

The Owatonna Public Utilities Commission met in special session in the Commission Room. Present were Commissioners Schreiner, Stansberry and Kottke. Absent were Commissioners Cosens and Simon. Also present were General Manager Fritsch; City Administrator Busse; Director, Financial & Administrative Services Fondell; Director, Engineering Services Johnson; Director, Field Operations & External Relations Warehime; Supervisor, Generation & Substations Deering; Executive/HR Assistant Schmoll; and Marketing/Energy Conservation Manager Hendricks.

Commissioner Schreiner led the Pledge of Allegiance.

General Manager Fritsch opened by stating this special meeting is to discuss a proposal OPU has been approached with. Mr. Fritsch presented and discussed the agenda for the meeting.

Mr. Fritsch noted the recommendation of staff is to approve a concurrent resolution with the City of Owatonna to authorize OPU to enter into an agreement with Jaguar Communications for joint underground installation of conduit. Mr. Fritsch added this partnership would provide OPU the ability to reduce costs and provide for storm hardening and better reliability in the future.

Mr. Fritsch discussed in detail, including pros and cons, each of four options OPU considered in making the recommendation to move forward with the project. Option 1 was to do nothing. This option offers no long term savings, no reliability increases and would slow system improvements. Option 2 is to put only primary underground and complete the project without a partner. This option offers reliability improvements and storm hardening but does not address secondary distribution overhead wires and is extremely costly. Option 3 is to place primary and secondary underground without a partner. Again, although this option provides for storm hardening and less tree trimming costs, it is an extremely costly option. Option 4 offers significant storm hardening, less tree trimming costs, more competition for the city as far as broadband goes and is a cost savings of \$780,000 over Option 3. Along with the many pros for Option 4, there are also a few cons. These include upfront costs for initial installation; full use of installed conduits will take several years, there may be widespread installation discontent and a small electric rate impact. General Manager Fritsch noted if Jaguar Communications continues with the project without us, we lose the opportunity of the joint savings.

Mr. Fritsch again expressed it is the recommendation of staff to move ahead with the joint underground project with Jaguar Communications based on the belief it is a win-win situation for both companies. There are a few long term issues such as pole abandonment where communication wires will still be present on the poles. These issues will be addressed as they arise.

Director, Financial & Administrative Services Fondell discussed rate and cash reserve impacts of the project. She noted she anticipates a 1.5% electric rate increase to cover the cost of this project. This would be a one-time rate increase to cover the upfront costs of the project and would be in addition to the already anticipated 1% electric rate increase to cover SMMPA projected increases. Mrs. Fondell also discussed reserve levels and the impact this project would have on them, as well as the impact of not receiving the anticipated FEMA reimbursement from the 2010 flood.

General Manager Fritsch added we will have a better idea of the financial impacts when we look closer at the budget and finalize that process. The total cost of the project over four years will be \$2.2 million including the savings realized from the discontinuation of some of the annual tree trimming costs.

The Commission inquired about the timing of the project, the phasing, the primary versus secondary, the ownership of the poles, the addition of communication, fiber and high speed options for the City, additional costs to the homeowners, public perception and reinstatement of landscaping. Commissioner Schreiner inquired if the whole management staff was in agreement. General Manager

Fritsch replied, it took a long time for us to come to a recommendation we were comfortable with and the management staff is in agreement it is a good opportunity for future storm hardening and cost savings.

After further discussion, Commissioner Kottke moved to approve the recommendation by staff, stated as Option 4, to move forward and enter into an agreement with Jaguar Communications for a joint underground conduit installation project. Commissioner Stansberry seconded the motion. All Commissioners voting Aye, the motion passed.

Adjournment

There being no further business to come before the Commission, Commissioner Stansberry moved to adjourn the meeting. Commissioner Kottke seconded the motion. All Commissioners voting Aye, the meeting adjourned at 5:01 p.m.

Respectfully submitted,

Tammy Schmoll
Executive/HR Assistant