

The Owatonna Public Utilities met in regular session in the Commission Room. Present were Commissioners Truelson, Schreiner, Noyce and Emanuelson. Absent was Commissioner Mayhew. Also present were General Manager Shurts; City Administrator Sparks; Director, Finance & Administration Bruno; Director, Engineering & Field Services Morgan; Director, Marketing & Energy Management Green; Manager, Human Resources & Customer Service Madson; Supervisors, Meter Services Prihoda & Pelot; Supervisor SCADA & Energy Management Warehime; and Executive/HR Assistant Tammy Schmoll. Special guests included Mark Bergquist of Olsen, Thielen & Co, Ltd. and Jim Borowicz of Key Energy Services, LLC.

Bernie Prihoda led the Pledge of Allegiance.

General Manager Shurts introduced Shawn Pelot as the Supervisor, Meter Services and explained he is replacing Bernie Prihoda who is retiring on May 31, 2006 after 34 years of service. Mr. Shurts announced a retirement luncheon will be held for Bernie on that day in the Commission Room. Mr. Prihoda said a few words and thanked everyone for the past 34 years.

Minutes

The Minutes from the regular meeting of April 25, 2006 were presented to the Commission. Commissioner Schreiner moved to approve the Minutes as presented. Commissioner Emanuelson seconded the motion. All Commissioners voting Aye with Commissioner Noyce abstaining, the motion passed.

Election of Officers

President Truelson asked for nominations for the office of President. Commissioner Emanuelson moved to nominate Commissioner Schreiner as President, that nominations cease, and a unanimous ballot be cast for Scott Schreiner as President. Commissioner Noyce seconded the motion. All Commissioners voting Aye, the motion passed.

President Truelson asked for nominations for the office of Vice President. Commissioner Schreiner moved to nominate Commissioner Emanuelson as Vice President, that nominations cease and a unanimous vote be cast for Dave Emanuelson as Vice President. Commissioner Noyce seconded the motion. All Commissioners voting aye, the motion passed. Commissioner Emanuelson expressed his thanks and gratitude to Commissioner Truelson for the job he did as President over the past years.

President Schreiner announced Committees would consist of Commissioners Mayhew and Emanuelson on the Finance Committee with Commissioner Emanuelson as Chairperson and Commissioners Truelson and Noyce on the Personnel Committee with Commissioner Truelson as Chairperson.

Committee Reports

Personnel Committee – Commissioner Schreiner asked Manager, HR/Customer Service Madson to recap the staff changes. Mrs. Madson informed the Commission Shawn Pelot was the successful candidate to replace Supervisor, Meter Services Bernie Prihoda. Shawn began his new position on May 8th. Mrs. Madson also reported Brian Clausen was hired as the new Engineering Technician. His first day will be June 2, 2006. Commissioner Schreiner reported the Union Contracts will grant the Union employees a 2.5% wage increase June 1, 2006. Also, in the Union Contracts is a clause for Cost of

Living Adjustment (COLA) based on the March CPI. He reported the CPI for March is 3.4% which means the Union employees will receive an additional .9%. The Personnel Committee is recommending awarding the management staff the same .9% increase except the General Manager as of June 1, 2006 which will compliment the 2.5% increase the management staff received January 1, 2006. After discussion, Commissioner Truelson moved to award the management staff, except the General Manager, the .9% increase. Commissioner Emanuelson seconded the motion. All Commissioners voting Aye, the motion passed.

Finance Committee – Commissioner Noyce reported the Finance Committee met on May 11th to review and approve the Financial Statements and Vouchers from March. She further reported the Finance Committee met before the May Commission meeting to review and approve the Financial Statements, Investments and Vouchers for April.

Auditors Report

Director, Finance & Administration Bruno introduced Mark Bergquist from our auditors, Olsen, Thielen & Co., Ltd. Mr. Bergquist discussed the audit with the Commission. Commissioner Truelson inquired as to what percent of projects do we budget for but never complete. General Manager Shurts and Director, Finance & Administration Bruno will check into this request. Commissioner Emanuelson asked staff to check into the high percent of water loss. Mr. Bergquist also discussed two letters with the Commission. The first one discusses adjustments made to the audit. He reported there were very few. The other letter is the Management Letter which discusses issues that have arose in previous years that continue to be on-going, as well as new issues that arose with the current budget. Mr. Bergquist reported most of the issues will be taken care of with the new accounting system. After discussion, Commissioner Truelson moved to approve the Audit as presented. Commissioner Noyce seconded the motion. All Commissioners voting Aye, the motion passed.

