

The Owatonna Public Utilities Commission met in regular session in the Morehouse Conference Room at the Owatonna Public Utilities. Present were Commissioners Cosens, Simon, Kottke and Doyal. Absent was Commissioner Rossi. Also present were General Manager Fritsch; Chief Financial Officer Fondell; Director, Engineering Johnson; Director, Field Operations Warehime; Supervisor, Meter Services Pelot; Executive, Communications & Administration Coordinator Schmoll and Energy Conservation/Key Accounts Officer Hendricks. Also present was Dawn Lund, Utility Financial Services.

Commissioner Doyal led the Pledge of Allegiance.

Minutes

The Minutes from the August 28, 2018 meeting were presented to the Commission. Commissioner Doyal moved to approve the Minutes as presented. Commissioner Simon seconded the motion. All Commissioners voting Aye, the motion passed.

Committee Reports

Finance Committee – Commissioner Doyal reported the Finance Committee met, reviewed and approved vouchers totaling \$5,774,264.69. There were no work orders submitted and nothing out of the ordinary.

Personnel Committee – Commissioner Simon reported the Personnel Committee met and selected candidates to interview for the General Manager position.

City Administrator Report

City Administrator Busse was not in attendance.

Water Cost of Service Study

Chief Financial Officers Fondell introduced Dawn Lund from Utility Financial Services (UFS). Ms. Lund reported to the Commission on the findings of the water cost of service study and presented recommendations. Ms. Lund noted over the next 5 years, there are extraordinary improvements planned in the water capital area. With this aggressive improvement program, OPU would be operating at a loss over that 5-year period without a water rate increase. A rate increase in the water utility of 4.9% is recommended for each year over the next 5 years to fund this aggressive capital improvement program.

Another recommendation UFS is making is to simplify the rate structure. Currently, both the monthly cost of service charge and the commodity charge are based on meter size. The recommendation is to continue with the monthly cost of service charge based on meter size because this is truly the cost to serve and have the commodity rate be the same across the board.

A third recommendation is to keep rates tiered in the summer to continue to promote water conservation during the summer month. Overall, these recommended changes affect the average residential customers about \$14.00 per year.

After discussion, Commissioner Cosens inquired what action staff would like to see today. Chief Financial Officer Fondell responded staff would like Commission's support in moving forward with this recommended rate design. She noted, she would like to include it in the 2019 budget. After further discussion, Chief Financial Officer Fondell was instructed to include it in the 2019 budget.

Contributed Services

The Contributed Services report as of August 31, 2018 was presented to the Commission. The Commission signed the report.

Operations/Scorecard

There were not any significant changes to report.

General Manager/Staff Report

Chief Financial Officer Fondell discussed proposed rate changes in 2019. Tentative numbers are looking at a rate decrease in both electric and natural gas with the recommended rate increase in the water utility. Overall, the average residential customer should see a decrease in their utility bill. Mrs. Fondell further discussed the capital investment involved with the Advanced Metering Infrastructure (AMI) project. She noted, originally the plan was to roll out the program over 5 years; however, we would like to accelerate it to be deployed over 3 years instead. That will be reflected in the 2019 budget.

Chief Financial Officer Fondell discussed the Load Management program with the Commission. She explained the program shuts off people's air conditioners when we are nearing our peak load. This program is no longer an effective means to reducing loads and is no longer cost effective. Mrs. Fondell noted staff would like to redesign the program to only offer the credit in the summer months and to eventually sunset the program altogether during the AMI rollout. As a second component to redesign the program, more focus would be put on working with commercial and industrial customers on load reduction. This would have a greater impact than the residential program. Commission supported staff's recommendation and directed them to move forward with redesigning the load management program.

Director, Field Operations Warehime gave a preliminary recap of the September 20th outage. He noted, there were no injuries during this outage even with all the hazards present. He further noted, in just lineman hours, 5 weeks worth of work was completed in 100 hours. General Manager Fritsch gave recognition to several people who were handling the outage from within the office.

Commission Roundtable

The Commission did not have anything else to add.

Adjournment

There being no further business to come before the Commission, Commissioner Kottke moved to adjourn the meeting. Commissioner Doyal seconded the motion. All Commissioners voting Aye, the meeting adjourned at 5:59 p.m.

Respectfully submitted,

Tammy Schmoll
Executive, Communications, & Administration Coordinator