

Regular Meeting
January 26, 2005

Members present: President Craig Lenz; Vice President Donald Walser; Secretary David Wetterling; Commissioner Paul Ackland; Commissioner Steven Cook; General Manager Michael Kumm; Attorney Marc Sebora

Vice President Walser called the meeting to order at 3:02 p.m.

Commissioner Ackland made a motion to approve the minutes of the December 29, 2004 Regular Meeting. Secretary Wetterling seconded the motion and it passed unanimously.

Vice President Walser turned the meeting over to President Lenz at 3:10 p.m.

Commissioner Ackland made a motion to ratify the payment of bills in the amount of \$4,638,133.60 (detailed listing in payables book). Vice President Walser seconded the motion and it passed unanimously.

Secretary Wetterling made a motion to approve the financial statement and budget year to date. Commissioner Ackland seconded the motion and it passed unanimously.

RW Beck preliminary report was presented.

Vice President Walser made a motion to approve the signing of Amendment #4 to Big Stone II. Secretary Wetterling seconded the motion and it passed unanimously.

Secretary Wetterling made a motion to extend the agreement with Missouri River Energy Services. Commissioner Ackland seconded the motion and it passed unanimously.

Commissioner Ackland made a motion to approve the Lighthouse Energy Proposal. Secretary Wetterling seconded the motion and it passed unanimously.

Secretary Wetterling made a motion to approve the signing of the Auditor Engagement Letter and Requisition #985 to Conway Deuth & Schmiesing. Vice President Walser seconded the motion and it passed unanimously. It was decided that in 2006, Hutchinson Utilities will go out for bid for year end audit service.

Vice President Walser made a motion to approve Requisition #961 to Emerson Process Management for in-line transmitters for inventory. Secretary Wetterling seconded the motion and it passed unanimously.

Commissioner Ackland made a motion to approve Requisition #977 to GE Package Power to repair vibration issues on Unit 1 Generator. Vice President Walser seconded the motion and it passed unanimously.

Secretary Wetterling made a motion to approve Requisition #978 to Turbine Control Services for upgrade of Unit 8 Controls. Commissioner Ackland seconded the motion and it passed unanimously.

Vice President Walser made a motion to approve Requisition #983 to Toyota Lift of MN for a replacement forklift. Secretary Wetterling seconded the motion and it passed unanimously.

Vice President Walser made a motion to approve Requisition #990 to Holt Truck & Trailer Sales for a Ford F-550 chassis for the Natural Gas Division. Secretary Wetterling seconded the motion and it passed unanimously.

Division reports were presented.

Attorney Seborra gave an update on legal issues.

Vice President Walser made a motion to adjourn at 5:45 p.m. Secretary Wetterling seconded the motion and it passed unanimously.

David Wetterling, Secretary

ATTEST _____
Craig Lenz, President

Regular Meeting
February 23, 2005

Members present: President Craig Lenz; Vice President Donald Walser; Secretary David Wetterling; Commissioner Steven Cook; General Manager Michael Kumm; Attorney Marc Sebora

President Lenz called the meeting to order at 3:00 p.m.

Vice President Walser made a motion to approve the minutes of the January 26, 2005 Regular Meeting. Secretary Wetterling seconded the motion and it passed unanimously.

Secretary Wetterling made a motion to approve Requisition #1020 to Farm-Rite Equipment for the purchase of a skid loader. Commissioner Cook seconded the motion and it passed unanimously.

Vice President Walser made a motion to approve Requisition #1041 to Aspen Equipment for the purchase of a utility box for the natural gas welding truck. Secretary Wetterling seconded the motion and it passed unanimously.

Requisition #1002 to Chicago Tube & Iron was cancelled. The City of Hutchinson purchased the natural gas pipe for the Tartan Park Project.

Secretary Wetterling made a motion to approve Requisition #1045 to Quality Underground Services Inc for work to be performed on moving the natural gas line in Tartan Park. Vice President Walser seconded the motion and it passed unanimously.

Vice President Walser made a motion to close the meeting to discuss litigation proceedings. Secretary Wetterling seconded the motion and it passed unanimously. The meeting was closed at 3:10 p.m.

The meeting was reopened at 4:15 p.m.

Secretary Wetterling made a motion to approve the Flex Plan Amendment. Vice President Walser seconded the motion and it passed unanimously.

Vice President Walser made a motion to approve the Revised IT Policy. Commissioner Cook seconded the motion and it passed unanimously.

Secretary Wetterling made a motion to ratify the payment of bills in the amount of \$3,256,165.00 (detailed listing in payables book). Vice President Walser seconded the motion and it passed unanimously.

Vice President Walser made a motion to approve the financial statement and budget year to date. Secretary Wetterling seconded the motion and it passed unanimously.

