

The Owatonna Public Utilities Commission met in special budget session in the Morehouse Conference room at the Owatonna Public Utilities. Present were Commissioners Zirngible, Rossi, Johnson, Vetter and McLane. Also present were General Manager Warehime; Director, Finance & Administration Olson; Director, Engineering & Field Operations Fenstermacher; Director, Information Technologies & Metering Baum; Manager, Electric Operations Enright; Manager, Gas & Water Operations Prokopec; Manager, Human Resources Madson; Supervisor, Accounting Linders; Supervisor, Customer Care Van Esch; Supervisor, Information Technologies Trom; Supervisor, Meter Services Johnson; Executive, Communications & Administration Coordinator Schmolli; Energy Conservation & Key Accounts Officer Hendricks; OPU employees Deb Anderson, Lori Jerpbak, Shanda Meier and Megan Smith.

President Zirngible opened the meeting and led the Pledge of Allegiance.

Notable Changes from Prior Years

Director, Finance & Administration Olson discussed the agenda for the meeting. He discussed notable budget changes from the previous year, with the biggest change being how the minimum reserve levels are calculated. Restricted funds are identified separately from unrestricted funds and reserves for individual utilities are adjusted for shared assets owned by the electric utility.

Rate Terminology and Proposed 2025 Rates

Before reporting on proposed rates, Mr. Olson defined average rate changed, budgeted EAA or PGA rate change and Combined rate impact.

Supervisor, Accounting Linders discussed proposed rates changes in each utility. He reported staff is proposing a 0% rate increase for electric rates; a 10% increase for water which equates to an increase of \$2.68 per month to the average residential customer, and a 6.6% rate increase for natural gas which is approximately a \$4.40 increase per month to the average residential customer.

Mr. Linders went on to discuss commodity and non-commodity revenues, controllable costs and other expenses in each utility.

Accountant Lori Jerpbak discussed the labor and benefits included in the proposed budget.

Mr. Olson wrapped up this portion of the presentation by discussing net income, capital forecasts, and reserve forecasts. He noted in the water utility, reserves show negative balances in a couple years due to the anticipation of having to drill a new well and build a new water tower. Staff and the Commission discussed implementing a water restrictions policy, including sprinkling restrictions and other measures that can be taken to avoid this expenditure. The Commission would like to hold off on adding a well as long as possible.

Operating Budgets - Non-labor Expenses and Capital

Director, Engineering & Field Operations Fenstermacher discussed proposed changes to the Engineering expenses and capital, highlighting items in this budget such as GIS, locating services, training and supplies, and consulting. In the electric area he discussed proposed changes to expenses and capital including tree trimming, distribution maintenance, and purchasing of transformers. In substations, proposed changes in expenses and capital included reductions in expenses due to trends and an increase in capital for the purchase

of land to expand the East Owatonna Substation. Other changes Mr. Fenstermacher discussed included SMMPA expenses, Dispatch expense and capital, and vehicle expenses and fleet capital items. He provided vehicle and equipment ages and discussed OPU's replacement philosophy. He provided the Commission a look forward to request approval for proposed vehicle purchases in 2026 due to supply chain delays and the amount of time it takes to receive equipment.

Manager, Gas & Water Operations Prokopec discussed proposed changes to the expenses and capital budgets in the Water Production, Gas & Water Distribution, and Buildings and Grounds areas.

Supervisor, Meter Services discussed proposed changes to the expenses and capital budgets in the Meter Services area.

Non-Operating Budgets – Non-Labor Expense and Capital

Non-operating proposed budget expenses and capital were presented by Information Technology, Human Resources including safety and insurance, Customer Service, Energy Conservation, Communications, Administration, and Accounting.

Wrap Up and Next Steps

During the wrap-up, the Commission emphasized the importance of ongoing collaboration with the City of Owatonna and the City Council to ensure any new large commercial or industrial customers do not impose financial burdens on existing customers. They urged city officials to be selective when attracting new businesses and to continue partnering with OPU to ensure necessary facility upgrades address new infrastructure demands without compromising reliability or increasing costs for current customers. The Commission also asked staff to check into what impact a new well would have on the wastewater treatment plant.

Adjournment

The Commission thanked everyone for the work they put into their budgets and expressed appreciation for the great detail. There being no further business to come before the Commission, the meeting adjourned at 7:18 p.m.

Respectfully submitted,

Tammy Schmoll,
Executive, Communications & Administration Coordinator