

The Owatonna Public Utilities Commission met in special budget session in the Morehouse Room. Present were Commissioners Schreiner, Kottke, Stansberry, Cosens, and Simon. Also present were General Manager Fritsch; Director, Financial & Administrative Services Fondell; Director, Customer Service, Conservation, Generation & Substations Green; Director, Engineering Johnson; Director, Field Operations & External Relations Warehime; Manager, HR, Safety, Risk & Loss Control Madson; Manager, Information Technologies Keltgen; Supervisor, Gas, Water, Maintenance, Buildings & Grounds Krogh; Supervisor, Meter Services Pelot; Supervisor, Substations & Generation Deering; Executive/HR Assistant Schmoll, and Marketing/Energy Conservation Manager Jared Hendricks.

Commissioner Kottke led the Pledge of Allegiance.

2015 Budget Overview

Director, Financial & Administrative Services Fondell thanked everyone for coming and presented the 2015 proposed Budget to the Commission. She began by presenting the 2015 Budget Overview to the Commission. Highlights included a 1.5% rate increase in the electric utility. She noted, 1% is intended to cover the anticipated rate increase from SMMPA planned for 2016 and .5% is intended to cover the costs associated with the Joint Underground project with Jaguar Communications. No rate increases are anticipated for the water and natural gas utility. She noted, net income is anticipated to be lower in 2015 than in 2014. Capital projects anticipated for 2015 are anticipated to be higher than in the past few years with the Jaguar Project, and the proposed Pipeline to Hope to mention a few.

Labor

Director, Financial & Administrative Services Fondell presented the overall labor dollars included in the 2015 Budget. She noted the number of employees budgeted for 2015 are the same as were in 2014. The differences in the labor dollar amounts are due to a proposed wage increase and the increased costs of benefits.

Operational Expenses

Each department presented the changes in their budgets to the Commission. Notable items include a reduction in tree trimming costs, placeholder for sponsorship dollars for the APPA Lineman's Rodeo being held in Minnesota in 2016, sealing of Well #1, improvements to the GIS system, implementing the services of a Call Center, increase in maintenance agreements in the IT department, and additional expenses related to connectivity with substations and wells.

Capital

Each department discussed their proposed 2015 capital projects with the Commission. Notable projects include rebuilding Well #5, maintenance on Wellhouse #8 roof and driveway, load dock resurfacing at Building #4, Joint Underground project with Jaguar Communications, various projects in the substations including connectivity, parking lot resurfacing where the building was removed across the street, replacement of a 14 year old dump truck, new skid loader, and a trailer for the gas/water group to replace a 20 year old unit.

Reserves

Director, Financial & Administrative Service Fondell presented and discussed a Cash Reserves graph on how the combined reserve levels will be affected in regards to the 2015 Budget, including the anticipated levels for the following four years. She noted the reserve levels are well within the confines of our Cash Reserve policy. Commissioners inquired if we anticipate dropping rates due to cash

reserve levels. Director, Financial & Administrative Services Fondell stated each utility should remain as a stand-alone entity. The reserve levels indicated on this graph are a combination of the electric, water and natural gas utilities indicating positive cash reserves. However, there is an anticipated \$1 million shortfall in the electric utility reserve levels as laid out in the Cash Reserves policy. This is another reason for the proposed rate increase in the electric utility. Commissioner Simon inquired as to what would be throw away items if it additional funds were needed. Director, Financial & Administrative Services Fondell replied, some of the bigger ticket items just wouldn't be done.

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 6:33 p.m.

Respectfully submitted,

Tammy Schmoll
Executive/HR Assistant