Vice President Walser made a motion to approve the Minneapolis Consulting Group Contract. Secretary Wetterling seconded the motion and it passed unanimously.

Secretary Wetterling made a motion to table writing off delinquent accounts until next month's Commission Meeting. Commissioner Cook seconded the motion and it passed unanimously.

Commissioner Cook made a motion to award the 2005-2006 Underground Construction Bid to Jerrick Construction. Secretary Wetterling seconded the motion and it passed unanimously.

Vice President Walser made a motion to table the APGA Committee Appointment until next month's Commission Meeting. Secretary Wetterling seconded the motion and it passed unanimously.

Division reports were presented.

Attorney Seborra gave an update on legal issues.

Secretary Wetterling made a motion to adjourn at 5:45 p.m. Vice President Walser seconded the motion and it passed unanimously.

David Wetterling, Secretary

ATTEST _____
Craig Lenz, President

Regular Meeting
March 30, 2005

Members present: President Craig Lenz; Vice President Donald Walser; Secretary David Wetterling; Commissioner Ackland; Commissioner Steven Cook; General Manager Michael Kumm; Attorney Marc Sebora

President Lenz called the meeting to order at 3:00 p.m.

Vice President Walser made a motion to approve the minutes of the February 23, 2005 Regular Meeting. Secretary Wetterling seconded the motion and it passed unanimously.

Secretary Wetterling made a motion to ratify the payment of bills in the amount of \$3,393,082.46 (detailed listing in payables book). Commissioner Ackland seconded the motion and it passed unanimously.

Vice President Walser made a motion to approve the MRES Power Supply Agreement for Big Stone II. Secretary Wetterling seconded the motion and it passed unanimously.

Commissioner Ackland made a motion to give General Manager Kumm authorization to negotiate and sign the Short Term Power Supply Agreement. Secretary Wetterling seconded the motion and it passed unanimously.

Commissioner Ackland made a motion to approve the financial statement and budget year to date. Vice President Walser seconded the motion and it passed unanimously.

A decision was made to table writing off delinquent accounts until next month's Commission Meeting.

Commissioner Ackland made a motion to approve the Amendment to the Labor Contract on the basis that there would not be remuneration to employees. Secretary Wetterling seconded the motion and it passed unanimously.

Secretary Wetterling made a motion to approve Requisition #1066 to CPS Technology Solutions for the AS400 upgrade. Commissioner Ackland seconded the motion and it passed unanimously.

Vice President Walser made a motion to approve Requisition #1079 to WESCO for Padmount Air Switches. Commissioner Ackland seconded the motion and it passed unanimously.

Commissioner Ackland made a motion to approve Requisition #1084 to T & R Electric for 25KVA transformers. Vice President Walser seconded the motion and it passed unanimously.

Vice President Walser made a motion to approve Requisition #1085 to T & R Electric for 37.5KVA transformers. Commissioner Ackland seconded the motion and it passed unanimously.

Commissioner Ackland made a motion to approve Requisition #1126 to Dodge of Burnsville for a truck for the Electric Division. Secretary Wetterling seconded the motion and it passed unanimously.

Commissioner Ackland made a motion to approve Requisition #1130 to Dodge of Burnsville for a truck for the Production Division. Secretary Wetterling seconded the motion and it passed unanimously.

A decision was made to table the APGA Committee Appointment until next month's Commission meeting.

Commissioner Ackland made a motion to approve the renewal of property insurance with LMCIT. Vice President Walser seconded the motion and it passed unanimously.

Division reports were presented.

The HUC Annual Recognition Banquet will take place on April 29, 2005 at 5:00 p.m. at the Crow River Golf Course.

Attorney Sebor gave an update on legal issues.

Commissioner Ackland made a motion to adjourn at 6:05 p.m. Vice President Walser seconded the motion and it passed unanimously.

David Wetterling, Secretary

ATTEST _____
Craig Lenz, President

Regular Meeting
April 27, 2005

Members present: President Craig Lenz; Vice President Donald Walser; Secretary David Wetterling; Commissioner Paul Ackland; Commissioner Steven Cook; General Manager Michael Kumm; Attorney Marc Sebor.

President Lenz called the meeting to order at 3:00 pm.

Secretary Wetterling made a motion to approve the minutes of the March 30, 2005 Regular Meeting. Commissioner Ackland seconded the motion and it passed unanimously.

Commissioner Ackland made a motion to appoint Linda Madson as the Recording Secretary for the Utility Commission Meetings. Vice President Walser seconded the motion and it passed unanimously.

Dustin Cross gave an update on the natural gas pipeline condemnation hearings that took place on April 25th and the 26th.

Secretary Wetterling made a motion to ratify the payment of bills in the amount of \$3,078,853.95 (detailed listing in payable book). Commissioner Ackland seconded the motion and it passed unanimously.

