

The Owatonna Public Utilities Commission met in regular session in the Morehouse Conference Room at the Owatonna Public Utilities. Present were Commissioners Kottke, Doyal, Simon, Rossi and Keilman. Also present were General Manager Warehime; City Administrator Busse; Chief Financial Officer Fondell; Manager, Human Resources Madson; Executive, Communications & Administration Coordinator Schmoll; and Energy Conservation & Key Accounts Officer Hendricks. Also present were Greg Kruschke, City of Owatonna and Jack Kegel, Executive Director of the Minnesota Municipal Utilities Association.

Commissioner Simon led the Pledge of Allegiance.

Minutes

The Minutes from the regular Commission meeting of May 28, 2019 were presented to the Commission. Commissioner Rossi moved to approve the Minutes as presented. Commissioner Doyal seconded the motion. All Commissioners voting Aye, the motion passed.

Committee Reports

Finance Committee – Commissioner Simon reported the Finance Committee met, reviewed and approved Vouchers totaling \$4,860,744.18. Mr. Simon further reported all three utilities are doing well with adequate reserves for the year, the balance sheet remains solid, and investments are doing fine with more than normal interest.

Personnel Committee – Manager, Human Resources Madson provided a staffing update to the whole Commission. She noted a journeyman lineman, Nicholas Kleindl, has been hired and a candidate has been selected and accepted the position of gas & water serviceworker. The electric and gas/water engineer tech positions continue to be open with recruitment being ongoing. Commissioner Rossi inquired of the afterhours serviceworker position. Mrs. Madson replied, the hours for the position have been redone and it has been posted internally. The position will remain posted for 10 days after which time we will advertise externally.

City Administrator's Report

City Administrator Busse reported street projects are coming along slowly with the amount of rain we've received. Ms. Busse reported the Council is considering, and has held a study session on, the ordinance pertaining to the sale of tobacco. The revisions include restricting sale of tobacco to people 21 and older and it will add vaping and other new things you can smoke to be included. She noted the charitable gambling ordinance is being reviewed, as well. The City will hold another sponsored hunt and will look at including Mineral Springs Park to the harvest plan.

Commissioner Kottke inquired about the proposal to remove the stoplight on Oak and McKinley. City Administrator Busse replied the County had a study done by traffic engineers who determined the traffic in that area that done a traffic study of that area and with the hospital being gone off that road now, there just isn't the traffic to justify the expense associated with installing and maintaining a street light. Ms. Busse thought there would be a pedestrian light installed to help with foot traffic.

Economic Development Credit Policy

Energy Conservation & Key Accounts Officer Hendricks presented the Economic Development Credit policy to the Commission. He explained this is a new policy designed to incentivize businesses to build, stay or expand in Owatonna. Mr. Hendricks explained the qualifications, how the credits

would be applied, and Southern Minnesota Municipal Power Agency's (SMMPA) role in the development of the policy. Greg Kruschke, City of Owatonna, discussed how the policy came about with the Owatonna Partners for Economic Development (OPED) group and discussed the land ownership piece. Commissioner Kottke inquired if Chief Financial Officer Fondell had any concerns financially with the policy. Mrs. Fondell replied, she did not, that it's difficult to budget for due to the unknown of who may be wanting to use it but the risk is minimal. After discussion, Commissioner Doyal moved to approve the Economic Development Credit policy, as submitted. Commissioner Keilman seconded the motion. All Commissioners voting Aye, the motion passed.

Natural Gas Supply Agreement

General Manager Warehime introduced Mr. Jack Kegel, Executive Director of the Minnesota Municipal Utilities Association (MMUA) and the Minnesota Municipal Gas Agency (MMGA). Two gentlemen joined via phone conference, Michael Drever, Managing Director, RBC Commodities and Allen O'Neil, MMGA Gas Counsel, McCarter & English law firm. Mr. Drever explained what a gas prepay is, stating they are transactions where a municipal utility issues tax-exempt bonds to prepay for a supply of natural gas. Discounts offered can range from 10-20% of spot gas prices and the discounts are locked in for 5.5 years. The utility is only required to pay for gas that is delivered and is not party to the bond transaction so therefore has no liability for the bond.

Mr. Kegel explained the history of MMGA noting it was formed in 2007 as a joint action agency for the purpose of acquiring, financing and managing supplies of natural gas. General Manager Warehime discussed our current process for purchasing natural gas and explained how this would impact that process. He noted, OPU is looking to participate in this program as there doesn't seem to be a down side. The contract would be in place for 30 years and would include taking a conservative level of natural gas. There are also provisions for opting out of the program if the discounts fall below a certain level or we show we no longer need that level of gas. Commissioner Kottke inquired if there is additional administration internally. General Manager Warehime replied, no MMGA and TEA handle it all. Commissioner Rossi inquired if other municipal utilities are participating. Mr. Kegel replied, on this go around, we are looking to have Austin Utilities, Owatonna Public Utilities, New Ulm Utilities and Circle Pines all of whom are founding members of MMGA. There are several utilities interested in the next deal. Commissioner Simon inquired as to how long this option has been around. General Manager Warehime replied the first one was done in 1994, then in 2005 the IRS added it to their rulings due to an act of congress. RBC has orchestrated more prepay deals than any other company and developed the model everyone uses for prepays.

Commissioner Rossi inquired if there was anything that could go wrong. Mr. Kegel replied, these contracts are designed that if something happens to the bank or the counter party, everything just gets ripped up. The utility has no liability and the only downside is the discount goes away and you go back to purchasing natural gas at regular prices. The price of gas goes up and down. This transaction is structured wherever the monthly index is so the gas would always be purchased at a discounted price. Commissioner Simon inquired as to how quickly this needs to be approved. Mr. Kegel replied if it could be approved at the next meeting, that would be helpful. We want the market to be right before we pull the trigger.

The Commission thanked Mr. Kegel for being there and agreed to table this item until the July meeting whereby a presentation from OPU's side and a decision will be made.

SMMPA Power Sales Contract Change

General Manager Warehime presented the SMMPA Power Sales Contract to the Commission noting the change is adding the new transformer at West Owatonna Substation. Commissioner Simon moved to approve the change to the SMMPA Power Sales Contract. Commissioner Doyal seconded the motion. All Commissioners voting Aye, the motion passed.

Contributed Services

The Contributed Services report as of May 31, 2019 was presented to the Commission. Commissioner Rossi moved to approve the Contributed Services. Commissioner Simon seconded the motion. All Commissioners voting Aye, the motion passed and the Commission signed the report.

Operations/Scorecard

There were not any notable changes to discuss.

General Manager/Staff Report

General Manager Warehime reported the gas turbine made it back to town from being refurbished in Florida and installation and fire-up is being worked on this week. Mr. Warehime further reported the AMI project is proceeding forward. Several vendor demonstrations are being held later in the week.

Chief Financial Officer inquired if November 14th would work for all Commissioners for the special budget meeting. Commissioners will get back to her.

Commission Roundtable

Commissioners Doyal and Kottke expressed their appreciation of how staff continues to work in creative ways for economic development and saving customers money.

Adjournment

There being no further business to come before the Commission, Commissioner Rossi moved to adjourn the meeting. Commissioner Simon seconded the motion. All Commissioners voting Aye, the meeting adjourned at 5:44 p.m.

Respectfully submitted,

Tammy Schmoll
Executive, Communications & Administration Coordinator