

The Owatonna Public Utilities Commission met in regular session in the Commission Room. Present were Commissioners Truelson, Mayhew, Schreiner and Noyce. Absent was Commissioner Moen. Also present were General Manager Shurts, City Administrator Sparks, Finance Manager Bruno, Gas Marketing Manager Green, Field Services Manager Morgan, Energy Conservation/Marketing Specialist Finholdt, HR/Administration Supervisor Madson, Accountant Teresa Hottman, and Administrative Assistant Tammy Schmoll. Special guests included John Champion from the Owatonna Peoples Press and some high school students.

The high school students led the pledge of allegiance.

Minutes

The Minutes from the rescheduled meeting of August 28, 2003 were presented to the Commission. Gas Marketing Manager Green noted there was one change. In the General Manager's Report where Mr. Green discussed MCF savings, the amount of MCF savings should be 23,000 versus 32,000 that was reported. There being no further changes, Commissioner Schreiner moved to accept the Minutes with the correction. Commissioner Noyce seconded the motion. All Commissioners voting Aye, the motion passed.

Committee Reports

Finance Committee – Commissioner Mayhew reported the Finance Committee met, reviewed and approved the financial statements and vouchers.

Personnel Committee – The Personnel Committee did not meet.

2004 Preliminary, 2005-2008 Forecasted Budget

Finance Manager Bruno distributed copies of the 2004 Preliminary, 2005-2008 Forecasted budget to the Commission. He noted there are not any proposed rate changes in the electric; however an increase of 3.9% in the water and a 2.6% increase in the gas are proposed. Mr. Bruno noted a meeting to discuss the budget is scheduled for September 30, 2003 at 4:00 p.m. At that time, major changes and capital items will be discussed. General Manager Shurts distributed graphs showing expenses and revenues. Mr. Shurts discussed the first graphs stating 75% of the expenses are commodity purchases; 12% is labor; 6% is operations and maintenance; 4% is debt services and 3% is contributed services. He stressed these are not discussion items, but simply tools to help the Commission as they look at the budget. The second handout provides information on the revenue side. Commissioner Mayhew stated he would like to see some graphs regarding cash flow.

Finance Manager Bruno stated the budget book is the same format it was in previous years showing summaries, income, expenses and capital. Mr. Bruno noted the proposed rate increases are included in the budget numbers. The proposed rates are attached to the assumptions which will be covered in more detail at the budget meeting. General Manager Shurts noted there are not any personnel additions proposed in the budget. Mr. Shurts added, if there are any questions that need to be answered before the budget meeting, please direct them to myself or Mike Bruno. Commissioner Mayhew would like to see information pertaining to planned equity increases, positive cash flow, customer review, service territory planning and anticipated reliability.

Contributed Services

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

General Manager's Report

General Manager Shurts explained the retained earnings graphs. He noted everything is pretty much on course. The water moved up slightly due to irrigation and watering.

General Manager Shurts reported OPU will be celebrating Public Power and Public Gas Week the week of October 6-10. He noted an open house will be held everyday that week from 10:00 a.m. to 5:00 p.m. with the exception of Thursday, October 9th, when a public reception will be held for Tom celebrating his retirement from 5:00 p.m. to 8:00 p.m. He added, rebate information, value added services, renewable energy, high speed wireless internet and much more will be on display.

General Manager Shurts read a "Thank You" note from Dan Warner regarding the money OPU contributed towards the Business Recovery Guides project.

General Manager Shurts reported to the Commission on the peak alerts and energy management programs for the 2003 summer season. He noted four peak alerts and three energy management alerts were called this year in conjunction with each other.

Energy Conservation/Marketing Specialist Ken Finholdt updated the Commission on the CIP dollars. He reported the rebate programs have been very well received and energy savings equal an annual usage for 55 residential electric customers, 15 water customers, and 22 gas customers. It is anticipated the programs will over-spend the budgeted dollar amounts in the gas utility by \$26,000 and \$2,100 in the water utility. At this time, staff would like the Commission's approval to spend the extra dollars for the rebate programs. Commissioner Mayhew moved to approve the additional spending in the natural gas and water utility rebate programs. Commissioner Noyce seconded the motion. All Commissioners voting Aye, the motion passed.

Field Services Manager Morgan updated the Commission on various OPU projects.

Gas Marketing Manager Green distributed handouts to the Commission. The handouts provide a recap of the natural gas purchasing for the coming winter. Mr. Green noted Northern Natural Gas will be raising our rates by 30%. One reason for the increase is due to a natural gas pipeline built by New Ulm and Hutchinson. Northern will reduce rates in certain areas to be competitive, but will increase rates to those customers who cannot take advantage of the new pipeline. General Manager Shurts added, these numbers were figured into the rate study and are therefore, figured into the proposed budget and the proposed rate increases. Mr. Green continued, we have 50% of our natural gas locked in for the coming winter. The forecast for the winter is that it will be normal. Commissioner Mayhew inquired, which influences determine how much you lock in? Mr. Green replied, storage amounts and the predicted weather.

General Manager Shurts gave a brief update of the Triad events and their branding efforts.

General Manager Shurts reported to the Commission OPU will begin talks with Steele Waseca Coop Electric to develop a joint service territory agreement for the North Bluff Estates.

Finance Manager Bruno reported the transfer date for the bond refinancing is October 7th. He also noted, SMMPA will be completing their refinancing in October also. SMMPA will save \$4.5 million including principle and interest.

Mr. Bruno further reported the Lease/Leaseback letter of intent has been sent and the project will move forward to determine what the value of the water system will be. The letter does not commit us to anything other than a determination of the value of the system. City Administrator Sparks added, the City Council also approved a letter of intent, at the last council meeting, for the Lease/Lease back of the City sewer system.

City Administrator's Report

City Administrator Sparks reported Fire Chief, Mike Johnson, was awarded the MN Emergency Director of the Year for Region 1. Mr. Sparks also reported budget study sessions are scheduled for October and November for the City Council. Study sessions will be held at different City facilities.

Commission Roundtable

Commissioner Schreiner – Nothing.

Commissioner Noyce - Nothing.

Commissioner Mayhew – Nothing.

Commissioner Truelson – I will be attending the SMMPA Annual Meeting with Steve on October 16, 17th.

Adjournment

There being no further business to come before the Commission, Commissioner Mayhew moved to adjourn the meeting. Commissioner Noyce seconded the motion. All Commissioners voting Aye, the meeting adjourned at 5:20 p.m.

Respectfully submitted,

Tammy Schmoll
Administrative Assistant