Commissioner Ackland made a motion to approve the financial statement and budget year to date. Commissioner Cook seconded the motion and it passed unanimously.

Commissioner Ackland made a motion to approve the write-offs of delinquent accounts in the amount of \$4,411.53. Secretary Wetterling seconded the motion and it passed unanimously.

Vice President Walser made a motion approving Authorizing of Already Approved Power Sale Agreement with MRES. Commissioner Ackland seconded the motion and it passed unanimously.

Commissioner Ackland made a motion approving Transferring 40MW Block to MRES and Execute Assignment Agreement. Commissioner Cook seconded the motion and it passed unanimously.

A decision was made not to nominate an elected or appointed official to the APGA Public Gas Policy Council.

Paul Harvego of Fawcett Young and Associates presented the financial audit for 2004. Vice President Walser made a motion to approve the 2004 audit as presented. Secretary Wetterling seconded the motion and it passed unanimously.

Vice President Walser made a motion to approve Requisition #1090 to Border States for Single Phase Padmount 200 Amp VFI Switches. Commissioner Ackland seconded the motion and it passed unanimously.

Division reports were presented.

Commissioner Cook discussed changing the re-organization dates of the Commission Board members to take place in January instead of October. Attorney Seborá will check the City Charter to see what, if any, actions need to take place.

Commissioner Ackland made a motion to close the meeting to discuss litigation proceedings. Secretary Wetterling seconded the motion and it passed unanimously. The meeting was closed at 5:20 p.m.

Vice President Walser made a motion to move from closed meeting back to open meeting. Commissioner Ackland seconded the motion and it passed unanimously. The meeting was reopened at 5:37 p.m.

Secretary Wetterling made a motion to adjourn the meeting at 5:40 p.m. Commissioner Ackland seconded the motion and it passed unanimously.

David Wetterling, Secretary

ATTEST _____
Craig Lenz, President

Regular Meeting

May 25, 2005

Members present: President Craig Lenz; Vice President Donald Walser; Secretary David Wetterling; Commissioner Paul Ackland; Commissioner Steven Cook; General Manager Michael Kumm; Attorney Marc Sebora.

President Lenz called the meeting to order at 3:00 pm.

Secretary Wetterling made a motion to approve the minutes of the April 27, 2005 Regular Meeting. Vice President Walser seconded the motion and it passed unanimously.

Commissioner Ackland made a motion to ratify the payment of bills in the amount of \$3,175,596.33 (detailed listing in payable book). Secretary Wetterling seconded the motion and it passed unanimously.

Vice President Walser made a motion to approve the financial statement and budget year to date. Commissioner Ackland seconded the motion and it passed unanimously.

Secretary Wetterling made a motion to approve the MISO/GRE/FERC Settlement Offer on Transmission Rates. Vice President Walser seconded the motion and it passed unanimously.

After discussion to authorize the Release, Non-Interference And Confidentiality Agreement, Commissioner Cook made a motion to deny and re-work the agreement. Commissioner Ackland seconded the motion with a vote for further discussion. A roll call vote was taken:

Commissioner Cook – aye; Commissioner Walser – nay; Commissioner Wetterling – nay; Commissioner Ackland – nay; Commissioner Lenz – nay.

Motion failed 1 to 4

A motion was made by Vice President Walser to authorize the Release, Non-Interference And Confidentiality Agreement. Secretary Wetterling seconded the motion. A roll vote was taken:

Commissioner Walser – aye; Commissioner Wetterling – aye; Commissioner Ackland – aye; Commissioner Lenz – aye; Commissioner Cook – nay.

Motion passed 4 to 1

Commissioner Cook made a motion to approve MRES P-Membership dues. Secretary Wetterling seconded the motion and it passed unanimously.

After discussion a motion was made by Commissioner Ackland to table the GRE Agreement-Electric Transmission O&M Contract-ITA. Commissioner Cook seconded the motion and it passed unanimously.

Commissioner Ackland made a motion to approve the Renewal Service Agreement Contract for Unit #1 Chillers with Carrier Commercial Service. Vice President Walser seconded the motion and it passed unanimously.

Discussion was held on the fuel cost adjustment clause. A solution will be coming in the next one to two months.

Discussion was held on changes to HUC's work plan.

Division reports were presented.

There were not legal reports to present.

Old Business:

Conservation Improvement Fund

Rate study to be done on the electric side

Rate re-design on the gas side

New Business:

None

Vice President Walser made a motion to adjourn at 5:20 pm. Secretary Wetterling seconded the motion and it passed unanimously.

