

The Owatonna Public Utilities Commission met in regular session in the Commission Room. Present were Commissioners Emanuelson, Stansberry, Mayhew, Schreiner, and Ihrke. Also present were General Manager Shurts; City Administrator Busse; Director, Financial & Administrative Services Bruno; Director, Gas, Water & Power Production Green; Manager, Energy Management & External Relations Warehime; Manager, HR, Safety, Risk & Loss Control Madson; Supervisor, Gas, Water, Buildings & Grounds Bendorf; Supervisor, Information & Financial Services Turnbull; and Executive/HR Assistant Schmoll. Other guests included OPU employees, Myron Volker, Teresa Hottman and Violet Paleczny; Brian LeMon, Barr Electric; Zane Juncker and Kimberly Pelzel, LarsonAllen; and Harold Parsons, LarsonAllen by phone.

Joe Green led the Pledge of Allegiance.

### **Minutes**

The Minutes from the meeting of May 27, 2008 were presented for approval. Commissioner Schreiner moved approval of the Minutes as presented. Commissioner Stansberry seconded the motion. All Commissioners voting Aye, with Commissioner Mayhew abstaining due to his absence at that meeting, the motion passed.

### **Committee Reports**

Personnel Committee – Commissioner Schreiner reported the Personnel Committee did not meet in June but stated they will be meeting in July. Commissioner Emanuelson added, Manager, HR, Safety, Risk & Loss Control Madson, has been sending monthly updates to the Personnel Committee through e-mails.

Finance Committee – Commissioner Mayhew reported the Finance Committee met. Vouchers were approved for \$4,767,730.74, as well as the financial statements, balance sheet & income statement were all reviewed and approved. Mr. Mayhew noted a concern that accounts receivables are growing faster than revenues; however, the cash flow position has improved since the beginning of the year, and have therefore helped us fund our capital needs and our reserve for operating costs. Three work orders were approved. Two were for repairs to Towers #5 and #9. The work order for Tower #5 was on budget, while the one for Tower #9 was over budget, by \$125,000. The bids for #9 came in higher than the original quote received 5 years ago because the scope of work is much larger than expected (i.e. #9 is in much worse condition than reported 5 years ago). The third work order, in the amount of \$2,800, was for display equipment to be used at the Steele County Free Fair, as well as other shows OPU may attend. Commissioner Mayhew discussed the variance report which staff has been working on. He noted, it simplifies the income statement, and states a more clear status of cash flow and profitability. The Finance Committee has reviewed the draft form and staff will continue to use it as a developmental tool. Commissioner Mayhew recommended that the full Commission get trained on the use of this report at some time in the near future.

Commissioner Emanuelson inquired if water rates need to be re-evaluated. General Manager Shurts replied, this wasn't an issue with the rates, but instead was a project we received a quote for in 2003 and have been putting off for several years. The longer you wait the more costly it gets. A study will be done in 2009 for Tower 8, which will include more accurate numbers.

### **City Administrator's Report**

City Administrator Busse reported the City has been continuing to work on the flood mitigation project. She stated, the work in Buecksler Park is near completion and we are working very hard with the homeowners in the area to ensure all concerns are addressed as the project move forward. Other projects moving forward include the culvert on the I-35 and St. John St. bridge, flooding issues on Walnut St., and increased pumping capacity issues. Commissioner Emanuelson inquired how the projects already completed withstood the recent rains. Ms. Busse replied, the ponds worked well, but there were some issues with Maple Creek flooding that will be addressed, as well. City Administrator Busse expressed the City's appreciation of OPU's agreement with Alliant over service territory issues.

### **Wellhead Protection Plan**

Myron Volker, OPU employee, introduced Brian LeMon from Barr Engineering, who discussed phase 2 of the wellhead protection plan. Mr. LeMon briefly explained phase one was to identify wells in the area that are drawing water from the same aquifer that OPU obtains its water from and determine the aquifer's susceptibility to contamination. Phase two identifies those hazards and develops strategies for managing the future of the source water aquifer. For instance, the top casings on wells 2 & 4, on OPU's system, are below the 100 year flood level. The casings should be moved to above the 100 year flood level to eliminate the possibility of contaminating the aquifer in the case of a flood, such as in Rushford. Mr. LeMon further discussed the Drinking Water Supply Management Area (DWSMA) and management strategies for that area, explaining it could include areas outside OPU's normal service territory for water. The Management Strategies include education, planning, and data collection moving forward into 2009. The final document will include technical information about the layers of clay, land uses in DWSMA, water quality issues, assessment of data elements, changes to wells, the impact of those changes, protection of the source, water quality, etc. Commissioner Emanuelson stated, he is hesitant to approve a management strategy we know nothing about. For example, some of the territories in the DWSMA are outside of our jurisdiction, how are we to have authority to enforce these strategies? Mr. LeMon replied the Department of Health gives the authority to the utility in charge of the DWSMA. Several letters have been sent out to potential sources of contamination in the DWSMA with responses to whether the well is abandoned, still in use, etc. Commissioner Mayhew added, are we being asked to approve a plan without fiscal responsibilities, or knowing what is involved and what impact it will have on OPU. Mr. LeMon stated you can table final approval of the plan until a version of the final document has been viewed. Currently most of the costs involved include staff time. Commissioner Ihrke inquired if the plan includes well testing and if elevator shafts are part of the items being checked. Myron Volker replied, OPU's wells are tested monthly. Mr. LeMon reported, typically elevator shafts do not go deep enough into the ground to be a concern for contaminating the aquifer. Staff will evaluate a copy of the management strategies and report back to the Commission on package costs and offer a recommendation. Mr. Volker and Mr. LeMon left the meeting.

