

The Owatonna Public Utilities Commission met in regular session in the Commission Room. Present were Commissioners Truelson, Mayhew, Schreiner, Noyce and Emanuelson. Also present were General Manager Shurts, City Administrator Sparks, Finance Manager Bruno, Gas Marketing Manager Green, HR/Administrative Supervisor Madson, Marketing/Energy Conservation Analyst Warehime, Accountant Teresa Hottman and HR/Executive Assistant Tammy Schmoll. Special Guests included two high school seniors.

Tammy Schmoll led the Pledge of Allegiance.

Minutes

The Minutes from the rescheduled meeting of August 31, 2004 were presented to the Commission. Commissioner Mayhew moved to approve the Minutes. Commissioner Emanuelson 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, the Investment Report and the Accounts Payable.

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

Economic Development

General Manager Shurts discussed Economic Development with the Commission. He noted one area being considered is the Owatonna Business Incubator (OBI). City Administrator Sparks stated, as a member of the OBI board, we are always dealing with a tight financial budget and are looking for long term solutions for funding. The City of Owatonna is looking at their Economic Development Fund as well. Commissioner Mayhew asked for a report showing the success of businesses coming out of the OBI and how many have become paying businesses in the City of Owatonna. Discussion followed regarding contributed services. It was noted the OBI is not a department of the City and the director of the OBI is not a City employee, therefore the building would not qualify for contributed services. After discussion, the Commission will consider a yearly fixed amount, to be set at budget time, with the understanding if the OBI needs more in a specific year they can request a grant at that time.

Contributed Services

The Contributed Services report as of August 31, 2004 was presented to the Commission. The Commission signed the report.

General Manager/Staff Report

General Manager Shurts reported he has been welcomed onto the Board of Governors for the Owatonna College and University Center.

General Manager Shurts reported to the Commission the SMMPA Annual Meeting is scheduled for October 14 & 15 and he and Raymond Truelson would be attending on behalf of OPU. Mr. Shurts noted the SMMPA Board approved four more wind turbines. He noted one will be located in Fairmont, one in Wells and two in Redwood Falls. Mr. Shurts distributed a graph showing SMMPA peak load

versus wind turbine capacity. The graph shows the most wind capacity comes in the winter months when SMMPA's load is at its lowest.

General Manager Shurts concluded by reporting OPU is working with Alliant on the 60 acre service territory north of 26th Street which the City of Owatonna recently annexed.

Commissioner Emanuelson inquired if SMMPA set a new peak this year. General Manager Shurts replied, no they did not.

Finance Manager Bruno reported OPU is going ahead with accounting training for the Commission and staff by contracting with Virchow and Krause. The training will be scheduled in January or February, 2005. He noted the training for OPU staff will focus on our budget process, rate setting and detailed accounting. The training for the Commission will focus on the same items, but will not be as detailed. It will also include fiduciary responsibilities and budgeting as a big picture, rate setting and a separate session will be set up for asset management. General Manager Shurts added, we are looking at setting the training for a single day with staff having their session in the morning and the Commission later in the day.

Gas Marketing Manager Green and Marketing/Energy Conservation Analyst Warehime discussed industrial updates with the Commission as well as the lighting project at OPU. Mr. Green reported the project is 75% complete and everything is audited so we will be able to calculate our savings. Mr. Green distributed graphs to the Commission showing the volatility of natural gas on the market. He reported more and more companies are trying to hedge their natural gas due to this volatility. Other than weather and normal indicators, we are having to use statistical probability and what the marketing is doing to determine when we purchase our natural gas. We have natural gas locked in through December. We are looking at layering, over a long term to set parameters to try to help manage the volatility. Commissioner Mayhew inquired, you are going to layer natural gas prices, so how much would be locked in? Mr. Green replied, I want to hedge 100% of our gas; 50% would be fixed, as recommended at this time by the Commission, with the rest being capped, but we also want to be able to take advantage of the market as it is coming down. He noted with the hurricanes in the south, production has been knocked out due to damages. Little things like this create uncertainties in the market which contribute to the volatility.

City Administrator's Report

City Administrator Sparks stated the Owatonna College and University Center board met with Riverland Technical College and an update of enrollment numbers was presented. Mr. Sparks will share a copy of that with the Commission. He further noted these numbers are very interesting for the short amount of time the College has been open.

Mr. Sparks reported the City Council will be conducting budget sessions that will run through November. He noted the Aquatic Center has a grant application in to the Owatonna Foundation. What the Foundation does will set the tone for the fund raising strategy of the Aquatic Center.

Mr. Sparks noted the Park and Recreation department had their annual user group meeting.

Mr. Sparks concluded by reporting the City Council is updating their land use plan. He noted the plan has several components including a sewer plan, a storm water plan, a housing study and a beltline study. On a parallel plan, a strategic economic development plan is being developed. The two studies should tie together. Commissioner Truelson requested a copy of the plans when completed.

Commission Roundtable

Commissioner Noyce – Nothing.

Commissioner Emanuelson – Did the recent rain effect OPU? General Manager Shurts replied, other than loss of revenue, no. Commissioner Emanuelson further inquired, in the case of an emergency in Owatonna, who would handle the direction? Mr. Shurts replied, Mike Johnson, the fire chief is usually in charge of the coordination of all agencies working together. Commissioner Emanuelson inquired of Mr. Sparks, have you heard anything on local government assistance for the next year? Mr. Sparks replied, there should be an increase in 2005, however the State is still looking at a sufficient deficit. He noted the City of Owatonna is looking at staffing changes.

Commissioner Schreiner – Nothing.

Commissioner Mayhew – I would like an update on the building project. General Manager Shurts replied, we had to take some soil samples and will proceed as necessary when the results of these samples come back.

Commissioner Truelson – Just a reminder, the first special budget meeting is scheduled for Wednesday, November 3rd at 4:00 p.m. and the second is scheduled for Tuesday, November 9th at 4:00 p.m.

Adjournment

There being no further business to come before the Commission, Commissioner Schreiner moved to adjourn the meeting. Commissioner Mayhew seconded the motion. All Commissioners voting Aye, the meeting adjourned at 5:35 p.m.

Respectfully submitted,

Tammy Schmoll
HR/Executive Assistant