David Wetterling, Secretary

ATTEST _____
Craig Lenz, President

Regular Meeting

June 29, 2005

Members present: President Craig Lenz; Vice President Donald Walser; Secretary David Wetterling; Commissioner Steven Cook; General Manager Michael Kumm; Attorney Marc Sebor.

Member absent: Commissioner Ackland.

President Lenz called the meeting to order at 3:00 pm.

Vice President Walser made a motion to approve the minutes of the May 25, 2005 Regular Meeting. Commissioner Cook seconded the motion and it passed unanimously.

Secretary Wetterling made a motion to ratify the payment of bills in the amount of \$2,750,907.95 (detailed listing in payable book). Vice President Walser seconded the motion and it passed unanimously.

Secretary Wetterling made a motion to approve the financial statement and budget year to date. Vice President Walser seconded the motion and it passed unanimously.

Hutchinson Utilities shares the general liability and automobile insurance policy with the City of Hutchinson. When City Council approves the insurance premium, which is a volume discount through the League of Minnesota Cities Insurance Trust, HUC will be notified as to the amount of our premium. Secretary Wetterling made a motion to approve renewal of Hutchinson Utilities general liability and automobile insurance. Commissioner Cook seconded the motion and it passed unanimously. Commissioner Cook will contact City personnel to get a better understanding of this insurance policy.

General Manager Kumm presented HUC's mid-year report on goals for 2005:

- + Financial monitoring: A business plan is being developed and benchmarks have been identified. A policy has been drafted for cash management. A five-year financial forecast will be part of the business plan. Will develop and present 2006 budget.
- + Resolve legal issues: Some issues have been resolved regarding the condemnation proceedings with regard to the pipeline. We are waiting for the court date regarding the Public Utility Commission Regulation Issue. Legal and regulatory issues with MISO and FERC are complete.
- + Electrical supply issues: Big Stone 2 power plant project is complete. Will continue to explore joint action membership with MRES. Have developed a plan for downtown power plant. Contracts have been secured for long-term and intermediate term base load power supply.
- + Finish business plan
- + Complete reorganizing HUC: Meter Tech last position to fill, then will update organizational chart.

- + Develop and maintain a strong positive relationship between customers, labor and management: Will continue to send out the mid-month reports to commissioners. President Lenz commended Mike for the informational mid-month reports.

Secretary Wetterling made a motion to approve changes to the “Explanation of Billing Procedures” section of the Policies and Requirements booklet. Vice President Walser seconded the motion and it passed unanimously. The wording only was changed to make it easier to read and understand.

General Manager Kumm discussed the fuel cost adjustment clause. Problems have been discovered causing the fluctuations in the cost adjustment. HUC will send out requests for proposals to do a cost of service study for both the gas and electric divisions. A reallocation of rates may be necessary. This will be brought to the board for action at the July commission meeting.

We will negotiate a new contract with our largest gas customer after the cost of service study is completed. That negotiating might start in September. This will be brought to the board for action at the July commission meeting.

We will establish a fuel cost adjustment stabilization fund, providing a ceiling and a floor to that fund. This will be brought to the board for action at the July commission meeting.

Imbalance problems have been realized and steps have been taken or are in place to work off those imbalances.

Vice President Walser made a motion to approve the donation of our used computers to the local public schools. Secretary Wetterling seconded the motion and it passed unanimously. There is a resolution adopted by the City to donate computers and because there is a fee for proper disposal, we will donate them. The hard drives have been cleaned off.

Hutchinson Utilities received a Safety Award from American Public Gas Association for our outstanding safety record for 2004. John Webster commended both the gas and electric divisions for their excellent job performances.

Attorney Marc Sebor reported on changing the date of the Commission Board reorganization schedule to coincide with the Utility fiscal year, January to January. Each Commissioners term would be extended from September to January. Attorney Sebor will draft an amendment to the by-laws to reflect this change.

Division reports:

- Electric division – Don Merkins

- Conversions are going well – working with the gas division

- Will be crossing the river

- Luce Line Trail is operational – lines are energized

Gas division – John Webster

Pipeline easements

Gas leak – repaired cracked flange

2 day audit – went very well

Operate & maintain 4 mile pipeline in Mankato – agreement drafted
(will discuss as agenda item in July)

Business division – Jan Sifferath

Using old Consolidated Freightway building – putting in 2 garage doors

“Panic Button” for account coordinators

Trying to promote ‘autopay’ on utility bills

City survey “Local Traffic Flow & Safety Questionnaire” with billing

Legal reports:

Attorney Sebora attended a workshop at the EOC “Table Top Exercises”
(commended Dave Hunstad on his performance)

Reported on pending cases

Old Business:

The rewording of the O & M Agreement is not in place yet. People have been on vacation, phone calls are missed. When it’s all completed it’ll come before the Board for approval.

