

The Owatonna Public Utilities Commission met in special budget session in the Commission Room. Present were Commissioners Truelson, Schreiner, and Noyce. Absent was Commissioner Mayhew. Commissioner Emanuelson arrived late. Also present were General Manager Shurts, Director of Finance & Administrative Services Bruno, Director of Engineering & Field Services Morgan, Director of Marketing & Power Management Green, Manager of HR & Customer Service Madson, Supervisor Electric Service Busho, Supervisor Engineering & Waterworks Johnson, Supervisor Gas & Water Services Bendorf, Supervisor Information Services Turnbull, Supervisor Meter Services Prihoda, Supervisor Power Production Reese, Supervisor SCADA & Energy Management Warehime and Executive/HR Assistant Tammy Schmoll. Several high school students attended the meeting as well.

Commissioner Truelson called the meeting to order. General Manager Shurts briefly explained the budget meeting to the group of high school students in attendance.

General Manager Shurts discussed the SMMPA wholesale rate increases. He noted there were several factors including changes in the MISO Day 2 pricing, and oil and natural gas pricing that contributed to the increase SMMPA was suggesting. OPU is looking at our electric rates and will bring recommendations to the November 22, 2005 Commission meeting along with a rate study by R.W. Beck.

General Manager Shurts discussed the budget overview previously presented to the Commission. He specifically touched on Exhibit C discussing staffing & labor complement. He noted we are asking to add an Accounting Supervisor to the staff which would authorize 69 employees. Currently we have 68 employees authorized by the Commission, 66 positions are in the 2005 budget with 64 position filled. In the 2006 budget we have budgeted for all 68 employees and plan to fill these positions in 2006 in addition to the Accounting Supervisor which would then bring the employee complement to 69. After discussion, in the future, staff will only budget for vacant positions that we plan to fill within the budget year. If a vacancy occurs and we do not expect to fill it, we will not include the position in the subsequent budget..

Director of Financial & Administrative Services Bruno discussed the assumptions used for preparing the budget. He noted, the assumptions used for the electric utility are no longer valid due to the increases in the SMMPA wholesale rate. Commissioner Emanuelson arrived and Mr. Shurts recapped what had been covered thus far. Mr. Shurts read a letter received from SMMPA regarding the proposed rate changes and discussed the factors used to determine those rates. Discussion ensued. Mr. Bruno then directed the Commission's attention to the assumptions for the water and natural gas utilities. He noted an increase of 8.9% is being proposed in the water utility with an increase in the natural gas utility, above the commodity increase, of 2.4%. Mr. Bruno further noted contributed services, energy conservation and other items will be affected due to the increased cost of the commodity charges in natural gas.

The next items discussed were the major changes to the budget over the previous year. Mr. Bruno noted, all costs in Accounting will go up due to the addition of the Accounting Supervisor. Increases in General & Administrative are due to increased insurance costs, energy conservation investment dollars due to increased price in commodity, as well as other revenue increases due to commodity charges. Other changes in commodity revenue, fees and charges, and miscellaneous sales were also discussed. Similar changes in the water utility are also evident in the natural gas utility for the same reasons.

Summary

The overall summary was not discussed due to the inclusion of the electric utility figures. Mr. Bruno directed the Commission's attention to the electric summary. He noted the expenses are preliminary and on the revenue side the fees and charges are the only good numbers, again, due to the rate increase proposed from SMMPA. Next Mr. Bruno discussed the water and natural gas summaries.

Labor Summary

Mr. Bruno noted, the labor summary had been discussed earlier in the meeting.

Income

Mr. Bruno next directed the Commission's attention to the income part of the budget. He noted the income part of the budget is based on what we proposed for rate increases in the water and natural gas utilities.

Expenses

Mr. Bruno moved on to the Expenses part of the budget. Major items discussed included the high and low system in the water department, purchasing odorant in natural gas, as well as retaining the consultant for our natural gas hedging program. Other items included a backflow prevention plan, tree trimming, dues & expenses, energy conservation and service territory acquisition. Staff will report back to the Commission with a list of dues and expenses for the 2006 year.

Capital

In the capital section of the budget, items discussed were security lights, #8 well repair/rebuild, replacing mains & breaks, propane tank remote, and resurfacing the parking lot. Mr. Bendorf noted the parking lot has been overlaid and seal coated several times and is in dire need of subsurface drainage as well as a new surface. After discussion, the staff and Commission agreed to delay this project. The next major item discussed in the capital budget was vehicles. Mr. Shurts directed the Commission's attention to the last page of the summary document previously distributed. Mr. Shurts explained the handouts. Discussion ensued. Staff and Commission agreed to purchase 5 of the 7 vehicles asked for in the 2006 budget by buying one vehicle in 2005 and then spacing out the other four purchases throughout the year. Other items discussed were the software and hardware for the security system including proximity readers, a telephone system which was moved from 2005, the new Customer Information System, reclosures at the East Owatonna Substation, transformers, ERTS and a data collection system.

General Manager Shurts summed up the meeting by stating what will be brought to the November Commission meeting.

Adjournment

There being no further business to come before the Commission, Commissioner Noyce moved to adjourn the meeting. Commissioner Schreiner seconded the motion. All Commissioners voting Aye, the meeting adjourned at 7:30 p.m.

Respectfully submitted,

Tammy Schmoll
Executive/HR Assistant