

**MELROSE PUBLIC UTILITIES COMMISSION
REGULAR MEETING
MONDAY, FEBRUARY 9, 2026 – 4:45 P.M.**

1. CALL TO ORDER/ROLL CALL

The Melrose Public Utilities Commission met in a Regular Meeting February 9, 2026 at 4:45 P.M. at the Melrose City Center pursuant to due notice being given thereof. Present were Public Utilities Commission members Joe Finken, Jeremy Kraemer, City Administrator Colleen Winter, Community Development Director Sheila Hellerman, Water/Wastewater Supervisor Jeremy Schrantz, Electric Line Lead Justin Lundblad, Streets/Parks Supervisor Andrew Rousslange, Finance Director Jackie Niehaus, Human Resources Generalist Doris Rieland, and City Clerk Connor Kockler. Public Utilities Commission member Eric Seanger was absent.

The Commission recited the Pledge of Allegiance.

2. APPROVAL OF AGENDA

A motion was made by Secretary Kraemer, seconded by Chair Finken, and unanimously carried to approve the agenda.

3. CONSENT AGENDA

The following items were considered for approval under the consent agenda.

- a. Approval of Minutes from the Commission's January 13, 2026, Meeting
- b. Approval of Bills / Purchase Orders
- c. Approval of Investments

A motion was made by Secretary Kraemer, seconded by Chair Finken, and unanimously carried to approve the Consent Agenda.

4. REPORTS

- a. Water/Wastewater Supervisor Report

Water/Wastewater Supervisor Jeremy Schrantz provided the following update. Annual reports that are due at this time of year have been completed. The new Riverside Lift Station pumps were installed. There was the first water main freeze of the year.

- b. Electric Department Report

Electric Line Lead Justin Lundblad provided the following update. Rubber goods testing will be taking place tomorrow. Seth, Jake, and Cole went to meter school the previous

week. The new air compressor has been placed in the basement of the power plant and is ready to be plumbed. The catalyst has been cleaned on generator 2. LED lights were installed in the switchgear room. A quote was put together for the billboard project on the south side of interstate 94. The inventory of equipment has been finished. The Electric Department has started assisting in trimming trees. Vehicle and equipment maintenance is ongoing. The crankshaft deflection test was conducted, and the air filters for generators have been cleaned.

c. City Administrator Report

City Administrator Colleen Winter provided the following update. She and City Clerk Kockler are working on some contract and policy items, and the rest of what would be covered in the report will be covered in the agenda items moving forward here.

5. ACTION ITEMS

5a. Water/Wastewater Plant Grit Building Heater Replacement

Water/Wastewater Supervisor Schrantz presented. He obtained quotes for the replacement of the grit building heaters at the Water/Wastewater Treatment Plant. The first quote was from Air Max LLC for a cost of \$19,300.00 to replace the grit building electric heater and \$9,020.00 to replace the self-contained AC/electric heat unit for the electrical room for a total of \$28,320.00. The second quote was from Freeport Electric Inc. for a cost of \$12,600.00 to replace the grit building electric heater and \$8,300.00 to replace the self-contained AC/electric heat unit for the electrical room for a total of \$20,900.00.

A motion was made by Secretary Kraemer, seconded by Chair Finken, and unanimously carried to approve the Freeport Electric Inc. quote for replacement of the grit building heaters at the Water/Wastewater Treatment Plant.

5b. Contract B: Well 10 Raw Water Main, Electrical, and Pump House Improvements

Water/Wastewater Supervisor Schrantz presented. On February 3, 2026, bids received for this project were opened by SEH. 6 total bids were received, and the low bid was \$229,220.03 from Kotzer Excavating Inc. SEH stated that they have worked with Kotzer Excavating Inc. on previous projects and have found them to have the experience and ability to complete a project of this size. If the city wishes to award the project to the low bidder, they stated it should then be awarded to Kotzer Excavating Inc.

A motion was made by Secretary Kraemer, seconded by Chair Finken, and unanimously carried to approve awarding Kotzer Excavating Inc. the Contract B: Well 10 Raw Water Main, Electrical, and Pump House Improvements project.

5c. 2025-2026 LMCIT Workers' Compensation Insurance Quote

Finance Director Niehaus presented. The Commission was to give consideration approving the quote received from the League of Minnesota Cities Insurance Trust (LMCIT) for worker's compensation insurance for the period of March 7, 2026 through March 7, 2027. The net premium costs for the upcoming period are \$72,439. The quote in 2025 was \$55,962, which is an increase of 29%. Due to claims history, the experience modification changed to a 1.03% debit (\$2,316) for the 2026-27 coverage period, up from a 0.73% credit for the 2025-26 coverage period. Overall workers' compensation rates for 2026 have decreased for the third year in a row. It was recommended that the Commission again approve the regular premium option. The General Fund share of the premium is \$60,022 and the Utilities' share is \$12,417 (compared to \$42,531 and \$13,431, respectively for the past year.)