The new powerstat policy is not in place yet. Discussed requiring a deposit before customers get the new powerstat installed. When completed it’ll be presented to the Board for approval.

New Business:

None

Secretary Wetterling made a motion to adjourn the meeting at 5:06 pm. Vice President Walser seconded the motion and it passed unanimously.

David Wetterling, Secretary

ATTEST _____
Craig Lenz, President

Regular Meeting

July 27, 2005

Members present: Vice President Donald Walser; Secretary David Wetterling; Commissioner Paul Ackland; Commissioner Steve Cook; General Manager Michael Kumm.

Members absent: President Craig Lenz; Attorney Marc Sebor.

Vice President Walser called the meeting to order at 3:00 pm.

Secretary Wetterling made a motion to approve the minutes of the June 29, 2005 Regular Meeting. Commissioner Cook seconded the motion and it passed unanimously.

Commissioner Ackland made a motion to ratify the payment of bills in the amount of \$3,242,192.14 (detailed listing in payable book). Secretary Wetterling seconded the motion and it passed unanimously.

Manager Kumm discussed the positive relationship with MISO and the corrective measures that are in place to recapture the energy bills. Commissioner Ackland made a motion to approve the financial statement and budget year to date. Secretary Wetterling seconded the motion and it passed unanimously.

The current position of meter reader is a contracted position and will be vacant in the near future. HUC can bring the position back in-house in conjunction with City and share the cost of reading all HUC's electric and gas meters, and City's water meters. Commissioner Wetterling made a motion to authorize the hiring of a meter reader, upon staff reviewing the economics of hiring a meter reader. Commissioner Cook seconded the motion and it passed unanimously.

Commissioner Ackland made a motion to table the approval of the change in language in the O & M Maintenance Agreement with GRE. Commissioner Cook seconded the motion and it passed unanimously.

Manager Kumm discussed the fuel cost adjustment clause. The imbalances caused by Northern Border Pipeline, New Ulm, and HUC's nominations vs. sold-on-system, have been minimized and/or eliminated. We still need to perform a cost of service study; negotiate contract with largest gas customer; establish a fuel cost adjustment stabilization fund to correct the customer service imbalance; and modify spreadsheets.

Manager Kumm discussed the need for a cost of service study for both the electric and gas divisions. It's been several years since the last study was performed. This will also benefit the fuel cost adjustment clause. Commissioner Ackland made a motion to approve the proposal from R W Beck for an electric and natural gas rate study. Secretary Wetterling seconded the motion and it passed unanimously.

The amendments to the by-laws were discussed. Each commissioner's term shall expire on December 31st of the last year of that Commissioner's appointed term. Commissioner Cook made a motion to approve the amendments to the By-Laws. Commissioner Ackland seconded the motion and it passed unanimously.

Division reports:

Business division – Jan Sifferath

Working on cash-flow analysis

5-year forecast study

Panic button for account coordinators – purchase agreement signed – installed next week

Electric division – Don Merkins

Conversions still going well

Services are going in

Projects started

Gas division – John Webster

Construction caught up – waiting for developers

Pipeline easements being signed

1st condemnation hearing scheduled for August 16, 2005 in St. James

Digital camcorder recording of pipeline – visual survey of crops

Dustin Cross wants to do crop yield analysis

Legal reports:

None

Commissioner Ackland met with Manager Kumm for a performance review. Because of President Lenz' absence, that review will be presented at the August meeting.

Old Business

None

New Business

None

Commissioner Ackland made a motion to adjourn the meeting at 5:20 pm. Commissioner Cook seconded the meeting and it passed unanimously.

David Wetterling, Secretary

ATTEST _____
Craig Lenz, President

Regular Meeting

August 31, 2005

Members present: President Craig Lenz; Vice President Donald Walser; Secretary David Wetterling; Commissioner Paul Ackland; Commissioner Steven Cook; General Manager Michael Kumm

Member absent: Attorney Marc Sebor

President Lenz called the meeting to order at 3:00 pm.

Secretary Wetterling made a motion to approve the minutes of the July 27, 2005 Regular Meeting. Commissioner Ackland seconded the motion and it passed unanimously.

Vice President Walser made a motion to ratify the payment of bills in the amount of \$3,059,157.31 (detailed listing in payable book). Commissioner Cook seconded the motion and it passed unanimously.

Manager Kumm discussed the financial/budget year-to-date report. On the balance sheet we have added three new accounts. Accounts receivable – MISO, Accounts payable – MISO, and Prepaid gas expense that helps with the fuel cost adjustment clause.

With the contracts in place with Utilities Plus for purchased power, we have realized a substantial savings for our customers. While the energy prices are certainly high, without these contracts the price would be even higher than they are now.

