



CITY OF
GRAND RAPIDS
IT'S IN MINNESOTA'S NATURE

JOINT CITY COUNCIL/PUC MEETING MINUTES

**Monday, June 02, 2025
4:00 PM**

Mayor Connelly called the meeting to order at 4:00 PM.

PRESENT: Mayor Tasha Connelly, Councilor Molly MacGregor, Councilor Tom Sutherland, Councilor Rick Blake, Councilor Dan Mertes

PUC PRESENT: Commissioners Tom Stanley, Luke Francisco and Rick Blake. Absent: Commissioners Nancy Saxhaug and Rick Smith.

Staff Present: Tom Pagel, Kimberly Gibeau, Carl Babich, Jean Lane, Julie Kennedy, Mike LeClaire, Steve Mattson and Chad Troumbly

BUSINESS:

1. PILOT Agreement Update

Initial background on an agreement that was made when Mr. Ward was the general manager, during a time of annexation and the acquisition of utility systems from Lake Country Power. At that time, the council agreed to waive the taxes on those areas until the acquisition costs were paid off. Although that agreement was made about 10-15 years ago, with staff turnover, it's important to review and remind everyone of the status of those acquisitions and whether the resolution is still relevant.

Discussion focused on the PILOT payments (Payments in Lieu of Taxes) associated with the acquired utility service areas. The PILOT payment is calculated at 5 mills per kilowatt-hour of retail sales with a minimum payment of \$868,000. Even if the calculated payment falls below this minimum, the city still pays the minimum amount.

Currently, none of the annexed areas have been excluded from kilowatt-hour sales because the city hasn't needed to use that exclusion to meet the minimum payment. To reach the threshold where the formula-based payment would exceed the minimum, retail sales would need to increase by about 11%.

The discussion also addressed how different annexed systems were paid off. Some annexed areas had payments stretched over time, while others were small enough that it was more efficient to pay them off in a lump sum.

For example, in some annex areas, payments are ongoing, but it represents less than 1% of total revenue. Two annexed areas have been fully paid off, including one that was completed last year.

Looking ahead, development along Highway 35 (e.g. the former Ainsworth site) was discussed, including potential energy demands (projected at up to 17 megawatts). The load factor (how consistently energy is used) will play a key role in determining if sales in those areas would push payments above the minimum threshold. However, even at projected maximum usage, it's unlikely the city will exceed the minimum payment unless significant ancillary businesses are also developed.

UPDATES:

- 2. ~ Franchise Fee Billing
- ~ MMUA Legislative Workshop
- ~ Proposed MP Acquisition

ERP:

Discussed the Enterprise Resource Planning (ERP) system upgrades the city and utilities have been working on for over two years—these upgrades are essential to modernizing finance and utility billing systems, which haven't been updated in over 10 years. Unfortunately, the vendor recently experienced staffing and resource disruptions, which forced them to revise the project timeline, pushing the goal update to the first week of September. Because of this, the utilities division decided to delay their own NetSuites for Government implementation—originally planned for July—so that it would align with the city's timeline (to avoid having different systems at different stages). This ensures that all billing systems switch over simultaneously. It is emphasized that while their utility timeline has shifted to the end of August, they want to make sure it does not impact the City's overall project timeline, since the two are closely linked.

Franchise Fees:

GM Kennedy explained how the billing cycles are structured for utility billing:

Commercial and industrial customers are billed on a monthly basis, but the bill reflects usage from the entire previous month. This is because they need to capture the 15-minute peak period for demand charges for that month.

Residential customers are billed in cycles of three to four weeks, and those cycles are staggered across different weeks.

We don't have to wait until October to begin billing residential usage from August, since the billing can start as soon as the cycle closes. For example:

Cycle 2 starts September 18th, covering usage from mid-August through September 11th.

Cycle 3 follows, and so on, with Cycle 4 starting on October 2nd.

Then, the full month of September usage will be billed on October 9th.

Also noted that revenue from these bills is recognized on a quarterly basis, so the revenue for August usage (billed in September and October) will show up in the city's financials for October, November, and December—covering usage that started as early as July.

