

The Owatonna Public Utilities Commission met in regular session in the Commission Room. Present were Commissioners Schreiner, Emanuelson, Truelson, and Mayhew. Absent was Commissioner Noyce. Also present were General Manager Shurts; City Administrator Sparks; Director, Finance and Administration Bruno; Director Marketing & Energy Management Green; Supervisor, Energy Management Warehime; Accountant Teresa Hottman and Executive/HR Assistant Tammy Schmoll. Special guests included two high school students, Brandon Miller and Alex Deno.

Brandon Miller led the Pledge of Allegiance.

Minutes

The Minutes from the regular meeting of September 26, 2006 were presented to the Commission. Commissioner Mayhew moved to approve the Minutes as submitted. Commissioner Truelson seconded the motion. All Commissioners voting Aye, the motion passed.

Committee reports

Personnel Committee – There was no Personnel Committee meeting.

Finance Committee – Commissioner Emanuelson reported the Finance Committee met, reviewed and approved Vouchers in the amount of \$4,609,565.88, expenses and two work orders. One work order was for computer terminals and the other was for a non-budgeted van. Mr. Emanuelson further reported the Finance Committee discussed and reviewed a draft Financial Reserves Policy. The policy will be changed to allow for fewer reserve days necessary in the natural gas utility. The policy will be presented to the Commission for approval at their November meeting.

2007 Budget, 2008-2011 Forecast

Director, Finance and Administration Bruno presented the 2007 budget and 2008-2011 Forecast to the Commission for their review. General Manager Shurts noted this item will not be discussed at this meeting due to the special budget session scheduled for November 7, 2006 at 3:00 p.m. General Manager Shurts discussed a summary he generated noting the number of employees being requested for approval is down to 66 from 69 last year, as well as the overall increase in the total cost of the budget, excluding commodities and contributed services, is only 1%. Mr. Shurts further noted the summary included an updated org chart and a discussion on vehicles being proposed in the 2007 budget.

Rates

Director, Finance and Administration Bruno presented draft water rate policies and draft natural gas rate policies to the Commission for their review with approval at the November meeting. He noted the water rates will increase approximately 5.85% which will generate about \$157,000. For natural gas rates, an overall 11.16% decrease is proposed due to declining natural gas rates. Commissioner Emanuelson inquired if there were any anticipated changes to anything other than commodity charges. Mr. Bruno replied, strictly commodity charge changes. Commissioner Mayhew inquired how much natural gas we have hedged. Director, Marketing and Energy Management Green replied about 50%. Mr. Bruno added, the Purchased Gas Adjustment will make up any difference between the rate and the purchased price of natural gas and noted the decrease is relatively flat across the customer classes. Commissioner Mayhew inquired, with inflation occurring in every other aspect of the utility, is a decrease in natural gas rates appropriate? General Manager Shurts replied, if commodity was the only aspect looked at, the decrease would have been much larger than 11.16%. Discussion ensued.

Mr. Bruno noted there is currently nothing to report on the electric rates. We are waiting for a rate study from R.W. Beck who have been waiting for the approved SMMPA rates for 2007. The SMMPA Board of Directors is considering a 8.5% increase in 2007 and 2008 and OPU is considering a 10% increase in 2007 to cover the 2007 wholesale increase and some of the increase in 2006 which was not fully covered with OPU's 2006 increase. Final numbers should be presented at the November meeting. The 2007 budget includes a 10% increase in electric rates, currently.

Contributed Services

The Contributed Services report as of September 30, 2006 was presented to the Commission. The Commission signed the report.

General Manager/Staff Report

General Manager Shurts reported the SMMPA Annual Meeting was well attended with very useful speakers. One of the things discussed at the Board meeting was a financial management policy. He noted the policy was well written for a first issue and even though there were comments, the policy was approved by a 5-2 SMMPA Board approval. The other major item discussed was the rates.

General Manager Shurts noted that Manager, Human Resources & Customer Service Madson had checked into flood insurance and the cost to insure the building outweighed the potential loss, so at this time OPU is opting not to buy the flood insurance.

Supervisor, Energy Management Warehime informed the Commission on several community classes that were being held at OPU in October. They included Clean Energy Resource Team informational meetings, energy awareness classes, geothermal classes, solar energy classes and a Building Operator Certification class that will be held over the next 7 months.

Supervisor, Energy Management Warehime reported to the Commission a "State of the Utility" meeting will be held on November 15th for our industrial customers and the focus this year will be more on electricity with SMMPA presenting information on several items, as well as OPU personnel discussing such items as rates and infrastructure.

Supervisor, Energy Management Warehime distributed a Pareto analysis of the 21 largest customers to each Commissioner. He explained the report and discussion ensued.

Director, Marketing & Energy Management Green reported on several large customer contacts that were made.

Commissioner Truelson inquired on the progress of the pipeline project. Director, Marketing & Energy Management Green replied, the project has been slowed down due to Northern Border going through a buyout. That is finalizing and things are starting to move once again.

City Administrator Report

City Administrator Sparks reported the City is hosting a sales tax public information meeting and hope these informational meetings will help the voters of Owatonna understand the issues surrounding the proposed sales tax increase.

Commission Roundtable

Commissioner Truelson – There will be a disaster recovery seminar next week sponsored by Wenger and the Chamber of Commerce. The cost of the seminar includes a manual on how to handle disaster recovery. Also, I would like to personally thank OPU staff and employees for the cards and best wishes while I was in the hospital. Also, there is a roundtable discussion with the hospital and clinic on how to handle the bird flu if it hits Steele County.

Commissioner Mayhew – Thanks to Joe and Roger for their customer contacts. I also want to make sure that in our rate structure one class of customer is not subsidizing another class and that information should be well documented and readily accessible if any of our larger customers inquire about it.

Commissioner Emanuelson – Thanks to all staff on the work on the budget.

Commissioner Schreiner – I'm glad I attended the SMMPA Annual Meeting, it was well worth it and I learned a lot about SMMPA and how OPU fits within SMMPA. I would recommend anyone who can attend, should.

Adjournment

There being no further business to come before the Commission, Commissioner Mayhew moved to adjourn the meeting. Commissioner Emanuelson seconded the motion. All Commissioners voting Aye, the meeting adjourned at 5:22 p.m.

Respectfully submitted,

Tammy Schmoll
Executive/HR Assistant