule as presented during the discussion with Industry.

To be noted, Jennie-O Turkey Store has been able to significantly reduce their flows over the last two months.

A motion was made by Mr. Finken, seconded by Mr. Seanger and unanimously carried authorizing City Administrator Winter to meet with Industry using the rate schedule as presented.

- d. City Administrator Winter noted that the Public Utilities Commission will no longer be offering the Missouri River Energy Services (MRES) Riverwinds green energy program to its customers, but instead would like to request that the Commission participate in another “green” program entitled Bright Energy Choices (BEC). How BEC works is our wholesale power supplier, MRES, will purchase Renewable Energy Certificates (RECs), on behalf of participating customers. (RECs are proof that electricity was generated by qualifying renewable facilities – like wind and solar farms – and fed into the electric grid.) If a customer enrolls, RECs will be purchased to offset the *non-renewable* portion of energy consumption, making usage, in effect, 100 percent renewable. Staff, per Bright Energy Solutions’ (BES) suggestion, is recommending a small premium of **\$.005** per kilowatt-hour of energy used should be added to **the nonrenewable percentage** a kilowatt-hour on the customer’s bill. Right now, the non-renewable is 52% of the energy mix. For a typical household that uses 800 kwh of electricity a month, this would result in an increase of \$2.08. Under the old program, the price per 100 kWh block was \$2.50. This same program could also apply to small commercial customers. For the larger industries or key accounts, the Utilities will be setting up account visits between them and Amy Collins, our BEC coordinator. There are several more options for large energy users when it comes to savings. Ms. Collins and Mr. Anderson (MRES) will be present at the November Commission meeting to discuss an audit of the City Center and answer any questions the Commission may have regarding BEC or other MRES programs.

Staff recommends that the Commission participate in the Bright Energy Solutions program and charging the small upcharge fee of \$.005 per kwh.

A motion was made by Mr. Seanger, seconded by Mr. Finken and unanimously carried to participate in the Bright Energy Solutions program and charging the \$.005 per kwh.

- e. Electrical Supervisor Avelsgard stated that in August 2019, the Electric Department pulled oil samples to test for dissolved gases and the condition of the transformers. This has typically been done on substation transformers on a yearly basis. This year, any transformer above a 300 kVa was included. These transformers will be tested yearly to track conditions on both the transformer itself and the oil condition. This is to be proactive in monitoring and replacing them before they blow up.

The Utilities received confirmation that eight of the transformers out of about 50 had issues. These transformers were then retested to confirm the first test. Upon confirmation, there was one transformer that had come back as clear and one that came back as oil degradation (this transformer is same vintage as others that have come back as having issues). There were also six other transformers that came back that showed to have issues. Four of these transformers were installed at the same time. Electrical Supervisor Avelsgard believes that by looking at the name plate, that they were either remanufactured or rebuilt transformers. On two of the transformers, Mr. Avelsgard is working with the manufacturer to resolve under warranty. There is also one other transformer that will need to be replaced.

In all, there is a bid going out this month to replace five transformers and add one into inventory. Journey Lineman Steve Scholz and Electrical Supervisor Avelsgard have looked at inventory and found that the Utilities does not have a spare for one size that is needed, which will be the one for inventory.

The bid will be presented to the Commission at the November meeting.

As a note, a majority of the transformers that have issues are at Land O'Lakes.

#### **A.I. #8 INFORMATIONAL ITEMS**

The following informational items were reviewed:

- a. The Minnesota Pollution Control Agency (MPCA) spent a day with Water/Wastewater Supervisor Tim Vogel to go through the City's NPDES permit and the good news is that nothing was found to be in non-compliance, only some advisory notes. Water/Wastewater Supervisor Vogel and his department deserve congratulations and thanks for a job well done.
- b. WWTF Progress Report from Suzan Danzl of SEH.
- c. Wastewater Regulatory Update & WWTF Improvements.
- d. The following is a list of schools and/or conferences where registrations were made:
  - 1) American Water Works Operator School – October 16. Attending: Water/Wastewater Operator Roger Stoermann and Water/Wastewater Supervisor Tim Vogel.
  - 2) MRES Area Meeting – October 24. Attending: City Administrator Colleen Winter, Electrical Supervisor Roger Avelsgard, and Finance Director Tessa Beuning.
- e. The Third Quarter Building Permit Report was presented.

#### **A.I. #9 ADJOURNMENT**

A motion was made by Mr. Finken, seconded by Mr. Seanger and unanimously carried that the meeting be adjourned at 5:25 p.m.

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PATRICIA HAASE – CITY CLERK