

The Owatonna Public Utilities Commission met in special budget session in the Commission Room. Present were Commissioners Truelson, Mayhew, Moen, Schreiner and Noyce. Also present were General Manager Shurts, Finance Manager Bruno, Field Services Manager Morgan, Gas Marketing Manager Green, Electric Department Supervisor Busho, Engineering Design Supervisor Johnson, HR/Administration Supervisor Madson, Information Services Supervisor Turnbull, Meter Shop Supervisor Prihoda, Production Supervisor Reese, Accountant Teresa Hottman and Administrative Assistant Tammy Schmoll. Other guests included John Champion from the Owatonna Peoples Press.

Commissioner Truelson called the meeting to order.

Finance Manager Bruno distributed an agenda for the meeting. He noted items to be covered are the assumptions used, the rate structures, revenues budgeted, expenses budgeted and capital budgeted.

### **Assumptions**

Mr. Bruno recapped the assumptions used for preparing the budget, noting only the major ones. The electric rates will not be changing, the purchase power adjustment decreases slightly and the commodity sales decrease slightly. The water rates will increase by 3.9%. We started a program 3 years ago to increase water rates slightly to cover water expansion projects and to incorporate the results of a cost of service study. An increase in consumption is also projected. In the gas utility, a rate increase of 2.6% is proposed. This includes a change in cost of service charge to recover some fixed costs in the winter. The purchase gas adjustment increases slightly as well as CCF sales.

### **Rate Structures**

Mr. Bruno continued, as previously stated, there is no change budgeted for the electric rates. A 3.9% increase is proposed in the water rates. The rate increase will generate an additional \$89,000 dollars for the year. The Commission and staff discussed the current rate policy in regards to cost of meters and the charges being distributed accordingly between the different rate classes. A 2.6% increase is proposed in the natural gas rates. The cost of service charge as well as the commodity charge will be increased slightly to help cover fixed charges in the winter months. The Commission and staff discussed purchasing strategies, the rate study, surrounding communities' natural gas systems and pipelines, and the risk involved with natural gas commodity.

### **Revenues Budgeted**

Mr. Bruno discussed the summaries for electric, water and natural gas noting revenues have increased 4.5%, but expenses have also increased 4.5%. Revenue and expenses are based on current pricing, rate increases from Northern Natural Gas and an estimated debt service interest principle for new bonds. Also included are service territory settlements and the branding for the Triad.

### **Expenses Budgeted**

Mr. Bruno noted a 3% increase has been budgeted for the labor expense. Another large item on the expense side is insurance. We are expecting a 20% increase in premiums. The Commission and staff discussed the different insurances covered as well as an audit being performed to ensure all our coverages are ample. HR/Administration Supervisor Madson noted any increase in premiums will be reflected in the 2005 premium.

**Capital Budgeted**

Mr. Bruno directed the Commission's attention to the Capital Budget. He noted the total spending is less than the previous year. Field Services Manager Morgan and Engineering Design Supervisor Johnson discussed current and future water system projects.

Reverting briefly to the expense part of the budget, Commission and staff discussed increases in expenses relating to bank and credit card fees, uncollectible accounts, postage, meter reading maintenance contracts, additional billing inserts and a leak survey of the entire natural gas system.

Returning to the Capital budget, the first item discussed was tree trimming. Electric Department Supervisor Busho noted this item includes adding another tree trimming crew. One crew would be strictly used for service calls. General Manager Shurts discussed labor and noted there will not be additional personnel added. There was a brief discussion about the backflow prevention program. Another item discussed was building lighting noting lighting is not efficient and some changes need to be made.

Dues and subscriptions were discussed. A study will be done to determine which associates OPU should belong to.

Economic development was discussed as well as service territory, and legal fees. Commissioner Moen noted, other than some infrastructure changes, this budget is a status quo from previous years. Finance Manager Bruno noted, the only major change is in 2005 where some additional electric capital is budgeted and 2008 where additional water capital is budgeted.

Commissioner Truelson inquired as to how much of the capital is budgeted for, but never used. Finance Manager Bruno replied about 5%.

Field Services Manager Morgan discussed overhead lines and poles noting we are getting close to completely eliminating the 2400 volt system. Reconditioning the ground storage system was budgeted for 2003, but the bids were too high so it was pushed out until 2004.

An update of the customer information system was discussed by Information Services Supervisor Turnbull.

**Adjournment**

There being no further business to come before the Commission, Commissioner Mayhew moved to adjourn the meeting. Commissioner Moen seconded the motion. All Commissioners voting Aye, the meeting adjourned at 6:36 p.m.

Respectfully submitted

Tammy Schmoll  
Administrative Assistant