PRINCETON PUBLIC UTILITIES
Electricity — Water

907 FIRST STREET / PRINCETON, MN 55371-1559
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PRINCETON PUBLIC UTILITIES COMMISSION
JOINT MEETING WITH PRINCETON CITY COUNCIL
City Council Chambers, Princeton City Hall
705 North Second Street
Princeton, MN 55371
June 2, 2026 at 4:30 PM

A video of the proceedings will be available the next business day at www.PrincetonUtilities.com/public-utilities-commission.

1. **Call to Order / Roll Call**
2. **Pledge of Allegiance**
3. **Approval of Agenda** *(No item of business shall be considered unless it appears on the agenda for the meeting. Commission members may add items prior to adoption of the agenda.)*
4. **Joint Meeting with the City of Princeton**
   i. History of Municipal Electricity in Princeton and Granted Statutory Authorities (City Attorney)
   ii. 2026 PILOT Report
      1. 2026 City Funds Transfer
   iii. Minnesota Service Territories Adjustments (Butcher)
      1. Memo 26-18: MN Service Territories
   iv. Process for selling a Municipal Utility in Minnesota (Butcher)
      1. Memo 26-19: MN Municipal Utility Sale
   v. Communications regarding customer inquiries on different billing items
   vi. City's Sewer Rate Study – expected timeline
   vii. South Storage Lot Title Change – expected timeline
   viii. City Franchise Fee Change – expected timeline
   ix. New City Stormwater Management Fee – expected timeline
5. **Adjournment**

Minnesota Statute 412.321 authorizes a city to:

- own and operate public utilities,
- outlines the process for the establishment of the same
    - requires city council action and
    - a vote by members of the general public when first created.

The same statute outlines the process for lease, sale or abandonment:

- city council approval,
- public utilities commission approval and
- approval by the voting public at a special or general election.

Minnesota Statute 412.321 authorizes a city to establish a public utilities commission via ordinance. *While the documentation available is limited, it would appear this was accomplished on or about March 16, 1911.*

In 1919, there was consideration of selling the "lighting plant of the Village of Princeton to the Elk River Power and Light Company, there are a number of ordinances dated 1919 relating to this issue.

Minnesota Statue 412.341 regulates the composition and operation of the public utilities commission with the initial composition options of three (3), five (5), or seven (7) members.

The same statute outlines the process for increasing or decreasing the size of the public utilities commission:

- Increasing (to that allowed by the statute, so no more than seven (7) happens by ordinance and
- Decreasing happens by ordinance <u>and</u> a vote of eligible voters if a petition has been received within 45 days of adoption of the ordinance.

It appears this was accomplished at the same March 16, 1911 meeting.

Minnesota Statute 412.351 establishes the jurisdiction of a public utilities commission to potentially include the following:

1. the city water system;
2. light and power system, including any system then in use or later acquired for the production and distribution of steam heat;
3. gas system;
4. sanitary or storm sewer system or both, including the city sewage disposal plant;
5. public buildings owned or leased by the city;
6. district heating system

but gives the city the authority to set forth which of the above falls within said jurisdiction via ordinance.

At one time, the Princeton Public Utilities managed trash service within the city limits.

Minnesota Statute 412.361 establishes the powers of a public utilities commission which include the following:

1. entering into contracts that are necessary for the utility to operate;
2. hire their own employees and set forth duties and compensation for the same;
3. set rates for utilities and adopt service rules and
4. enter into financial agreements with the city which may include the following:
    a. payments by the city for utility service;
    b. compensation for the use by either the commission or the city of buildings, equipment, and personnel under the control of the other;
    c. payments to the city in lieu of taxes;
    d. transfers of surplus utility funds to the general fund, and
    e. other agreements on other subjects of relationships between the commission and the council.

However, there is nothing within the subdivision that requires a public utilities commission to enter into such agreements. That being said, Minnesota Statute 216B.36 does grant a city taxing and regulatory powers which states, in part "Under the license, permit, right, or franchise, the utility may be obligated by any municipality to pay to the municipality fees to raise revenue or defray increased municipal costs accruing as a result of utility operations, or both. The fee may include but is not limited to a sum of money based upon gross operating revenues or gross earnings from its operations in the municipality so long as the public utility shall continue to operate in the municipality, unless upon request of the public utility it is expressly released from the obligation at any time by such municipality."

