

The Owatonna Public Utilities Commission met in regular session in the Morehouse Conference Room at the Owatonna Public Utilities. Present were Commissioners Doyal, Simon, Rossi and Keilman. Absent was Commissioner Kottke. Also present were General Manager Warehime; Chief Financial Officer Fondell; Director, Engineering Johnson; Manager, Human Resources Madson; Supervisor, Meter Services Pelot; Supervisor, Substations & Generation Deering; Executive, Communications & Administration Coordinator Schmoll; and Energy Conservation & Key Accounts Officer Hendricks. Also present were, Brent Glende and Nick Kleindl, new OPU employees. Customer, Roger Wacek, was also present.

Commissioner Doyal led the Pledge of Allegiance

Minutes

The Minutes from there regular meeting of June 25, 2019 were presented to the Commission. Commissioner Simon moved to approve the Minutes, as presented. Commissioner Rossi 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 in the amount of \$3,424,467.60. Commissioner Simon further reported several work orders had been closed resulting in a 29% savings from what was budgeted. The balance sheet continues to be positive and we are indicating a lot of expenses are under budget due mostly due to open positions.

Personnel Committee – Commissioner Rossi reported a new electric engineering technician has been hired and he will be starting on August 19th; interview are being conducted for the Afterhours Serviceworker; Marge updated the Committee on safety and discussed new coning procedures; and, Roger updated the Committee on working being done to continually improve the culture of OPU by talking about trust between management and employees.

City Administrator's Report

City Administrator Busse was not present to give a report.

Natural Gas Supply Agreement

General Manager Warehime recapped the discussion from the last meeting regarding the Natural Gas Supply Agreement. Mr. Warehime stated he will be asking for approval of the resolution to enter into a 30-year agreement with MMGA to purchase approximately 50% of our average natural gas requirements at discount of not less than \$0.33 per MMBtu. He discussed the facts of what a gas pre-pay deal is in general, how the physical and financial pieces flow; and other participants in the agreement. Mr. Warehime addressed several questions from last month. The first inquired if the resolution "compels" the general manager to proceed. Mr. Warehime noted the language was changed in the resolution before them to indicate we are not "compelled" to proceed. The second question inquired if we should be more aggressive with our quantities. Mr. Warehime noted, we shouldn't ever exceed the amount contracted for and be in a position to sell it back to the market. This agreement is based more on the monthly gas, than the daily gas. Mr. Warehime discussed the benefits of a gas pre-pay include a credit for at least 5 years on whatever the cost of natural gas is; the savings can be passed through to customers; our current hedged volumes can roll into this deal; and we can also receive the discount on future hedges. Some of the risks may be the load decreases and we can't take

the natural gas, a better deal may come along, or there could be a termination event whereby OPU loses access to the discounted natural gas. Either way, financing is non-recourse to OPU. Commissioner Rossi inquired, if MMGA is an agency, and OPU is a member of that agency, if MMGA doesn't pay the bond holder, does that make us responsible. General Manager Warehime replied, no, our understanding from our counsel is they cannot come back on us. There was concern at the length of the contract being 30 years. Mr. Warehime explained there is an "out" clause if after 5 years the discount can no longer be supported. The reason this makes economical sense has to do with the spread between interest rates between taxable and non-taxable bonds. After discussion, Commissioner Simon made a motion to accept the Resolution authorizing OPU to purchase natural gas from Minnesota Municipal Gas Agency. Commissioner Rossi seconded the motion. All Commissioners voting Aye, the motion passed.

Propane Plant Bid

Chief Financial Officer Fondell presented the attached bid tab for the sale of the Propane Plant to the Commission. She noted this one is different in the fact we are selling something versus purchasing something. She noted the bidders had the option of placing a base bid or a bid for components. We then evaluated the bids and determined which was the best bid for OPU. After evaluation, it was determined Central Farm Services Corp provided the best bid and it is recommended by staff to award the bid to them. Commissioner Doyal inquired if the purchased included the land, the equipment, the tanks and the fuel. Supervisor, Substations & Generation Deering replied the land sale piece has to go through the City Council for final approval, but yes, everything that is out on the site is included. After a brief discussion regarding how this type of thing is handled on OPU's books, Commissioner Simon moved to award the bid to Central Farm Service Coop in the amount of \$511,101. Commissioner Keilman seconded the motion. All Commissioners voting Aye, the motion passed.

Financial Reserves & Risk Mitigation Policy

Chief Financial Officer Fondell presented the Financial Reserves & Risk Mitigation policy to the Commission. She noted the changes are minimal and remove the 10% band that is a lower and upper band. She noted, we know we have future projects coming up so we identify target reserves that are typically above the band to cover those future capital projects. After a brief discussion, Commissioner Rossi moved to approve the policy as submitted. Commissioner Simon seconded the motion. All Commissioners voting Aye, the motion passed.

