

The Owatonna Public Utilities Commission met in special budget session in the Commission Room. Present were Commissioner Schreiner, Emanuelson, Truelson and Noyce. Absent was Commissioner Mayhew. Also present were General Manager Shurts; Director, Finance & Administration Bruno; Director, Engineering & Field Services Morgan; Director, Marketing & Energy Management Green; Manager, HR & Customer Service Madson; Supervisor, Electric Services Busho; Supervisor, Energy Management Warehime; Supervisor, Engineering Johnson; Supervisor, Gas, Water & Maintenance Services Bendorf; Supervisor, Information Services Turnbull; Supervisor, Meter Services Pelot; Supervisor, Power Production Reese; and Executive/HR Assistant Schmoll. Special guests also included one high school student.

2007 Budget, 2008-2011 Forecast

General Manager Shurts opened by beginning discussion on the overview packet that was included with the budget. He explained commodity sales in electric are expected to increase slightly with a decrease in water and an increase in natural gas. He noted commodity rates are expected to change as well. He noted the budget includes a 10% increase in electricity rates; a 5.85% increase in water rates and a 11.16% decrease in natural gas rates effective January 1, 2007. Commissioner Emanuelson inquired on retained earnings and reserve requirements. Director, Finance & Administration Bruno replied, funds will drop slightly and we won't have the full reserve requirements, however, by 2009 the funds should be available and operating reserves should be in line.

Next, the labor summary was discussed with the Commission. General Manager Shurts noted the line worker and accounting supervisor positions budgeted for 2006 were not filled and are not anticipated to be filled in 2007 so they have been removed from the proposed 2007 budget. Also, due to a retirement and advancement in the Meter Services area, an open position in that area will not be filled either which brings the approved employee compliment to 66. The total budget, excluding commodities and contributed services, is only increasing 1% over 2006. Commissioner Schreiner inquired on the cost of living clause in the union contract and whether it is figured in the anticipated wage increases. General Manager Shurts replied, it is not, just the anticipated agreement increase of 3%. He further noted that employer PERA costs will be increasing over the next few years as well.

Income

Director, Finance & Administration Bruno discussed: anticipated rate changes in electric, water and natural gas; increases in antenna rentals due to 1 additional antenna; decreases in connect charges due to the decrease in new homes being built; fewer disconnections for non-payment; increases in interest income due to rising interest rates; and increases in SMMPA revenue.

Expenses

Director, Finance & Administration Bruno reported purchased power from SMMPA is increasing and will be taken into account when setting the electric rates. Supervisor, Power Production Reese discussed the change-out of the tank level indicators on the propane tanks and the inventory level of propane.

Commissioner Emanuelson inquired, how often the electric arc flash study is completed. Director, Engineering & Field Services Morgan replied, that is a federally mandated study and only needs to be completed once.

Commissioner Truelson asked for explanation on the mini excavator and the Case 960 trencher lease. Supervisor, Gas, Water & Maintenance Services Bendorf explained, the current trencher will be sold to the electric department and the gas department will lease a new one for three years. The lease payments apply towards the purchase of the trencher. Staff has determined that leasing for three years, with a buyout at the end of the lease, is actually a lower-cost option than the outright purchase. At the end of three years, the old trencher that is to be transferred to the electric department will be sold at auction, the 3-year old leased unit will be transferred to the electric department, and a new one (either leased or purchased) will be acquired by the gas and water department.

Commissioner Emanuelson inquired on the increase of the backflow prevention program. Supervisor, Engineering Johnson replied more work on implementing the program will begin in 2007. Currently the program is voluntary and we want to begin to convince commercial customers to participate in the program. Mr. Johnson further reported part-time locating services have been put into a separate line item for better tracking purposes.

Other items discussed in the expenses section of the budget included maintaining pumping equipment on booster pump #2; pole replacements; vehicle and communication equipment maintenance; elevated tank inspection, noting that is a periodic inspection conducted by a contractor; and tree trimming.

Supervisor, Meter Services Pelot discussed load management equipment, and a manufacturer malfunction with water meters that is causing his meter budget to increase.

Director, Finance & Administration Services Bruno discussed increased maintenance fees for the new computer system, as well as the support contract needed to maintain the system.

Supervisor, Information Services Turnbull discussed the phone system lease, noting instead of purchasing the system ourselves, we are sharing a lease with the City of Owatonna.

General Manager Shurts discussed the strategic planning item, noting it was moved from the Marketing responsibility center to the General Manager's responsibility center and OPU added money to it for leadership development of the management group. Mr. Shurts further noted, the Public Awareness program was added as a Federally Mandated program which addresses public awareness of natural gas safety. Mr. Shurts further noted the Midwest Gas Task force budget item was moved from the Human Resources/Customer Service responsibility center to the Marketing responsibility center.

Manager, HR & Customer Service Madson reported on insurance increases. She noted, some of the numbers represented in the budget will be less due to not having actual numbers at the initial budget time.

Discussion continued on inter-utility rent, gas consulting fees and advertising costs. Director, Marketing & Energy Services Green reported, the gas consultant we had budgeted for through only part of 2006 will be retained in 2007 to assist in the natural gas hedging program. He briefly discussed a recent situation where the consultant saved OPU roughly \$68,000.

Supervisor, Energy Management Warehime discussed conservation rates in both the electric and natural gas utilities.

Final discussions in the expenses part of the budget included service territory, long term debt payments, and contributed services. General Manager Shurts reported, the economic development item had been moved from the General Manager's responsibility center to the Marketing responsibility center. He further noted, this is the last year of the Owatonna Business Incubator agreement and money has been set aside to help Partners for Progress with advertising expenses.

Capital

Discussions included Northwest feeder circuit, downtown street lights, recasing Well #2, natural gas transmission line pressure reduction, recommended vehicle replacements, UPS replacement for better reliability and longer backup, computer hardware, transformers and remote disconnects. Improvements needed to Garage #1 include walk through doors and siding. The Commission agreed to combine these two budget items into one and increase the dollar amount to whatever is needed to complete the improvements.

Adjournment

There being no further business to come before the Commission, Commissioner Truelson moved for adjournment. Commissioner Noyce seconded the motion. All Commissioners voting Aye, the meeting adjourned at 5:26 p.m.

Respectfully submitted,

Tammy Schmoll
Executive/HR Assistant