

The Owatonna Public Utilities Commission met in special budget session in Morehouse Conference Room at the Owatonna Public Utilities. Present were Commissioners Simon, Rossi, Cosens, Kottke and Doyal. Also present were General Manager Fritsch; Chief Financial Officer Fondell; Director, Engineering Johnson; Director, Field Operations Warehime; Manager, Human Resources Madson; Manager, Information Technologies Keltgen; Supervisor, Accounting Sedivy; Supervisor, Customer Care Heimerman; Supervisor, Meter Services Pelot; Supervisor, Operations, Buildings & Grounds Krogh; Supervisor, Substations & Generation Deering; Executive, Communications & Administration Coordinator Schmoll; and Key Accounts & Energy Conservation Officer Hendricks.

Commissioner Cosens led the Pledge of Allegiance.

Rates

Chief Financial Officer Fondell discussed proposed changes to the rates based on recommendations from the cost of service study which was presented at the special session of October 9, 2017. She noted in the electric utility we are projecting a 3% increase in commodity sold over 2017 and there is no projected rate increase from SMMPA. She discussed OPU's rate strategies in comparison to the SMMPA rate increases and showed a graph on how OPU's rate increases align with those of SMMPA. The only change being recommended in the electric utility for 2018 is a slight increase in the monthly cost of service charge for the residential and commercial customers. Industrial customers will see no change in the monthly cost of service charge; however, the demand charge will be increasing from \$13.40 to \$13.75 and the off-peak commodity charge will decrease by 1%. The biggest rate change will be in the EM06 rate that is an internal rate used for water pumping services. The electric controllable costs are decreasing, as well. Capital spending for 2018 was presented by Dave Olson, Electric Engineer, at the October Commission meeting.

In the water utility, it is anticipated the commodity levels sold will remain flat compared to 2017. Mrs. Fondell did note the water expenses are increasing slightly due to reallocating more of the expenses for the Director, Field Operations to the water utility and a proposed addition to the engineering department in 2018. Rates are still very low in the water utility. A blended 5% overall increase is being proposed for 2018. The water rates are the only ones that have seasonal rates. The new rate structure adds structure to the differential between the summer and winter rates. A full cost of service study for the water utility is being budgeted in 2018 to ensure expense are aligned with costs. Water capital projects for 2018 were presented by Brian Clausen, Water Design Engineer, at the October Commission meeting.

In the natural gas utility a 3.24% increase in commodity sales is projected. Commodity revenues are going down so a 1% rate decrease is being proposed in the natural gas utility. This decrease includes an increase in the monthly service charge of \$2.00 but a 4% decrease in the commodity charges. Controllable costs continue to remain flat and gas reserves are very healthy. The capital spending for 2018 was presented by Jon Blough, Gas Engineer, at the October Commission meeting.

Overall, the average residential customer will be affected by an approximate \$2.88 increase per month in their utility rates. The Water Service Line Protection Program fees were also evaluated and it is felt now is a good time to change that rate from \$1.99 per month to \$.99 per month based on how well that program is doing. With this fee decrease, the average customer will see approximately a \$1.88 per month increase in their utility bill.

Labor

Chief Financial Officer Fondell discussed the labor summary for 2018. She noted overall, there is a 2% increase in labor expenses even though the union budgeted for a 3% wage increase. She noted this is due to the PDO expenses decreasing due to long term employees retiring. New employees do not accrue at the same rate as longer term employees. Commissioner Rossi inquired as to succession planning for retiring employees. General Manager Fritsch explained OPU's succession planning program. Currently OPU employs 57 people. The budget includes an extra position in the engineering department in 2018.

Department Budget Reviews

Individual department directors and supervisors reported to the Commission on changes to expenses and capital in their respective department budgets for 2018.

Adjournment

There being no further business to come before the Commission, Commissioner Rossi moved to adjourn the meeting. Commissioner Kottke seconded the motion. All Commissioners voting Aye, the meeting adjourned at 6:43 p.m.

Respectfully submitted,

Tammy Schmoll
Executive, Communications & Administration Coordinator