

The Owatonna Public Utilities Commission met in rescheduled session in the Commission Room. The meeting was rescheduled due to staff attending the MMUA Summer Conference. Present were Commissioners Truelson, Schreiner and Noyce. Absent were Commissioners Mayhew and Moen. Also present were General Manager Shurts, General Manager Kuntz, City Administrator Sparks, Field Services Manager Morgan, Gas Marketing Manager Green, HR/Administration Supervisor Madson, Accountant Teresa Hottman and Administrative Assistant Tammy Schmoll. Special guests included Dave Ihrke, ISD #761; and John Champion, Owatonna Peoples Press.

Mr. Champion led the Pledge of Allegiance.

Minutes

The Minutes from the regular meeting of July 22, 2003 were presented to the Commission. Commissioner Noyce moved to approve the Minutes as presented. Commissioner Schreiner seconded the motion. All Commissioners voting Aye, the motion passed.

Committee Reports

Personnel Committee – Commissioner Schreiner reported the Personnel Committee met to review Mr. Shurts' first 60 days.

Finance Committee – The Finance Committee did not meet.

Water System Lease/Leaseback

General Manager Shurts presented information on the Water System Lease/Leaseback. He noted this has been done by many taxable organizations who are in need of tax liabilities. We would lease the system to the organization and then lease it back right away. An evaluation of our water system would be conducted to determine the market value and how much could be used for depreciation. We will still own, operate, and maintain the system. The lease will be for 98 or 99 years with a 30 year balloon. At that time, the last payment would be made and the lease would end. It will not affect our bond rating or any future funding that may be needed. The City of Owatonna is also considering this option with the wastewater system. Mr. Shurts continued, at this time, we would like to send a letter of intent stating OPU would like to proceed with the evaluation of the system and possible lease option for the water system. The Commission concurred, instructing Mr. Shurts to draft the letter.

Contributed Services

The Contributed Services report as of July 31, 2003 was presented to the Commission. The Commission signed the report.

General Manager's Report

General Manager Shurts presented proposed Economic Development Guidelines. The mission of economic development is to increase employment opportunities, aid in business development, retain existing customers, and improve the business climate in the City of Owatonna. The criteria needed to qualify for funds include non-profit organizations, for-profit entities who have been approved by the City of Owatonna and the Owatonna EDA, and all or a majority of the funds would be used in OPU's service territory. All requests would be approved by the Commission.

General Manager Shurts reported the Commission Assessment is still be reviewed and a plan of action will be presented at a later meeting.

General Manager Shurts reported on the MMUA Summer Meeting, the August SMMPA meeting and the consultant who is in-house doing a sales tax reverse audit. Mr. Shurts reported sales tax is collected on certain items in construction projects, but as a municipal utility, we do not have to pay taxes on many things. The consultant conducts a sales tax audit so the sales tax we are not responsible for can be returned to OPU.

At the August SMMPA meeting the Board of Directors approved the new rate structure of 2004. The rates will stay the same as they are. Also, the SMMPA Annual Meeting is October 16 & 17 and anyone who plans to attend should let Tammy know.

Gas Marketing Manager Green updated the Commission on the CIP dollars. He reported tracking is currently done quarterly, but as the dollars start to run out, tracking will become tighter. He further reported 148,000 kWh have been saved in the electric and 32,000 MCF in the gas. Mr. Green further reported the gas prices for the winter are projected to remain around the \$5.50 per MCF range.

General Manager Shurts reported on the operation of the #6 steam unit and the #7 gas turbine. He reported the gas turbine ran 13 days and the steam unit ran 12 days. We set a peak of 69.8 megawatts which is 3 megawatts less than our all time high peak.

Field Services Manager Morgan reported on Well House #10 and the downtown project. He reported the downtown project consists of three phases. Phase one and two should be completed by the end of the construction season this year. The downtown area will be switched from a 2400 volt system to a 12,470 volt system by the end of the project.

Mr. Morgan also reported on an outage on August 27, 2003. He reported a conductor broke off an insulator that had previously been damaged by lightning. Before falling to the ground, the conductor hit a steel arm causing a ball of fire. The substation shut down the circuit, and no one was injured.

City Administrator's Report

City Administrator Sparks reported the Gateway project is moving along on schedule. The target completion date is sometime in the spring of 2004. He further reported the City Council is working on the proposed budget for 2004.

Commission Roundtable

Commissioner Noyce – Nothing.

Commissioner Schreiner – Nothing.

Commissioner Truelson – I would like to thank Tom for his leadership. Tom will be retiring on September 12, 2003. Also, the fair booth looked very nice. The CAER Committee will be conducting their emergency drill in Medford on September 8th.

Adjournment

There being no further business to come before the Commission, Commissioner Schreiner moved to adjourn. Commissioner Noyce seconded the motion. All Commissioners voting Aye, the meeting adjourned at 5:00 p.m.

Respectfully submitted,

Tammy Schmoll
Administrative Assistant