

The Owatonna Public Utilities Commission met in special budget session in the Morehouse Conference Room. Present were Commissioners Cosens, Stansberry, Simon and Rossi. Absent was Commissioner Kottke. Also present were General Manager Fritsch; Chief Financial Officer Fondell; Director, Engineering Johnson; Director, Operations & External Relations Warehime; Manager, Human Resources Madson; Manager, Information Technologies Keltgen; Supervisor, Customer Care Heimerman; Supervisor, Meter Services Pelot; Supervisor, Operations & Buildings & Grounds Krogh; Supervisor, Substations & Generation Deering; Executive, HR & Administration Coordinator Schmoll; and Accountant LaVonne Sedivy.

Chief Financial Officer Fondell discussed the information in the proposed budget packet. She discussed the various assumptions that were made in setting the proposed budget in the electric, water and natural gas utilities. She discussed proposed rate adjustments in the electric, water and natural gas utilities and the justifications behind each rate adjustment. She discussed OPU's rate changes in the electric utility from 2012 to present versus our wholesale power provider, SMMPA's, rate increases for the same time period. OPU's strategy regarding electric rates is to have small increases in anticipation of larger increases from SMMPA. Even though SMMPA did not change their rates for four years, they had a large increase in 2016 of 6% and are proposing a 2.2% increase in 2017. She noted staff is proposing a 1.5% increase in the electric utilities; a 4% increase in the water utility and an 8% decrease in the natural gas utility. The average net monthly impact to customers is anticipated to be an approximate savings of \$3.12 per month.

Chief Financial Officer Fondell presented several scenarios to the Commission showing how the reserves are affected with various proposed rate adjustments. She also discussed an inter-utility recovery process regarding asset depreciation for the power plant repurposing project. She noted the electric utility fully funded the repurposing project out of reserves and now the water and gas utilities will assume their share of the depreciation of the building. This will provide for an increase of reserves in the electric utility resulting in lower future rate increases. However, it will mean a decrease in the water and natural gas reserves. Commission discussed the process to obtain more clarification, asking several questions surrounding having the depreciation settled up sooner than the estimated depreciation time of the building (50 years). Chief Financial Officer Fondell stated she would like to keep the process the same based past practice and our long term outlook for our financial reserves and infrastructure improvements.

Chief Financial Officer Fondell noted there are not many changes in the water utility except the addition of revenue and liability accounts related to the Water Service Line Protection Program. The natural gas utility remains extremely healthy. She further discussed controllable costs noting they have remained fairly flat over the last few years.

Commissioner Cosens inquired about the costs of putting up an inventory building on Walnut as previously discussed. General Manager Fritsch discussed what would need to be done to get that area ready to be built on and the increase in construction costs. He noted, it had been discussed to get rid of the project altogether due to how it would increase reserves, rates and future capital spending. Commissioner Cosens requested some projections regarding costs, the sale of the old building, and the improvement in worker safety to take a closer look at the project.

Chief Financial Officer Fondell discussed labor costs included in the proposed budget. She noted the number of employees being budgeted for has not changed. We are proposing to use the vacated Maintenance Technician position for a project coordinator position. She noted with proposed wage increases for union and management of 3% and controlling benefit costs the overall impact labor has on the budget is 1%.

Department Presentations

Each department presented their proposed expenses and capital items for 2017 and discussed increases or decreases. Notable items included an electric and water systems engineering study, increases due to the Jaguar underground project, proposed fiber ring, electric service territory, fill station improvements, relay and bushing upgrades and replacements, customer service area redesign, purchasing AED units for all fleet vehicles, redesigning the OPU newsletter and website, purchase of a mini backyard bucket, purchase of an electric reel trailer, and an electric cost of service study.

The Commission asked for more information regarding the AED units in vehicles and if we would be announcing to the public that all our vehicles have them on them. Executive, HR & Administration Coordinator will report back to the Commission regarding this item.

Chief Financial Officer Fondell discussed next steps with the Commission and noted if they have any questions between now and the November 22nd meeting to be sure to get a hold of her.

Commissioner Cosens expressed his appreciation of the pictures during the department presentations and the presentations by the Engineers at the last meeting. He thanked staff for their work on running the company so well, remarked it seemed there were responsible decision making efforts and wisdom in the process including looking at expenses for the future.

Adjournment

There being no further business to come before the Commission, Commissioner Simon moved to adjourn the meeting. Commissioner Stansberry seconded the motion. All Commissioners voting Aye, the meeting adjourned at 6:51 p.m.

Respectfully submitted,

Tammy Schmoll,
Executive, HR & Administration Coordinator