After discussion Secretary Wetterling made a motion to approve the financial statement and budget year to date. Commissioner Ackland seconded the motion and it passed unanimously. We should see a cash flow increase in the next couple of months.

Commissioner Ackland made a motion to approve the change of language in the Operation and Maintenance Agreement with Great River Energy (tabled from July 27, 2005 regular meeting). Commissioner Cook seconded the motion and it passed unanimously.

Don Merkins discussed requisition #1407 for stack testing at plant 2. This is an air permit requirement from the Minnesota Pollution Control Agency. We will do this in October before it gets too cold. Secretary Wetterling made a motion to approve requisition #1407 to Interpoll Laboratories Inc. Vice President Walser seconded the motion and it passed unanimously.

Manager Kumm discussed having all our insurance renewals on the same date (January 1, 2006 to December 31, 2006) enabling us to manage and budget better. Two options are available for the boiler and machinery insurance renewal:

1. Issue a 4-month extension to the current policy, which would move the expiration date to 1-1-06. The premium for this extension would be \$36,432 and includes a 15% rate credit.
2. Issue a 16-month policy effective 9-1-05 and expiring on 1-1-07. The premium for this 16-month policy would be \$145,508 and includes at 15% rate credit. This credit amounts to a premium savings of \$19,257. The advantage to the 16-month policy is that current rates are locked in for the next 16 months.

Commissioner Ackland made a motion to approve option 2 of the boiler and machinery insurance renewal. Secretary Wetterling seconded the motion and it passed unanimously.

Manager Kumm reported on the following:

- R. W. Beck's cost of service study. A meeting is scheduled for September 2, 2005. There will be a presentation on the progress at next month's meeting.
- Budget for 2006 is progressing well
- MISO – transmission member
- Business plan is in process
- Condemnation hearings have started (August 30 & 31)
- General funds transfer to City of Hutchinson – additional 5%
- Joint City/HUC meeting to be scheduled

Changed to: <i>requested an additional 5%</i>

Division reports:

Electric/Production division – Don Merkins

Start date to construct Glencoe transmission line in 2 weeks

HTI second feed

New developments – we're caught up, waiting for developers so we can put new wires in the ground

Highway 7 – met with City/DOT/DNR/HTC – DOT needs to have 2 ponds for run-off, but we have duct banks where they want to put the ponds. Until they decide what they want to do, we will not relocate at this time. That relocation could cost between \$270,000 and \$275,000. We will work with the DOT on this.

Business division – Jan Sifferath

Health insurance could go up as much as 20% or maybe more

Recommend 80/20 coverage

Dental plan is doing well – could increase coverage from \$750 to \$1000

Secured inventory – goal is to have system in place by end of the year

Vending machine – looking into bottled water, bottled pop and sandwiches

Gas division – John Webster (absent)

Manager Kumm reported on the gas prices

Legal reports:
None

Old Business

Commissioner Ackland asked about the bill from our old cell phone carrier. Jan Sifferath informed him that the carrier wrote it off.

Manager Kumm discussed the presentation given by Commissioner Ackland to the City a while back regarding putting a limit on HUC's contribution to City. Commissioner Cook will relay that information to the City Council.

Commissioner Ackland discussed Manager Kumm's performance review. Manager Kumm was commended on cutting expenses for 2005. His concern for the bottom line of HUC is very much appreciated. The monthly reports are very informative with issues always being addressed. The improved employee moral with Manager Kumm's leadership is realized.

Manager Kumm's biggest disappointment is the pipeline. That was a problem when he arrived, and it is out of our hands now.

Manager Kumm has strengthened our relationship with the regulatory agencies and has been very responsive when dealing with the fuel cost adjustment clause issues.

Commissioner Ackland recommends a 6% one-time only performance pay. Secretary Wetterling supports the 6% performance pay.

Commissioner Cook informed the board that the City of Hutchinson offers 5% through the step program as performance pay.

Vice President Walser agrees to a greater than 5% performance pay because of Manager Kumm's diligence in working through all the issues he's been faced with in the past year.

President Lenz agrees to the 6% performance pay given the growth and opportunity afforded to HUC.

Commissioner Ackland made a motion for a one-time 6% of the original base pay as a performance payment for outstanding performance, effective immediately. Secretary Wetterling seconded the motion. Manager Kumm reiterated that this is the best job he has ever had and appreciates the ease of working with the commission board and he appreciates the fact that his opinion has mattered. Commissioner Cook asked about a step program, but HUC only has a cost of living increase. Motion passed unanimously.

Commissioner Cook reported that City Administrator Gary Plotz apologizes for not getting back to us regarding the meter reader position. Understanding the sense of urgency, Commissioner Cook will talk to Gary Plotz to see what his decision is.