Legionnaires Disease Update:

This is based on information from the Department of Health, showing we've had 34 total cases

since the start, with no new infections recently. Required to remain case-free for 12 months before being removed from the outbreak list, and we're on track for that. All Department of Health guidelines have been followed. GRPU chose to respond proactively, investing \$500,000 to \$600,000 of funds to address the issue responsibly. This decision aligned with our values and our commitment to public health.

Water treatment—including chlorination—remains a critical topic. Additional measures have been implemented, like system flushing, monitoring, and public education. Questions arose about whether we need permanent chlorination, or if periodic treatments suffice. Based on Department of Health guidance, thorough system flushing and consistent monitoring are essential to preventing Legionella buildup.

Update on Status of MOUs:

Updates related to the annual Memorandum of Understanding (MOU) for collaborative services between the city and its partners. Two key items were mentioned:

Termination of IT Services – This has recently been completed and will be updated in the MOU.

Shared Facility Agreement – Originally, the city owned the land, the PUC owned the building, and rent was paid back to the city. That agreement was tied to the repayment of bonds issued for the facility's construction. Both bonds have now been fully paid off, ending that phase of the financial arrangement. However, major capital repairs are already looming, such as a \$400,000–\$500,000 foyer repair, which are not bond-funded and will need to be addressed through new capital planning. GRP Finance and City Finance are involved in reviewing this, and discussions about what a new shared facility agreement might look like are expected to begin around July.

Update on Power Supply/Utility Relationships:

Minnesota assigns geographic retail service areas to electric utilities by statute. GRPU serves retail customers in its area, however, GRPU is a wholesale customer of Minnesota Power, not a retail customer. GRPU is part of NEMPA (Northeastern Minnesota Municipal Power Agency), a group of 15 municipal utilities. NEMPA and Minnesota Power entered into a wholesale power contract (2022–2029). It's a full-requirements contract, meaning MN Power must supply all power needs (capacity, energy, etc.) and GRPU retains some limited generation (4–8%) for peak shaving. The contract can be assigned to third parties, with GRPU's consent.

GRPU uses battery storage and demand response (like off-peak heating/AC) to manage peak loads. Coordinating peak shaving with other NEMPA members could significantly reduce group-wide costs. A proprietary forecasting model from Minnesota Power predicts daily peak periods.

GRPU is connected to MISO (Midcontinent Independent System Operator), allowing it to potentially buy power on the open market. Pricing in wholesale markets is volatile and depends on hedging strategies. GRPU learned through its solar project that better pricing was possible, prompting renegotiation of the MN Power contract. Some power is imported from Canada, but it's a small percentage. Minnesota Power uses a DC line from the Dakotas and is expanding solar production.

The Midwest grid is highly interconnected—from Canada to Texas. FERC (Federal Energy Regulatory Commission) plays a role in ensuring grid reliability. Ongoing discussions around rolling blackouts and energy mix (solar, gas, etc.) factor into long-term planning.

Minnesota Municipal Utilities Association:

GRPU is offering a free safety training to our community thanks to a grant received through our membership in the Minnesota Municipal Utilities Association (MMUA). This is a three hour training session, with an additional one hour session for supervisors and business owners with an official certification provided upon completion. This training is available to non-governmental organizations such as daycares, small businesses, nonprofits and other local entities.

The MMUA Annual Summer Conference is scheduled for August 18-20, 2025 in Rochester, MN. Top-tier sessions on electric, water and utility industry trends; governance track specifically designed for elected officials; and opportunity to learn how municipal utilities function and gain insights into long-term planning and emerging challenges are examples of why this would be a great learning opportunity. All City Council members and Commissioners are encouraged to attend.

Finally, the MMUA is conducting a Legislative workshop on June 18th in the GRPU conference room from 5:00 - 7:00 PM. This will be an informative session with our dedicated lobbyists and government relations team, who will break down the latest legislative session and what passed that could impact municipal utilities across Minnesota.

The next joint meeting of the City Council and Grand Rapids Public Utilities Commission will be held on October 6, 2025 at 4:00 PM in the GRPU conference room.

There being no further business, the meeting adjourned at 4:42 PM.

Respectfully submitted:

A handwritten signature in cursive script that reads "Kimberly Gibeau".

Kimberly Gibeau, City Clerk