

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, HR, Safety, Risk & Loss Control Madson; Manager, Energy Management & External Relations Warehime; Supervisor, Gas, Water, Buildings & Grounds Bendorf; Supervisor, Information Services Turnbull; Supervisor, Meter Services Pelot; and Executive/HR Assistant Schmoll. Other guests included OPU employees Teresa Hottman, Violet Paleczny, John Hortop, and Jeff Wencil. IBEW Local Union 949 representatives Mark Kaufman and Mike O'Connor were also present.

Tammy Schmoll led the Pledge of Allegiance.

Minutes

The Minutes from the regular meeting of July 22, 2008 were presented to the Commission for approval. Commissioner Schreiner moved to approve the Minutes as presented. Commissioner Mayhew seconded the motion. All Commissioners voting Aye, the motion passed.

Committee Reports

Personnel Committee – Commissioner Schreiner reported the Personnel Committee did not meet, however, the Commission received a letter from the Union regarding a grievance over the transfer of work from the Clerical Union to the Outside Union. Union Business Representative Mark Kaufman addressed the Commission introducing himself and Mr. Mike O'Connor who will be the Union's new Business Representative. Mr. Kaufman explained the Union's reason for the grievance stating the Union is not in agreement with the Utility's decision to transfer some duties of a retired employee in the Clerical Union to members of the Outside Union. The Union is basing their opinion on the definition of the unit defined by the classification negotiated in the labor unit and the scope of work performed. The utility's position is this is a process improvement due to a new customer service management system being implemented. The Union does not feel this is a process improvement, but an elimination of a position and distribution of that work. Commissioner Emanuelson inquired what resolution the Union would like to see. Mr. Kaufman replied, the Union would like a letter of understanding with a date stating when the work will be transferred back to the Clerical Union. Commissioner Schreiner inquired if this grievance includes the Outside Union. Mr. Kaufman replied the Outside Union has expressed their concern with the work being transferred to them, but the grievance is within the Clerical Union. Commissioner Schreiner stated the next step is for the Commission to discuss their position and will reply to the Union, in writing, within 2-3 weeks. Commissioner Emanuelson thanked Mr. Kaufman and Mr. O'Connor for their time and explanation of the issue. Mr. Kaufman and Mr. O'Connor left the meeting.

Finance Committee – Commissioner Mayhew reported the Finance Committee met, reviewed and approved Vouchers for July in the amount of \$4,316,598.29. He further reported the Committee approved one work order for the purchase of a demagnetization circuit transformer device. Mr. Mayhew noted, that as explained by Mr. Pelot, the device assures the accuracy of the meter. Mr. Mayhew further reported the Finance Committee reviewed new reports being proposed for use. Mr. Mayhew explained they will look at trends in four key areas: revenues, margins, fixed costs and net income. These items will help in the establishment of rates in the future. Also, they were created to make the financial data easier to understand. Commissioner Emanuelson inquired if staff foresees a future need to change pricing more than once a year. Commissioner Mayhew replied, due to public perception and complexity

in establishing rates, rates are established and held with a very low probability that rates would be changed more than once a year.

City Administrator's Report

City Administrator Busse reported the bid for the flood and storm water work on Walnut Avenue has been awarded. She reported the project bid came in about 8% over budget. The City is looking at alternative methods to reduce the cost of the project. Ms. Busse reported on some community development projects including an expansion at McQuay's.

Contributed Services

The Contributed Services report as of July 31, 2008 was presented to the Commission. The Commission signed the report.

General Manager/Staff Reports

General Manager Shurts reported members of the OPU staff met with the Engineer for the City of Medford to continue discussions on Medford's water system. A previous study will be rejuvenated and three options may be considered by the City of Medford. They are: 1) to add a treatment facility (which is costly); 2) dig a whole new well and integrate it with their current system; or, 3) interconnect with OPU's system. Mr. Shurts will keep the Commission informed on any updates.

Director, Financial & Administrative Services Bruno distributed a tentative budget schedule to the Commission. Mr. Bruno reported the proposed budget would be distributed to the Commission at their October 28th meeting with a special budget meeting being scheduled for Wednesday, November 5, 2008. Staff would be asking for approval of the proposed budget at the November 25, 2008 Commission meeting.

Supervisor, Gas, Water, Buildings & Grounds Bendorf updated the Commission on work being done on two water towers.

Director, Gas, Water & Power Production Green updated the Commission on OPU's natural gas hedging program. Mr. Green noted, OPU has 39% of it's natural gas hedged for the winter and will be performing one more. Commissioner Mayhew inquired if a favorable cost variance in the natural gas utility is due to the results of the hedging. Mr. Bruno replied, it is a blend between the hedging and the market price. Mr. Green discussed the trend and value of the U.S. dollar and it's impact on the natural gas prices with the Commission. Commissioner Emanuelson inquired on the status of the MMGA agreement. General Manager Shurts replied, the discount was coming close to where MMGA wanted it to be, but turned and went down again. MMGA is hoping to close the deal between Labor Day and Thanksgiving.

Manager, Energy Management & External Relations Warehime distributed and discussed the semi-annual rate study. Discussion ensued regarding rate strategy.

Commission Roundtable

Commissioner Schreiner – Thanked staff for their work on the financial reports. Mr. Schreiner also noted a special meeting of the Personnel Committee will be called to discuss the Union grievance.

Commissioner Stansberry – Thank you for staff visibility at the Steele County Free Fair. Good public relations.

Commissioner Mayhew – What is the status of the business recovery plan? Executive/HR Assistant Schmoll explained staff is currently working on an Emergency Plan and once that is completed it will be expanded into a full business recovery plan. Mr. Mayhew further inquired on new businesses coming to town. City Administrator Busse replied, McQuay is expanding and there are several other businesses looking to locate in Owatonna, but she was not at liberty to disclose names of those businesses. Mr. Mayhew further inquired about budgeted OPU funds for new businesses. General Manager Shurts discussed where OPU’s economic development budget is at for 2008 and reported the Partners for Progress group will be participating in a BioEnergy Conference in Mankato where most of the participants will be from Sweden and other Scandinavian counties. Owatonna’s main focus will be our manufacturing capabilities and will be looking to draw business partners from these countries.

Commissioner Ihrke – Thanked staff and Commissioner Mayhew for their work on the new chart system for the electric, water and natural gas financials. Also, Mr. Ihrke thanked OPU’s back flow prevention contractor, Al Kreutz, for his work throughout the City, stating Mr. Kreutz is very professional and great to work with.

Commissioner Emanuelson – Thanked staff for their work during the wind storm.

Adjournment

There being no further business to come before the Commission, Commissioner Stansberry moved to adjourn the meeting. Commissioner Ihrke seconded the motion. All Commissioners voting Aye, the meeting adjourned at 5:18 p.m.

Respectfully submitted,

Tammy Schmoll
Executive/HR Assistant