The 1975 City Council moved to change the amount paid by PUC to a flat $3,000 per month instead of 10% of gross sales for the year of 1975.

Minnesota Statute 412.371 requires the city to maintain a separate account or separate fund for payments between the city and the utility, as well as auditing requirements.

Minnesota Statute 412.381 authorizes the public utility commission to require its accounting officer to make regular reports of its operations and provide the city clerk copies of the same.

Minnesota Statute 412.391 sets forth the process for abolition of the public utilities commission or utility transfer which includes public utility commission concurrence; city council concurrence; and a vote by the general public at a special or general election.

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2026 PILOT REPORT

February 2, 2026

Michele McPherson
City of Princeton
705 North Second Street
Princeton, MN 55371

Dear Ms. McPherson,

Per the decision by the Princeton Public Utilities Commission on January 28, 2026, Princeton Public Utilities (PPU) is transferring $55,745 to the City of Princeton.

The payment is based upon PPU meeting its financial goals in 2025 and a PILOT rate of $0.001 paid per kWh sold.

2025 Energy Sales (kWh)	Rate ($/kWh)	Payment
55,745,000	$0.001	$55,745

In addition, PPU provided numerous in-kind services to the City of Princeton in 2025. The Commission noted the following in its report.

> *It is important to note that cash transfers are only a portion of the total PILOT activity to the City. Other non-cash items include operation and maintenance of all street lighting and reduced costs for sewer billing. The value of these in-kind contributions is estimated to be approximately $172,000. It is important to note that this value does not include depreciation of capital equipment necessary to provide the services listed. It is only an O&M valuation.*
>
> *Additionally, the utility paid the city $88,434.58 in Franchise Fees in 2025.*
>
> *With a cash transfer, in total the City will have received $316,000 in value (4.52% of electric revenues) from utility ratepayers in 2025.*

PPU greatly values its partnership with the City and is looking forward to continuing that mutually beneficial and positive relationship into 2026.

Sincerely,

Keith R. Butcher
General Manager

MEMORANDUM 26-18

TO: Princeton Public Utilities Commission
FROM: Keith Butcher, General Manager
SUBJECT: MN Service Territories
DATE: June 2, 2026

ITEM SUMMARY
The generic process of service territory changes in the state of Minnesota.

PROCESS
In Minnesota, utility service territories are under the jurisdiction of the Minnesota Public Utilities Commission (MN PUC). Electric utilities are each assigned a service area, aka service territory. The purpose of this approach is to avoid duplicate electric infrastructure, promote efficient service, reduce unnecessary costs and provide for long-term planning certainty. Adjustments to service territories can occur for both practical and operational reasons. Many of these changes are relatively small and negotiated cooperatively between utilities.

The general process is as follows:

- The utilities negotiate a proposed change
    - The agreement identifies the parcels affected, existing infrastructure, compensation terms, and operational responsibilities.
    - Any agreement is approved by the utilities' governing bodies.
- Upon successful completion of the negotiations, the utilities will submit a formal filing to the MN PUC for approval.
    - The filing includes such things as legal descriptions, GIS maps, and signed agreements.
    - Formal notifications are also sent to all impacted areas with information on how to participate in the MN PUC hearing.
- If approved the MN PUC issues an order modifying the service territory map.
- For existing loads, engineering and construction activities occur that switch supply to the areas from one distribution territory to the other.
- Upon completion of all construction, the accounts are transferred.

For example, PPU and ECE successfully completed a small service territory change in 2025 for parcels recently annexed by the City of Princeton. That process began in January of 2023. Negotiations continued through October of 2024 at which time a proposal was brought before both utility boards. Both ECE and the Commission approved the agreement in October 2024. Customer notifications were mailed to all impacted customers in January 2025. The utilities filed a joint petition in February of 2025 and it was placed on the MN PUCs docket. No additional comments were filed and the MN PUC approved the service territory change on April 3, 2025. The utilities worked together to transfer the existing infrastructure and complete the switching of the areas from ECE's system to PPU system. PPU began serving the areas on June 11, 2025.