Contributed Services

The Contributed Services report as of June 30, 2019 was presented to the Commission. Commissioner Simon moved to approve the Contributed Services Report. Commissioner Rossi seconded the motion. All Commissioners voting Aye, the motion passed and the Commissioners signed the report.

Operations/Scorecard

There were not any notable changes to the scorecard that needed discussion.

General Manager/Staff Report

Energy Conservation/Key Accounts Officer Hendricks presented to the Commission on OPU's decision to not move forward with a Community Solar program at this time. He noted, the key reasons

for not moving forward and asked the Commission if they had a differing opinion. The key reasons include the Community Solar program would not be tied to any real solar. Part of OPU's bill from our electric provider, Southern Minnesota Municipal Power Agency, includes solar from the Lemond Solar station so therefore, the customers could say the "support" solar, but cannot really say they are "powered" by solar. The customer would not receive any renewable energy credits and the community solar program would become somewhat of a hedge for the customer; whereby OPU would take the majority of the risk. And, finally, the electric rate outlook for the future is favorable and at this time it doesn't seem to make economic sense for either our customers nor OPU to move forward with a community solar program at this time. After Mr. Hendricks' presentation, the Commission agreed with staff's recommendation of not moving forward with a community solar program at this time.

Chief Financial Officer Fondell updated the Commission on several changes that have happened, will be happening or we are considering making affecting customers who do not pay their utility bills. The first items Mrs. Fondell discussed are changes that have already been made. She noted, previously, if someone's electricity had been disconnected for non-payment and they didn't come in to pay within 7 days, we would go back out and disconnect the gas meter, too. That practices resulted in a lot of chasing around for our employees and at times presented a safety risk. So, we will no longer be going out to disconnect the gas meter after 7 days.

Upcoming changes include expanding the Tax Lien Program to include former customers; becoming more stringent on payment agreements specifically medical necessity and Cold Weather Rule disconnections for non-payment; and, suspended services clean-up.

Items we are considering as possibilities will have more of an impact on the customers. These include continuing to charge a monthly service charge for sealed meters due to the infrastructure still having to be maintained and we still gather meters on sealed meters. The second has to do with holding the landlord responsible for water, sewer and storm water accounts that are in arrears. There is statutory language that states we can hold the tenant, the landlord or both responsible for those billings. Not the electric or the natural gas, though. We will have communications with the landlords and will proceed slowly.

Commission Roundtable

Commissioner Rossi thanked staff for their work during the most recent outage and how quickly everything was restored.

Audience Comments

Customer, Roger Wacek recommended the Commission read "The Day the Town Blew Up". Mr. Wacek also discussed the importance of solar farms and renewable energy and stated they have a smaller carbon footprint than corn or soybeans.

Adjournment

There being no further business to come before the Commission, Commissioner Simon moved to adjourn the meeting. Commission Keilman seconded the motion. All Commissioners voting Aye, the meeting adjourned at 5:19 p.m.

Respectfully submitted,

Tammy Schmoll,
Executive, Communications & Administration Coordinator

BID TABULATION

Project: Former Propane/Air Plant Public Sale of Assets and Land

Work Order #:

Date/Time of Opening: July 16, 2019, 2:00 pm

**Budget #:
Budget Amt:**

**Project Amt:
Est. Budget Portion:**

Acct. Number: 3.00.101.310,
3.00.101.311,
3.00.101.316,
3.00.101.317

Vendor	Bid Security	Base Bid	Propane Only	Tanks Only	Air Comp Only	Land Only
Quality Propane	Yes	None	\$34,500	None	None	None
Beaudry Oil & Services Inc.	Yes	\$300,500	\$11,000	\$125,000	None	None
Central Farm Service Corp **	Yes	\$511,101	None	None	None	None
Hiltz Propane Systems Inc	Yes	None	None	\$180,000	None	None
Alpine Propane LLC	Yes	\$215,600	None	\$135,600	None	None

** - Apparent low bidder

Bidders List

Project: Former Propane/Air Plant Public Sale of Assets and Land

List of Companies Furnished Bid Documents:

Quality Propane	Northland Gas
Beaudry Oil & Services Inc	Global Propane
Central Farm Service Corp	Hartland Fuels
Hiltz Propane Systems Inc	Mountain Propane Service
Alpine Propane LLC	Pirkl Gas
Pocono Propane Tanks	Ameritrans
Energys USA Inc	Vaco, Inc.
Atlagas Canada	Rocky's Fuel
Thompson Gas	Kruegel Gas Service
NGL Energy Partners	Muzyl Oil
Alliance Energy Systems	Exchange Base
US Tank	Progressive Rail
Wildcat LPG Storage	

List of Ineligible Bidders:

None