### **Auditor's Report**

Director, Financial & Administrative Services Bruno introduced Zane Juncker, Kimberly Pelzel and Harold Parsons from LarsonAllen. Mr. Parsons joined the meeting via telephone. Ms. Pelzel was the lead auditor for the 2007 Audit and led the report to the Commission. Ms. Pelzel first explained the auditor's responsibility is to provide an opinion, while collecting the information is management's responsibility. Ms. Pelzel reported in LarsonAllen's opinion, OPU's financials are clean. Ms. Pelzel directed the Commission's attention to the Schedule of Findings and Responses on Page 43 of the audit

report, noting she would not be covering the financial statements as they provide a clear statement of OPU's financial position. Ms. Pelzel noted five areas were identified as having either material weaknesses, or control deficiencies. Ms. Pelzel discussed all five areas, and recommendations for correcting each area, including cash accounts not being reconciled to bank balances, corrected and uncorrected financial statement misstatements, annual financial reporting under generally accepted accounting principles, timeliness of financial reporting, and review of key spreadsheets. Commissioner Mayhew inquired if LarsonAllen offers a service to perform the review of key spreadsheets. Mr. Juncker replied, we could, but then we would not be considered independent auditors. Mr. Parsons, added, the review doesn't have to be a person in a higher position. The important point is the spreadsheet is reviewed and checked for accuracy by someone who does not use it on a regular basis.

Ms. Pelzel also discussed a final piece of the audit in which the utility is required to file a report of outstanding debt. The report was filed late in 2007 due to a miscommunication with the County Auditor.

Ms. Pelzel next discussed the management letter and identified two areas of noteworthiness: approval of supervisor's timesheets and month end/year end close. Mr. Shurts added his philosophy is to have his direct reports prepare and approve their own timesheets as a trust issue. Commissioner Mayhew asked for staff's opinion on the accuracy and timeliness of the financial statements. General Manager Shurts remarked, the timeliness of the statements are excellent. This is the first organization he has worked with where the financial statements are only a month old; most organizations the information is two months old. As far as accuracy, Mr. Shurts feels that it is getting better. Commissioner Mayhew stated, the reports we go through indicate there is room for improvement in the accuracy area and the responsibility to show improved accuracy rests on the shoulders of the General Manager. Ms. Pelzel continued by discussing the estimated useful life of depreciation of the capital assets. Commissioner Emanuelson inquired if the audit was easier with the new system. Ms. Pelzel replied, there are always bugs when implementing a new system and trying to figure out how to extract the correct information from the system. Mr. Juncker added, next year should be better. Commissioner Schreiner inquired if there was anything in last year's audit that was not mentioned as an area of concern in this year's audit. Director, Financial & Administrative Services Bruno replied, inventory. Mr. Schreiner added, I would like to see updates throughout the year on the items listed as areas of concern in the audit. Mr. Juncker added, as part of the preparation for the upcoming audit, we could look at giving the Commission an update.

After discussion, Commissioner Mayhew moved to accept the audit as presented. Commissioner Schreiner seconded the motion. All Commissioners voting Aye, the motion passed.

### **Contributed Services**

The Contributed Services report as of May 31, 2008 was presented to the Commission. General Manager Shurts reported the Contributed Services were 2.04% of revenues. The Commission signed the report.

### **General Manager/Staff Reports**

General Manager Shurts updated the Commission on the employee who was injured the Friday before the meeting. He noted injuries were minor and the employee is home waiting to see his doctor.

He also reported a second electric feed is being installed to the new clinic and hospital area. It runs under I-35.

Manager, Energy Management & External Relations Warehime distributed and discussed two documents regarding Home Energy Reports. The first sheet distributed looks like a bill and is the actual energy report customers will receive. He added the information distributed to customers will be specific to their situation. For instance, renters will not be given suggestions for lowering their energy use that include replacing a central air conditioner. Mr. Warehime reported this program was piloted in California and OPU and Austin will be the first utilities in the State of Minnesota to implement this program, as well as the first utilities to incorporate natural gas. Mr. Warehime added, a grant from the State has been applied for to help with the costs of implementing the program. The second sheet Mr. Warehime distributed discussed possible savings associated with the program. Commissioner Mayhew inquired about tracking mechanisms once the program is implemented. Mr. Warehime noted the program includes software engines for this tracking. Commissioner Schreiner inquired as to the amount of the grant. Mr. Warehime replied, 25% of the cost of the program. Mr. Shurts added this is a very forward looking program and is supported by MMUA as a way to meet new CIP requirements.

### **Commission Roundtable**

Commissioner Ihrke – This was a very informative meeting.

Commissioner Mayhew – Nothing.

Commissioner Stansberry – Nothing.

Commissioner Schreiner – Nothing.

Commissioner Emanuelson – Have we been requested to help neighboring communities with their flood issues. General Manager Shurts replied, we have offered help, but have not been asked. Mr. Emanuelson further inquired about the winter gas prices and the reasons for their increase. Mr. Shurts replied, we are about 50% hedged for the winter, but have great concerns on what the gas prices will do over the next two years. Many factors are driving up the price including high use of gas in the summer with power generation and natural gas prices being tied to oil prices. Mr. Emanuelson concluded by thanking staff for their work with Alliant on the service territory issue.

### **Adjournment**

There being no further business to come before the Commission, Commissioner Mayhew moved to adjourn the meeting. Commissioner Ihrke seconded the motion. All Commissioners voting Aye, the meeting adjourned at 6:01 p.m.

Respectfully submitted,

Tammy Schmoll  
Executive/HR Assistant