A motion was made by Secretary Kraemer, seconded by Chair Finken, and unanimously carried to approve the LMCIT workers compensation insurance at the regular premium option.

5d. Memorandum of Understanding between City of Melrose and AFSCME Local 65

City Administrator Winter presented. At the regular December 18, 2025 meeting of the City Council, a discussion took place regarding Minnesota Paid Family and Medical Leave (MN PFML). Some of the questions that were asked were:

1. If someone is out on MN PFML, do they still receive their health insurance?

Answer: Yes, they do.

2. While out on MN PFML, does an employee still accrue vacation and sick time?

Answer: No, they do not.

The Commission reviewed the MOU and City Administrator Winter noted that the language in the draft as presented was incorrect as it should only be for 2026 and 2027, not 2028 as prepared.

A motion was made by Secretary Kraemer, seconded by Chair Finken, and unanimously carried to table approval of the Memorandum of Understanding until a corrected version could be presented to the Commission.

5e. Electric Department Hiring of Staff - Summer Apprentice Line Worker

City Administrator Winter presented. The Electric Department is requesting approval to hire a summer Apprentice Line Work for up to 1000 hours. They have had an intern for the last several years and with the current workload, it would be beneficial.

A motion was made by Secretary Kraemer, seconded by Chair Finken, and unanimously carried to approve the hiring of a Summer Apprentice Line Worker by the Electric Department.

5f. Streets/Parks Department Hiring of Staff - Seasonal Part-Time Worker

City Administrator Winter presented. Historically the city has hired a seasonal part-time worker to assist with the summer workload. Streets/Parks Supervisor Rousslang is requesting approval to hire a temporary summer/seasonal worker for on an as needed basis, to assist with lawn and park maintenance, cleaning, etc. A portion of the wages are paid from the utility fund; therefore, staff is requesting Commission approval of the hiring of a seasonal/temporary part-time worker.

A motion was made by Secretary Kraemer, seconded by Chair Finken, and unanimously carried to approve the hiring of a Seasonal Part-Time Worker by the Streets/Parks Department.

6. NEW BUSINESS

6a. Melrose Public Utilities Quarterly Financial Report

Finance Director Jackie Niehaus presented. Revenues are higher than expected, as water sales are above what was budgeted, and interest income is strong through the fourth quarter. Unbudgeted settlement proceeds were also received from 3M for PFAS-related impacts. Production costs are higher than budgeted year-to-date as a result of the Well #8 rehabilitation project completed in the second quarter of 2025. Distribution costs are below budget primarily due to lower than anticipated maintenance expenses during the period. City attorney fees were higher than expected, contributing in part to the overall increase in administration and general expenses. The increase in net income at the end of the fourth quarter of 2025 is driven in large part by the strong interest income and lower than budgeted expenditures in that time.

Wastewater investment funds also experienced strong fourth-quarter earnings which exceeded what was expected. For expenses, uncollectable accounts are higher than anticipated year to date, primarily due to the write off of delinquent sewer base fees. Total expenditure is just over 100% of the annual budget, so expectations for the year were closely on track with what was actually spent. Wastewater also had an increase in net income which was primarily driven by an increase in interest income, sewer lab reimbursements, and sewer connection fees.

The Electric investment income was also strong, with growth being almost twice what was anticipated. Total year end generation revenue is performing strongly at 142% of anticipated levels, and penalty revenues are at 135% of what was projected. Overall revenues are exceeding the budget through the third quarter of 2025.

Residential usage of electricity is higher than the prior year, largely driven by growth in customer accounts resulting from newly developed apartment buildings. This increase reflects continued residential expansion within the service area. Municipal service includes pumping, street lighting, and municipal parks and buildings. The total increase from the prior year is minimal, at approximately 2%.

6b. Blower Building Project Proposal

Eric Meester from Nero Engineering presented their Engineering Services Agreement with the plan for improvements to be made to the pump and blower buildings at the Water/Wastewater Treatment Plant.

The first task to be completed would be the CMAR selection process. The request for qualifications would be developed and contractors could submit their qualifications and ability to perform the project as identified in the preliminary design documents. An onsite meeting would then be conducted with the proposing contractors to answer questions they may have. Nero along with the city would then evaluate the contractors and determine which contractors should be scheduled for interviews. Once interviews have been completed, a request for proposal will then be submitted to at least two of the selected contractors to bid on, and a final contractor will be selected by the city. Nero will evaluate the proposals and provide a recommendation to the city on which contractor to select.

The second task would be to finalize the design and construction documents. SEH provided several design documents that they had completed so far. Nero can use the SEH documents as a guide to start the process, but Nero will have to create their own drawings and designs. Nero will then go through all of the different elements that will need to be developed for the design. Once the final designs are completed, they will be submitted to the MPCA for approval.

