

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

Overview

General Manager Fritsch noted presentations will be given by each group to include exceptions, changes or additions from last year's budget.

Director, Financial & Administrative Services Fondell discussed labor included in the budget. She noted labor dollars increased after a financial analysis indicated benefits were not being accounted for correctly. In past years, the benefit allocation was 23%. In reality it should be 36%. So the increase reflects the increase in benefit allocation from 23% to 36%, the hiring of an Information Technology Supervisor and union and management wage increases. PDO dollars decreased due to sick days and vacation days incorrectly including the 23% benefit overhead.

Mrs. Fondell further noted a separate line item will be included in the budget this year to reflect a 24% increase in health insurance costs. The increase came in after everyone had submitted their budgets and it was decided it would be easier to include a single line item instead of having everyone redo their budgets. The large increase is based on OPU's actual claims and how they have been trending over the past few years. Manager, HR, Safety, Risk & Loss Control Madson discussed with the Commission the process involved in acquiring health insurance and the role the Southeast Service Cooperative plays in helping us acquire affordable health insurance. Mrs. Madson indicated with OPU's claims the premiums would be the same or more if OPU was not a member of the Southeast Service Cooperative group insurance plan.

Assumptions

Director, Financial & Administrative Services Fondell discussed the assumptions used to develop the proposed 2013 budget. She discussed each utility individually and noted, a rolling two year's history was used for electricity and water and a three year rolling history was used for natural gas due to last year's mild winter and cooler summer. She noted pole attachment revenues have not been budgeted for in the past, so those are included in this year's budget. Other items included property insurance increase of 8%; FEMA grant dollars; and the power plant repurposing of \$14 million. Rate increases being proposed include 1% in electric, 0% in both water and natural gas.

Income, Expenses & Capital

Director, Financial & Administrative Services Fondell distributed a handout which provided the information as presented in the budget book but separated out by supervisor to make it easier for the Commission to follow along as supervisors are giving their presentations.

Mrs. Fondell highlighted changes in the Finance Department as well as vehicles. She noted expenses were realigned to more closely match actual spending. Mrs. Fondell concluded by saying everyone made a huge effort this year to understand their budgets and where the actual spending was and made adjustments accordingly. Commissioner Simon asked if the Commission could see budget to actual numbers in addition to the budget to budget numbers. Staff will look at implementing that part for next year.

General Manager Fritsch discussed changes in the Executive budget. Meeting expenses and employee recognition increased slightly with Public Official meeting expenses decreasing.

Director, Engineering, Electric & Meter Services Johnson discussed changes in the Engineering and Electric departments. Items in the Engineering department included a backup locator, and increased training for the Engineering Technicians. Mr. Johnson noted adjustments were made to more closely match actual allocation of the Afterhours Serviceworker's time. A part-time laborer was included in the electric department for seasonal help as a place holder.

Supervisor, Information & Financial Services Turnbull discussed changes in the Information Technology area including one additional person. She noted with the new IT supervisor coming on board staff is looking for flexibility in moving dollars around as needed to better utilize dollars if the new supervisor deems it necessary.

Supervisor, Gas, Water, Buildings & Grounds Hortop discussed changes in the Gas/Water department. He noted capital numbers were down due to projects being completed in 2012 and smaller projects being scheduled for 2013. There were not significant changes in the expense area.

Supervisor, Meter Services Pelot discussed changes in the Meter Service Department. He discussed changes in staff due to attrition and improved technology. Changes reflected funds being redirected to more closely match actual spending. Another item the department is keeping an eye on is advanced metering technology and how meters will interface with customers and their actual consumptions.

Manager, HR, Safety, Risk & Loss Control Madson discussed changes in the budget related to insurance expenses. Other items included are a full campus security study to be conducted by a private firm. The study will also include recommendations for improvements. Janitorial and mailing costs were also discussed.

Supervisor, Substations & Generation Deering discussed changes in the Substation and Generation area as well as items in the SCADA area. He noted, changes reflected funds being reallocated to better match actual spending. Mr. Deering discussed software changes needed in both substations and SCADA. SMMPA reimburses part of the funds associated with performing work for them. He noted previously, three of the SCADA employees were reimbursed by SMMPA but now it will be three of the substation employees. All five of the SCADA operator's wages will now be covered by OPU resulting in increased labor dollars in the SCADA area.

Director, Energy Management & External Relations Warehime discussed changes in the Marketing and Conservation area, as well as some items in the Customer Service area. He noted, new ergonomic chairs will be purchased for the customer service representatives, as well enhancements will be made to the Customer Service Management system based on feedback from customers. In the Marketing Area, a three year survey on natural gas awareness will be conducted this year.

Director, Financial & Administrative Services Fondell discussed changes in the Vehicle Maintenance department and distributed a list containing the condition of each of the vehicles. There was a discussion surrounding the purchase of an electric or compressed natural gas vehicle. Currently this is not a financially justifiable purpose to purchase such a vehicle.

Conclusion

In conclusion, Director, Financial & Administrative Service Fondell summed up some of the major items in the budget and noted a recap of changes will be included in the final budget.

There was brief discussion surrounding the philosophy of the proposed rate changes.

Adjournment

There being no further business to come before the Commission, Commissioner Simon moved to adjourn the meeting. Commissioner Cosens seconded the motion. All Commissioners voting Aye, the meeting adjourned at 6:56 p.m.

Respectfully submitted,

Tammy Schmoll
Executive/HR Assistant