

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

Chief Financial Officer Fondell welcomed the Commissioners, recapped the agenda and gave an overview of the 2020 draft budget. Her overview discussed revenues in the electric, water and natural gas utilities. She further discussed the uses of revenues such as Purchased Power and Purchased Natural gas. In each utility, she discussed historical rate changes, proposed rate changes for 2020, controllable costs and reserves. Commissioner Rossi inquired why the inter-utility rent goes down. Mrs. Fondell replied, due to shared assets purchased by the electric utility and the depreciation of those assets. The water and gas utilities are "paying" back the electric utility for their share of the depreciation of the building from when we repurposed it and other shared assets. The building depreciation is spread over 50 years but other assets have shorter lives and become fully depreciated over time. She further noted not all assets are shared assets such as water towers.

Proposed rate increases for 2020 include a 1% increase in electric; a 4.9% increase in water; and a 0% increase in natural gas. In the electric utility, the Energy Acquisition Adjustment (EAA) calculation will be changed to decrease the charge resulting in a net rate impact of .9% decrease. Chief Financial Officer Fondell reminded the Commission of the water cost of service study completed in 2018 that recommended 4.9% increase to the water cost of service through 2024. Mrs. Fondell showed the Commission the rate study graph that indicates OPU's rates will still be well below average compared to our peer utility companies at the end of that time period. In the gas utility, Northern Natural Gas filed for a rate increase with FERC which we anticipate, if passed, will result in a 35% increase to OPU in fixed pipeline costs beginning in 2020. The Purchased Gas Adjustment (PGA) calculation is also being changed to decrease the credit amount resulting in a net rate impact of 3.2% increase. The total impact to the average residential customers will be approximately \$25 annually.

Mrs. Fondell discussed the labor summary included in the proposed 2020 budget. She noted there are 59 employees budgeted for in 2020. Labor dollars include regular, anticipated overtime and holiday pay. There are not any health insurance cost changes for 2020.

Commissioner Keilman asked that talking points be developed for the Commissioners in the event they are asked about the rate changes. Chief Financial Officer Fondell will prepare that document.

### **Department Budget Reviews**

Individual department directors and supervisors reported to the Commission changes to expenses and capital in their respective department budgets for 2020.

**Adjournment**

There being no further business to come before the Commission, Commissioner Kottke moved to adjourn the meeting. Commissioner Keilman seconded the motion. All Commissioners voting Aye, the meeting adjourned at 6:35 p.m.

Respectfully submitted,

Tammy Schmoll,  
Executive, Communications & Administration Coordinator