Commissioner Ackland asked about the small outages we've had. Feeder 5 is an old overhead line and with morning dew on the lightning arrestor, it shorts out and trips the breaker. Feeder 22 was struck by lightning and took out the secondary and primary, causing the outage for the hospital.

Don Merkins reported on the conversions on the west side of Adams Street. The wire is in but the transformers are not set. All the funds are going into the Highway 7 project.

Commissioner Cook asked if it's possible to hire a temp for the position of meter reader given the urgency in this matter. Manager Kumm said because City had an interest in in-house meter reading no thought has been given to a temp or to an independent contractor.

New Business
None

Commissioner Ackland made a motion to adjourn at 4:48 pm. Vice President Walser seconded the motion and it passed unanimously.

David Wetterling, Secretary

ATTEST _____
Craig Lenz, President

Regular Meeting

September 28, 2005

Members present: President Craig Lenz; Vice President Donald Walser; Secretary David Wetterling; Commissioner Paul Ackland; Commissioner Steven Cook; General Manager Michael Kumm; Attorney Marc Sebora.

President Lenz called the meeting to order at 3:00 pm.

Vice President Walser made a motion to approve the minutes of the August 31, 2005 Regular Meeting with a change to the second page, paragraph two, bullet six: General funds transfer to City of Hutchinson – requested an additional 5%. Secretary Wetterling seconded the motion and it passed unanimously.

Manager Kumm is meeting with R. W. Beck on October 6, 2005 to discuss the progress on the cost of service study. They will deliver a presentation at the October Commissioners meeting.

Manager Kumm will check into the payment of the MAPP Joint Membership Fee being made to MMUA. Commissioner Ackland asked about the MMUA dues assessment. Manager Kumm will check if this is a portion of the dues or the annual dues.

Commissioner Ackland asked if the wire transfer to the State of Minnesota was for sales tax. Manager Kumm will verify if it is for sales tax and report back. Commissioner Ackland made a motion to ratify the payment of bills in the amount of \$3,339,828.70 (detailed listing in payable book). Vice President Walser seconded the motion and it passed unanimously.

Jo-Max has completed their construction contract and has requested payment.

Changed: Separated paragraph.

The increase in revenue from late payment charges is due to the fact that we are now following policy and charging a \$15 processing fee for late payments made after the due date. Previously we were excusing the fee if it was paid late but paid before we printed the next month's bill. Aside from following policy, this will also help with our cash flow.

The Tartan Park project is completed and we will recapture those costs with the City reimbursement. Extra boring was needed on the projects west of Adams Street and east of Adams Street. Commissioner Ackland made a motion to approve the financial statement and budget year to date. Secretary Wetterling seconded the motion and it passed unanimously.

Danna Olson and Marvin Rothfusz were welcomed to the meeting. They represent a group called Proactive Renewable Energy Action Team (PRACT). They gave a presentation on renewable and sustainable energy, with emphasis on educating the community and promoting actions to save energy. Being that they are a new group of

local McLeod County citizens, they are asking HUC for support in promoting clean renewable energy and getting the word out to our customers as to what they can do to lower their energy bills. PRACT e-mail (Marvin Rothfusz) redfoot32@charter.net

Manager Kumm reported on the natural gas supply. The time diversity model that is in place, and HUC's locked in base load price will bring savings for both HUC and HUC's customers. The true cost avoidance will be roughly \$2 million dollars or a 40% cost avoidance. Reducing our commodity costs will benefit our customers as it will be less cost to them.

Roberta Yates gave a presentation on efforts that are being pursued for the Conservation Improvement Program. Home Energy Guides are available in the lobby offering numerous tips on energy conservation. HUC's website offers Inspector Digby's Energy Conservation Tips and each month there is an energy tip on all customer's utility bills offering a useful tip ie:

- July: Keep your air conditioner condenser free of debris.
- August: Wash & dry only full loads of clothes. Line dry when possible.
- September: Turn off lights, TV, computer equipment, etc. when not in use.
- October: Clean or replace furnace filters regularly.
- November: Vacuum the refrigerator coils. Position back coils at least 4" from real wall.
- December: Install aerating low-flow faucets and showerheads.

Other approaches being studied are placing ads in the newspaper offering tips such as lowering your thermostat in the winter months when you're not at home and in the evenings when sleeping; or turn up the air conditioner to 78° in the summer; or closing the registers in rooms that you are not using.

Weatherization programs are also available where we could team up with Heartland Community Action Agency and the CIP funds could be spent on low-income households.

In continuing to be visible in the community, we will be participating in the Home Show in February. About 18% of our customers are on the automatic payment plan and about 11% on the budget payment plan. We want to promote public relations and we could do this by offering programmable thermostats with the CIP funds or blankets for hot water heaters or light bulbs as an incentive to go on the automatic payment or budget payment plans.