As you can see, even for a very small and simple service territory change the process can easily take 2-3 years. Larger, more complex transitions would naturally take longer.

MEMORANDUM 26-19

TO: Princeton Public Utilities Commission
FROM: Keith Butcher, General Manager
SUBJECT: MN Municipal Utility Sale
DATE: June 2, 2026

ITEM SUMMARY
The generic process of the sale of a Municipal Utility

PROCESS
Minnesota Statutes 412.321, subdivision 4 states.

Lease, sale, or abandonment.

Any such utility may be leased, sold, or its operation discontinued wholly or in part, by ordinance or resolution of the council, approved by two-thirds of the electors voting on the ordinance or resolution at a general or special election. If the utility is under the jurisdiction of a public utilities commission, the ordinance or resolution shall be concurred in by the public utilities commission. Such action may be taken with respect to any specific part of the utility, which part shall be named in the ordinance or resolution; but it shall not be necessary to submit the ordinance or resolution to the voters in such case if the action proposed will not result in depriving any customer inside the corporate limits of any type of municipal utility service available before the sale, lease or discontinuance of operation.

MEMORANDUM

TO:	Mayor Edmonds and Councilors
FROM:	M McPherson, City Administrator
SUBJECT:	**Sewer Rate Study**
DATE:	June 1, 2026

An unfinished project from 2025 is the Long-Range Financial plan to be prepared by Northland Financial. A component of this project is the Sewer Rate Study.

Northland Financial is waiting on information from City Staff. I can commit to getting that information to Northland by July 1, therefore the Plan and its component Sewer Rate Study should be able to be completed by the end of 2026.

MEMORANDUM

TO:	Mayor Edmonds and Councilors
FROM:	M McPherson, City Administrator
SUBJECT:	**South Storage Lot Title Change**
DATE:	June 1, 2026

The Council has discussed transferring properties containing Princeton Public Utility(PPU) assets but titled in the City's name to PPU on at least two occasions. The last direction/consensus from the Council was that the South Storage Lot could be transferred as it had been the most recent acquisition with significant documentation regarding the purchase and reimbursement to the City from PPU.

That said, the Attorney has drafted the necessary Resolution to transfer the property. Once approved, an agreement regarding payment of closing costs (assuming a title company is used), could be drafted, or absent the need for an agreement, a simple deed could be drafted and executed for the PPU to record.

This can be scheduled at any time, including placing it on the next Council agenda if so desired.

MEMORANDUM

TO:	Kevin Kruger, City Engineer
FROM:	M McPherson, City Administrator
SUBJECT:	**Schedule for Franchise and Stormwater Management Fees**
DATE:	June 1, 2026

Per our discussion May 27, 2026, here is a recap of the schedule for renewing the Franchise fee and implementing collection of a Stormwater Management Fee*.

Starting with the schedule for the 3rd Street Reconstruction project:

- June 4 – Bid Opening
- June 11 – City Council awards contract
- June 17 – Public Utilities Commission awards contract
- July 6 – Construction starts (this is a staff thought, to be confirmed once a contract has been awarded

For the month of June, the following tasks need to be completed:

1. Complete the Stormwater Management Fee Report for presentation to the City Council. This will include information from other cities
2. Redline existing ordinances for the Franchise fee renewal and Stormwater Management Fee.
3. Prepare Facebook posts on the matter(s).
4. Investigate the cost of a city-wide mailing (bulk mail) to ensure that those not on social media have an opportunity to be informed.
5. July 9: presentation of the Report and public information sharing.
6. July 23: first reading of the ordinances.
7. August 13: second reading of the ordinances.
8. October 1: tentative collection date. Having spoken with General Manager Butcher, this date may require further evaluation, the Franchise fee is in place and collection can begin once the amounts are adjusted per the adopted ordinance. The Stormwater Management fee may trigger an evaluation of how City fees (sewer, stormwater management) may be more clearly identified and separated from PPU (water, electric) fees.

*A request to use the word "management" versus "utility" has been made to clarify and separate from other utility functions.