

The Owatonna Public Utilities Commission met in regular session in the Commission room. Present were Commissioners Emanuelson, Mayhew and Noyce. Absent were Commissioners Schreiner and Truelson. Also present were General Manager Shurts; City Administrator Sparks; Director, Financial & Administrative Services Bruno; Supervisor, Energy Management Warehime and Executive/HR Assistant Tammy Schmoll.

Mr. Warehime led the Pledge of Allegiance.

Minutes

The Minutes from the regular meeting of August 22, 2006 were presented to the Commission for approval. Commissioner Mayhew moved to approve the Minutes as presented. Commissioner Noyce seconded the motion. All Commissioners voting aye, the motion passed.

Committee Reports

Personnel Committee – Commissioner Noyce reported the Personnel Committee did not meet.

Finance Committee – Commissioner Mayhew reported the Finance Committee met, reviewed and approved the financial statements, vouchers, investment report and three work orders. One work order was for replacing the 2 way radio system. The second work order was for replacing the roof of the power plant over boiler #4 and the third work order was for replacing the power plant remote terminal unit. All three work orders were budgeted.

Auditor Selection

Commissioner Mayhew reported the Finance Committee also reviewed requests for proposals from four auditing firms for a three year contract. After review, staff requested to award the contract to Larson Allen. General Manager Shurts reported the references for Larson Allen were exceptional. Commissioner Mayhew moved to award the proposal to Larson Allen in the amount of \$14,000 for the first year, \$14,700 for the second year and \$15,450 for the third year. Commissioner Noyce seconded the motion. All Commissioners voting Aye, the motion passed.

Contributed Services

The Contributed Services report as of August 31, 2006 was presented to the Commission. The Commission signed the report.

General Manager/Staff Reports

General Manager Shurts reported he and Commission President Schreiner will be attending the SMMPA Annual Meeting in October in Minneapolis. He further reported the vote for participation in the Big Stone II project has been delayed to June, 2007. Mr. Shurts reported the SMMPA Board will be addressing rates for the 2007 year at the Annual Meeting. We are anticipating a 10% increase effective March 1, 2007.

Supervisor, Energy Management Warehime discussed the coincident peak and load shedding as well as the cost benefits of the Energy Management program. Mr. Warehime also reported that Public Power Week is the week of October 1-7 and distributed an insert that will be included in the Owatonna

Peoples Press. Mr. Warehime reported OPU will be hosting three Community Education classes dealing with energy awareness, geothermal and solar energy. We are also hosting an energy efficiency workshop for local governments and schools for the Community Energy Resource Team (CERT) as well as a community meeting discussing renewable energy and efficiency projects in Steele County. Beginning in November OPU will be hosting the Building Operator Certification classes which are sponsored by all 18 SMMPA members and the Midwest Energy Efficiency Alliance. The classes cost \$1200 and run over the course of 7 months. There are four or five companies from Owatonna signed up to attend.

Director, Financial & Administrative Services Bruno discussed a policy to allow large customers to hedge their own natural gas. He noted this policy is currently in the review process and will be brought to the Commission in November for final approval. Mr. Bruno also reported OPU filed for a sales tax refund of approximately \$100,000. He noted we only do this every three years due to the labor intensiveness of the project and usually hire a contractor who knows the tax laws to do the work. Mr. Bruno further discussed the anticipated rates for the next year. He stated, residential water will see an increase of approximately 4% for 2007 while natural gas may see a decrease between 2.5% to 4%. He noted RW Beck is still analyzing the electric rates and therefore we won't have an estimate for those until their analysis is complete, however, SMMPA is anticipating a 10% rate increase. Mr. Shurts added the rates will be discussed in the November newsletter as well as we are planning a "State of the Utility" meeting in November and rates will be discussed with the industrial customers at that meeting.

Executive/HR Assistant Tammy Schmoll announced OPU has developed a jingle and played the jingle for the Commissioners.

City Administrator Report

City Administrator Sparks reported the City received a lot of help with the clean up from the storm and felt things went very smooth. Mr. Sparks further reported an information notice will be going out to all the citizens discussion the proposed ½ cent sales tax increase, as well as three public forums will be held discussing the tax increase.

Commission Roundtable

Commissioner Noyce – Thank you to all the employees on their work during and after the storm.

Commissioner Mayhew – Also, thank you to all the employees for their work during and after the storm. I would like to see a list developed for customers of the top 10 reasons rates go up. That should help any employee in answering questions about the rate increases. Also it is important for the community to understand we are a locally owned utility and that we are a valuable asset to the City of Owatonna. Lastly, has OPU looked into HSA's for the employees. Mr. Shurts replied that Marge Madson and Roger Noble make up the insurance committee and they are checking into several options for health insurance.

Commissioner Emanuelson – Do we have a way of determining if all the tree trimming we did during the year helped lower our damage costs during the storm. General Manager Shurts replied we know it helped significantly but it is very difficult to put an actual value on it. One last comment, I would like to thank the employees for their work during and after the storm as well.

Adjournment

There being no further business to come before the Commission, Commissioner Mayhew moved for adjournment. Commissioner Noyce seconded the motion. All Commissioners voting Aye, the meeting adjourned at 5:21 p.m.

Respectfully submitted,

Tammy Schmoll
Executive/HR Assistant