

The Owatonna Public Utilities Commission met in special budget session in the Morehouse Conference room at the Owatonna Public Utilities. Present were Commissioners Johnson, Zirngible, Kottke, Rossi and Doyal. Also present were General Manager Warehime; City Administrator Busse; Director, Finance & Administration Olson; Director, Engineering & Field Operations Fenstermacher; Director, Information Technologies & Metering Baum; Manager, Facilities, Gas & Water Engineering & Operations Prokopec; Manager, Electric Operations Deering; Supervisor, Information Technology Trom; Supervisor, Meter Services Johnson; Supervisor, Accounting Linders; Supervisor, Customer Care Van Esch; Executive, Communications & Administration Coordinator Schmoll; Energy Conservation/Key Accounts Offices Hendricks; Accountant Lori Jerpak and Brad Meier, President/CEO Owatonna Area Chamber of Commerce and Tourism.

Director, Finance & Administration Olson opened the meeting by discussing the agenda. He noted, he and Supervisor, Accounting Linders will discuss notable changes, rates, revenues and expenses, capital, and net income and reserves. Staff members will discuss their respective departments non-operating budgets including non-labor and capital budgets, as well as operating budgets including non-labor and capital expenses.

Notable changes included in the 2023 budget include Generator #7 revenue and expense. SMMPA's anticipates its costs to upgrade the unit will be recovered so normal capacity revenue and expenses will resume mid-year. Other notable changes include the cancellation of SMMPA's planned distribution of reserves for the second half of 2022 and all of 2023.

Changes not included in the budget yet include the natural gas forward pricing curves and expenses related to recently announced natural gas bonus rebates.

Mr. Olson discussed electric, water and natural gas rate histories and proposed 2023 adjustments. He noted staff is proposing an increase of 13.9% in electric, 5% in water and 29.2% in natural gas. Overall, the average residential customers will see an increase of approximately \$28 per month. Commissioner Rossi inquired if OPU gives customers ideas on how to reduce their usage to lessen the impact of these increases. The answer is yes, there are several tips discussed in the newsletter, on social media and on our website. Commissioner Kottke would like to see us put off the water increase if possible. Commissioner Johnson inquired about the budgeting for the PGA. Mr. Olson replied, we have a forecasting graph.

Supervisor, Accounting Linders discussed commodity revenue and three-year cost trends for each of the three utilities, controllable and non-controllable costs, non-commodity revenues, and other expenses. Labor and benefits, as well as history and forecasts for the capital budget, net income and reserves were also discussed. Commissioner Kottke inquired if we could use reserves even more to help less the impact to customers. Mr. Olson replied, we could, but we would have to raise rates in 2024 to recover the costs. We could use a phased approach as well, but again, the costs would have to be recovered somehow. Commissioner Rossi inquired as to what the reserves are for. Mr. Olson replied, capital projects are one use; however, we try to keep enough in reserves to use as operating revenues in the event of a major disaster. The reserve levels are set by current policy, however, that policy could be reviewed.

Non-operating budgets were presented next with Information Technology starting first. After discussion, it was determined Security for OPU facilities will be pulled out of the budget and more review and information will be provided to the Commission at a later date. In the Accounting area, the electric rate study scheduled for the summer of 2023 will be pushed back to 2024.

In the operating budget part, Commission asked for a layout of all the studies that are required including the arc flash study, rate studies, system feasibility and expansion studies, etc.

In the water area, City Street projects are anticipated to double for 2023. City Administrator Busse confirmed, the numbers in the budget are pretty close to what the City projects for projects.

**Adjournment**

The Commission did not have any other questions for staff. The meeting adjourned at 8:02 p.m.

Respectfully submitted,

Tammy Schmoll  
Executive, Communications & Administration Coordinator