

The Owatonna Public Utilities Commission met in regular session in the Commission Room. Present were Commissioners Emanuelson, Stansberry, Mayhew and Ihrke. Absent was Commissioner Schreiner. Also present were General Manager Shurts; City Administrator Busse; Director, Financial & Administrative Services Bruno; Director, Gas, Water & Power Production Green; Manager, Energy Management & External Relations Warehime; Supervisor, Gas, Water, Buildings & Grounds Bendorf; Supervisor, Information & Financial Services Turnbull; Executive/HR Assistant Schmoll; and Accountant Teresa Hottman. Other guests included Bill Fahey, Northland Securities and several high school students.

Commissioner Mayhew led the Pledge of Allegiance.

Minutes

The Minutes from the September 23, 2008 regular Commission meeting were presented to the Commission. Commissioner Mayhew moved to approve the Minutes as presented. Commissioner Ihrke seconded the motion. All Commissioners voting Aye, the motion passed.

Committee Reports

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

Finance Committee – Commissioner Mayhew reported the Finance Committee met, reviewed and approved the balance sheet, the income statement for electricity, water and natural gas, and vouchers. Mr. Mayhew reported the Committee reviewed the total value of investments, as well as, the total bond debt. Mr. Mayhew reported a work order was approved for \$190,000 for replacement of relays in substations and the power plant as were recommended by an Arc Flash study and to comply with changes in the law.

City Administrator's Report

City Administrator Busse reported the City Council is working on the budget for the City of Owatonna. Ms. Busse further reported a budget efficiency task force was created to look for efficiencies and best practices in the City of Owatonna's processes and to recommend process improvements. The recommendations will be incorporated into the following year's budget.

Defeasing Debt

General Manager Shurts introduced Mr. Bill Fahey, Northland Securities, and stated OPU would like to address the issue of paying off its bonds and making the utility debt free and noted Mr. Fahey will be discussing that issue. Director, Financial & Administrative Services Bruno distributed a graph based on OPU's debt, the money involved to pay off that debt and what it will cost OPU. Mr. Fahey discussed the defeasance of the bonds noting to cancel the debt, a sufficient amount of securities will need to be purchased. He noted the bond resolution suggests the instruments to buy; US government treasury bonds; agency securities or general obligation taxable bonds. Mr. Fahey explained each option, noting, even though agency securities are not as secure, they yield greater interest returns and the cost of defeasance would be decreased. Mr. Fahey explained the decision to move forward is waiting on a ruling from bond counsel as to if they will allow OPU to consider agency securities; and if they will, then the costs come down to a reasonable level; three positive bids for securities would be obtained; and then it would be necessary to get the CPA in charge of OPU's audit to agree, as well. Mr. Fahey noted

Commission direction is needed in regards to this issue. Commissioner Emanuelson inquired, as to the ease of a utility, with no debt, getting a bond in the future if the need arises. Mr. Fahey replied, basically you are starting from zero, with a good credit rating, so if a need for capital arises, you now have a AA rating and your access to the capital market is remarkable.. Mr. Fahey continued, if a need for more capital arises that means the utility is growing and that means more cash would be coming in. Commission directed staff to continue investigating defeasance of the debt and to report back to the Commission.

Mr. Fahey and City Administrator Busse left the meeting. Also, Manager, HR, Safety, Risk & Loss Control Madson arrived at the meeting.

Parking Lot Lighting Policy – Cancellation

Policy #501.44 for the cancellation of the City Parking Lot Security Lighting was presented to the Commission. Supervisor, Information & Financial Services Turnbull explained there are only six parking lot security lights covered under this policy and are currently being billed at a different rate than the City street lights. The purpose of canceling this policy would allow for all City street lights and security lights to be billed the same and would ease the transition to the new Customer Management System. Commissioner Mayhew moved to approve the cancellation of Policy #501.44, City Parking Lot Security Lighting. Commissioner Stansberry seconded the motion. All Commissioners voting Aye, the motion passed.

Hedged Interruptible Gas Rate Policy

Policy #503.30, Hedged Interruptible Gas Rate, was presented to the Commission. Director, Gas, Water & Power Production Green reported the policy is a new rate for large commercial and industrial customers wishing to hedge their own natural gas. He noted the policy gives customers the opportunity to lock in natural gas with a fixed price for November through March and allows them to better set their yearly budgets. Mr. Green further noted, all OPU's fixed costs are recovered and based on the thresholds of the policy, only a few customers qualify for this policy. After discussion, Commissioner Mayhew moved to approve policy #503.30, Hedged Interruptible Gas Rate, as presented. Commissioner Stansberry seconded the motion. All Commissioners voting Aye, the motion passed.

Purchase Gas Adjustment Rate Policy

Policy #503.09, Purchased Gas Adjustment, was presented to the Commission. Mr. Green noted this policy is being changed and presented to incorporate verbiage regarding the Hedged Interruptible Gas Rate policy. Mr. Bruno noted the wording states only the excess gas on the hedged customers will be charged the Purchase Gas Adjustment and noted the policy will be resubmitted in December to incorporate new rates for 2009. Commissioner Mayhew moved to approve policy #503.09, Purchased Gas Adjustment, as presented. Commissioner Ihrke seconded the motion. All Commissioners voting Aye, the motion passed.

2009 Budget, 2010-2013 Forecast

General Manager Shurts and Director, Financial & Administrative Services Bruno presented the 2009 Budget, 2010-2013 Forecast to the Commission. Mr. Shurts presented and discussed a summary providing background, commodity sales, proposed rates, comparisons of revenue, expenses and net

income. Commissioner Mayhew requested a breakdown between price variance and volume variance. Mr. Shurts explained the budget being presented for 2009 represents about the same as actual expenditures in 2008. Commissioner Emanuelson requested a report of projected spending in both labor and capital for 2008. Mr. Shurts further discussed employee complement being requested for 2009. Mr. Shurts reminded the Commission a special budget session will be held on Wednesday, November 5, 2008 at 4:00 p.m.

Contributed Services

The Contributed Services report as of September 30, 2008 was presented to the Commission. The Commission signed the report.

General Manager/Staff Report

General Manager Shurts and Supervisor, Gas, Water & Buildings & Grounds Bendorf discussed the Allan Avenue project, the replacement of water mains. Mr. Bendorf reported the project should be wrapped up by the end of the week.

General Manager Shurts informed the Commission the State of the Utility meeting is scheduled for November 19, 2008 beginning at 8:30. Mr. Shurts noted MMUA and SMMPA will be giving presentations, as well as other staff members.

General Manager Shurts reported the Employee Recognition dinner is scheduled for December 12, 2008 at the Eagles Club in Owatonna.

Director, Financial & Administrative Services Bruno reported a bid tabulation for the cleaning, repairing and painting of tower #8 will be presented at the next meeting. He noted it is a 2009 budget item and will need to be approved after the 2009 budget is approved at the November meeting to meet the contract award deadline included in the proposal.

Commission Roundtable:

Commissioner Stansberry: Nothing.

Commissioner Ihrke: Thanked staff for helping with an outage and the switching of gear at the High School.

Commissioner Mayhew: Nothing.

Commissioner Emanuelson: Nothing.

Adjournment

There being no further business to come before the Commission, Commissioner Stansberry moved to adjourn the meeting. Commissioner Mayhew seconded the motion. All Commissioners voting Aye, the meeting adjourned at 5:47 p.m.

Respectfully submitted,

Tammy Schmoll
Executive/Hr Assistant