

The Owatonna Public Utilities Commission met in special budget session in the Commission Room. Present were Commissioners Simon, Schreiner and Stansberry. Absent were Commissioners Cosens and Kottke. Also present were General Manager Fritsch; Director, Financial & Administrative Services Fondell; Director, Engineering & Electric Services Johnson; Director, Gas, Water, Energy Management & External Relations Warehime; Manager, HR, Safety, Risk & Loss Control Madson; Supervisor, Information Technology Keltgen; Supervisor, Financial Services Turnbull; Supervisor, Meter Services Pelot; Supervisor, Substations & Generation Deering; and Executive/HR Assistant Schmoll.

Commissioner Schreiner led the Pledge of Allegiance.

2014 Overview

Director, Financial & Administrative Services Fondell distributed several items noting they would be discussed during the meeting. She noted she sent out the full budget with details to the Commission electronically. Any modifications based on this meeting's discussions will be presented at the regular November Commission meeting. Distributed items include a consolidated reserve projection, a labor summary, and electric, water and natural gas income statements. She noted for commodities purchased and sold a two year average was used taking into account the mild winter we had for natural gas. Staff is recommending a 1% increase in electric rates and a 0% increase in water and natural gas. Mrs. Fondell discussed the overall expense increases or decreases in each utility noting the electric utility operating expenses decrease by approximately \$1 million for 2014. The biggest change in the natural gas utility is moving the repurposing project from the natural gas utility to the electric utility and the FEMA money which we are anticipating receiving.

Labor

Director, Financial & Administrative Services Fondell discussed the labor summary. She noted 59 employees are being budgeted for 2014. She further noted the labor budget will increase 7.3% over 2013. The increase includes a contractual 2% increase in wages, an increase in health insurance costs and a different benefit allocation process for PDO (paid days off).

Operations Expenses (Non-Labor)

Each department presented the changes in their budgets to the Commission. Notable items include a new item being added in the Water Production area for a water system modeling and engineering study that is conducted every 10 years; replacing meters to align with new government standards regarding lead in the meter casing; adding enhancements and assistance to the Customer Service Management system; and increases in Health Insurance costs.

Capital – New or One Time Items

Each department discussed their new or one time capital items with the Commission. Notable items include a portable shoring box; corridor beautification; rebuilding a well; replacing a welding machine; purchasing a valve exerciser; reroof ¼ of building #4; redoing the communications with the substations; barcoding equipment & system in the stores area; wireless connectivity equipment; bucket truck and other vehicle additions/replacements; and purchasing system modules.

It was noted the portable shoring box would be easier to get in and out of the smaller backyards and is needed for safety reasons. The corridor beautification item is being requested by the City and the OPED group for economic development reasons. It involves burying all the overhead lines in the various corridors coming into Owatonna. \$100,000 has been put in the budget as a placeholder for the next several years. The pros and cons regarding this project were discussed. The pros include

increased reliability because services would be underground in case of a major storm and it would be considered more aesthetically appealing when trying to attract new businesses to Owatonna. The cons include underground being more expensive to fix if there is a fault, eliminating good equipment that is still functional, and manpower efforts to coordination with the phone and cable companies could be used elsewhere. It was noted even though the item is placed in the budget and approved along with it, more evaluation will be done before a work order is brought forward to the Commission for approval.

The valve exerciser is a hydraulic piece of equipment that would be used to exercise the water main valves to ensure proper safety and ergonomics are maintained in the field. The exerciser would be used in connection with a valve maintenance program to ensure the proper operation of the water system including adding valve information to the GIS system which would increase response time in shutting down the water in a specific area in the case of a main break.

Recurring Capital Items

Director, Financial & Administrative Services Fondell discussed the recurring capital items included in the budgeted and noted these items include such things as purchasing of meters, installing electric overhead and underground lines, purchasing tools, etc. These are things needed to maintain our facilities on an annual basis.

Reserves

Director, Financial & Administrative Services Fondell discussed the reserve projections for the next five years with the Commission. She noted due to the repurposing project the reserves will dip slightly below our policy levels, however, there will still be money available in case of an emergency. She further noted in 2016 the reserve levels are projected to be back within the levels required by our reserve policy, assuming receipt of the FEMA dollars owed to OPU.

Commissioner Schreiner inquired about the reasons SMMPA is projecting a 3% rate increase in 2016. General Manager Fritsch replied there are several reasons, some of which include SHERCO3 expenses and other anticipated long term expenses including governmental regulations.

Adjournment

There being no further business to come before the Commission, Commissioner Stansberry moved to adjourn the meeting. Commissioner Schreiner seconded the motion. All Commissioners voting Aye, the meeting adjourned at 6:15 p.m.

Respectfully submitted,

Tammy Schmoll
Executive/HR Assistant