Service Territory Acquisition Surcharge Policy

General Manager Shurts reported the Service Territory Acquisition Surcharge Policy has been taken off the agenda so that the Service Territory team can discuss the policy further.

Contributed Services

The Contributed Services report as of April 30, 2006 was presented to the Commission. The Commission signed the report. Mr. Shurts reported a 6 month comparison report will be presented at the July Commission meeting.

General Manager/Staff Report

General Manager Shurts reported Owatonna Public Utilities participated, with Austin and Rochester Utilities, in a performance review for the joint Safety Director, Norm Hauschildt. He reported Norm's work is exemplary and we are pleased to have him.

Director, Finance & Administration Bruno discussed the rate study being performed by R.W. Beck. He noted new electric rates will be presented to the Commission this fall to take effect in January 2007. The second item Mr. Bruno discussed was a sales tax audit that was preformed by the Department of Revenue. He noted the audit revealed that OPU has not been paying use tax on certain items and due

to the statute of limitations use taxes back to 2003 will need to be paid. It could amount to approximately \$300,000. General Manager Shurts added, the auditor stated that OPU has been doing everything else right and that most municipalities are not aware of this part of the tax laws. Commissioner Truelson inquired as to why our auditors did not catch this error. Mr. Bruno stated our auditors do not look at sales tax. They only look at laws governing the organization. Mr. Shurts concluded we will be contact MMUA so they can notify other municipalities of the issue. The last item discussed by Mr. Bruno was the phone system. He noted, OPU will be working with the City to lease a phone system instead of buying our own. The project will require fiber optic cable to be run to the Library and other City offices. It also provides a back up system in the case of failure to OPU's system. Commissioner Truelson inquired if the County will be doing this as well. City Administrator Sparks reported the County is not changing their phone system at this time, but can join this one at a later date if they desire.

Supervisor, SCADA & Energy Management Warehime reported requests for quotes have been sent out for the lighting retrofit project at the Library. He further reported a dehumidifier rebate program will be launched which requires customers to recycle their old, working, dehumidifiers when they purchase a new one. Also an in-store rebate for CFL's, in partnership with ACE Hardware, is being conducted the month of June. The final item reported on by Mr. Warehime is the Vending Machine Miser rebate. He noted the miser will save commercial customers about \$100 per year, so after the rebate, the Miser has about a one year payback.

Director, Marketing & Energy Management Green introduced Jim Borowicz, Key Energy Services, to the Commission. Mr. Shurts reminded the Commission, Key Energy Services has helped us with our natural gas hedging program. Mr. Green discussed OPU's current stage in the hedging program stating we will be purchasing more natural gas in the spring and fall of each year. Mr. Borowicz added, natural gas is considered the most volatile or risky commodity and it is difficult to always purchase it when it is at its lowest.

City Administrator's Report

City Administrator Sparks reported the City Council staff has a retreat scheduled for June 1st. He noted the annexation of property into the City has slowed down substantially. He further reported a meeting will be held with Allina to further discuss the new hospital project.

Mr. Sparks noted the CEO Roundtable scheduled for May 31st. He noted the roundtable is to update community CEO's on Strategic Economic Development.

Mr. Sparks noted the State Legislature approved the ½% sales tax for the City of Owatonna, so that will be on the voting ballot in November. Commissioner Truelson asked for an update on the Aquatic Center. Mr. Sparks reported there is still work being performed on the public campaign. Commissioner Truelson also inquired on the status of the Morehouse Dam project. Mr. Sparks replied, bids have been sent out and a contractor has been selected. A preconstruction meeting was held and construction should start right after July 1st.

Commission Roundtable

Commissioner Noyce – Nothing.

Commissioner Emanuelson – I would like to thank Mike Bruno and his staff for the good job on the audit. Also, upon reviewing the SMMPA Annual Report, I am concerned about SMMPA's low current ratio.

Commissioner Truelson – Nothing.

Commissioner Schreiner – Nothing.

Adjournment

There being no further business to come before the Commission, Commissioner Emanuelson moved to adjourn the meeting. Commissioner Truelson seconded the motion. All Commissioners voting Aye, the meeting adjourned at 5:45 p.m.

Respectfully submitted,

Tammy Schmoll
Executive/HR Assistant