The projected timeline for the project is that the contractor selection could be finished by April to May, and the final design approval and guaranteed max price would be done by late May to June. Construction would be planned to begin in June and continue until December of 2027. The process from start to completion should take around 18 months.

A motion was made by Secretary Kraemer, seconded by Chair Finken, and unanimously carried to approve the Engineering Services Agreement and plan for improvements to the Water/Wastewater Treatment Plant presented by Nero Engineering.

6c. Electric Department Bridge Plan and DM Services

City Administrator Winter presented a memorandum regarding staffing in the Electric Department and her recommendations for moving forward with an Emergency Service Contract and Bridge Plan.

The Electric Department is looking at a leadership transition in a 14-day window. Electric Line Lead Lundblad will be resigning effective February 28, and Steve Scholz will officially retire on February 20. The remaining workers are dedicated but do not have the seniority and experience to maintain the system themselves. There are several options available to address this situation. The city can enter into an agreement for Missouri River Energy Services to take over maintenance of the city utility, and the Electric Department would transition to being MRES employees. Or, Sauk Centre and Alexandria would be able to

take over on-call maintenance requests with their Electric Departments, and/or the city could start to aggressively hire for senior line worker staff. However, this would introduce pay equity issues compared to other city employees, and we would have to hope that the city would be able to find this level of staff to hire.

City Administrator Winter made a recommendation to immediately secure an agreement with Sauk Centre and Alexandria to handle on call work in the city. Contracted supervisory direction for the remaining Electric Department employees should also be secured. She also recommended finalizing terms with MRES for the DM services contract. A five-person crew is also preferred over the current four-person crew setup. This is because we need an additional person to not only take calls but to help maintain the generation infrastructure.

Secretary Kraemer asked Terry Wolf from MRES what their best-case timeline would be for taking over electric utility services from the city. Wolf responded that MRES could take over in 3 months at the earliest. It is not easy to find senior staff to hire for these positions.

Secretary Kraemer also was wondering whether MRES has available resources already to support the Electric Department right now through the transition. Wolf stated that MRES currently does not have staff in place to provide on-call services to Melrose in a reasonable amount of time.

Secretary Kraemer stated that he believed switching over to MRES management of the electric utilities in the city should be the only option the city should go with, rather than trying to hire new staff to the city Electric Department. City Administrator Winter agreed, and she will work with Sauk Centre and Alexandria to get agreements with them to help with bridging the gap for on-call services until MRES is able to take over.

There was further discussion over whether a four-or-five-person crew was the ideal number, this discussion will continue once more is known in the transition to MRES.

A motion was made by Secretary Kraemer, seconded by Chair Finken, and unanimously carried to begin the process of transitioning electric utility services in the city to being managed by MRES.

7. OLD BUSINESS

7a. Water/Wastewater Treatment Facility Update from SEH

Water/Wastewater Supervisor Schrantz presented. Still working on some of the closeout items. There are some spare parts that we are waiting for. There is a mini-split AC unit that will be replaced.

7b. Well 7 Replacement Progress Report from SEH

Water/Wastewater Supervisor Schrantz presented. The bidding process for this project

has been completed and the project is moving forward.

7c. County Road 169 Electric Line Replacement

City Administrator Winter presented. Paul Davis from DGR Engineering has submitted a memo detailing his comparisons of the overhead and underground options for the County Road 169 rural line replacement project. For underground, the city has been in discussions with Arvig about working together with them, which would reduce the cost. For overhead, the city would need to find a contractor to do the project this way. The overhead project is less expensive but would need a contractor to be found. The initial cost of each type of system should be weighed with reliability concerns and other factors. The current estimate is \$350,000 for an overhead system and \$495,000 for underground.

Secretary Kraemer stated that he did not see the need to spend extra money on an underground system and it would not pay for itself. City Administrator Winter asked Line Lead Lundblad whether there were already some underground lines in that area. He said that there were already some underground lines yes. He said that the underground system would not pay for itself but that it might be harder to find a contractor to install overhead lines. Secretary Kraemer stated that he still wanted to stick with an overhead system.

A motion was made by Chair Finken, seconded by Secretary Kraemer, and unanimously carried for an overhead line system to be selected for the County Road 169 Electric Line Replacement.

8. INFORMATIONAL ITEMS

The following informational items were then reviewed:

8a. Schools and Training

- Electric Department employees Seth Ryan, Jake Muellner, and Cole Baker attended MMUA Meter School from February 3-6.
- Water/Wastewater Department employees Evan Gregory, Spencer Notch, Jeremy Schrantz, and Josh Elfering will be attending Water Operator Bootcamp from February 18-19.

8b. The next PUC meeting will be held on Monday, March 23 at 4:45pm.

9. ADJOURNMENT

A motion was made by Secretary Kraemer, seconded by Chair Finken, and unanimously carried to adjourn the meeting at 5:39 P.M.



CONNOR KOCKLER – CITY CLERK