Commissioner Cook suggested a booth at the McLeod County Fair as a viable means of visibility.

We are sponsoring a program called "My Favorite Book". All first graders in all Hutchinson's schools will receive one of these books, emphasizing communication and values. Our sponsorship information is printed inside.

We have approximately \$210,000 in CIP funds and although the tree program has been beneficial in years past, we want to offer new programs that will benefit the community also.

Manager Kumm informed the Commission Board that there was a misunderstanding with our meter readers' intentions of reading meters. She does want to continue reading electric and gas meters, and also wants to read City's water meters. HUC would develop two contracts: 1) electric and gas meters and 2) water meters. HUC would administer both contracts at a rate of \$.30 per meter. We have discussed this with City and it would be a great savings for them. Manager Kumm asked to table the approval of the Meter Reader Labor Contract with AnneMarie Dammann until after we develop the two contracts and review them with Attorney Sebor. They would be brought before the board at the October meeting for approval. A motion was made by Commissioner Cook to table the approval of meter reader labor contract with AnneMarie Dammann. Secretary Wetterling seconded the motion and it passed unanimously.

Division reports:

Business – Jan Sifferath

Still waiting on premium prices for health and dental

Waiting on quotes for reconstruction of the Consolidated Freightway building

Vending machines were installed

Electric – Don Merkins

Steel has arrived for making the pillars for Glencoe's McLeod Sub Station

Working on 2nd feed to HTI

Waiting for staking in the new developments

Emission testing to start in October

Gas – John Webster

Crews are rebuilding regulators and reliefs at stations

Working on above ground maintenance

We have shipped supplies to Mobile Gas in Alabama for distribution to the hurricane Katrina victims

Issues are being worked out with landowners on the pipeline

Lowered the distribution main on Golf Course Road

Installing new service lines

Presented public awareness training to emergency response officials in Gibbon and Ormsby

Condemnation hearings are under way beginning in Martin and Watonwan Counties

Hearing was held day of commission meeting at the Minnesota Court of Appeals concerning the PUC's authority to regulate the HUC natural gas pipeline

Legal Update:
None

Old Business
City contribution to be on October's agenda

New Business
None

Vice President Walser made a motion to adjourn at 5:28 pm. Secretary Wetterling seconded the motion and it passed unanimously.

David Wetterling, Secretary

ATTEST _____
Craig Lenz, President

Regular Meeting

October 26, 2005

Members present: President Craig Lenz; Vice President Donald Walser; Secretary David Wetterling; Commissioner Paul Ackland; Commissioner Steven Cook; General Manager Michael Kumm; Attorney Marc Sebora.

President Lenz called the meeting to order at 3:00 pm.

Commissioner Ackland made a motion to approve the minutes of the September 28, 2005 Regular Meeting with a change to the first page, seventh paragraph – *making it two paragraphs instead of one*. Commissioner Cook seconded the motion and it passed unanimously.

R W Beck gave a preliminary presentation on the Cost of Service Study. Four steps are taken to achieve their goals:

- Develop Projected Operating Results at Existing Rates
This step is completed. Projected a 5-year forecast of cash flow for both the electric and gas divisions.
- Analyze Cost-of-Service
Will look at each class and compare cost of each class as compared to revenue of that class.
- Unbundle Cost Categories
Will look at how the costs are being collected – customer charge & energy charge.
- Design New Rates

Immediately following next month's regular meeting which is at 3:00 pm on November 30, 2005, we will hold a joint meeting with City Council at 4:00 pm to discuss the Cost of Service Study.

Secretary Wetterling made a motion to hold a Special Commissioners Meeting on November 14, 2005, at 3:00 p.m. to discuss the Cost of Service Study. Vice President Walser seconded the motion and it passed unanimously. Final presentation of the Cost of Service Study will be at the November Regular Commissioners meeting. Commissioner Cook will contact City Council members regarding the joint meeting on November 30, 2005 at 4:00 pm.

Budgeted figures were used in the preliminary cost of service study. R W Beck will analyze the actual numbers in the operating revenue and in operating expense. A change in the formula to the cost adjustment clause for both the electric and gas divisions will be looked at and discussed with the cost of service study. R W Beck was asked to combine the two divisions in the summary view of the finalized report.

Discussion regarding Contribution to the City of Hutchinson was tabled until the November regular meeting. Will set up a committee consisting of Commissioner Ackland, Commissioner Cook and Manager Kumm to work with City staff. Commissioner Cook made a motion to table the discussion regarding contribution to City of Hutchinson until November regular meeting. Secretary Wetterling seconded the motion and it passed unanimously.

A check for Aspen Equipment was a budgeted item in the gas division to service the body of the welding truck.

Checks for professional services are pipeline related ie: attorney's fees, testimony. One is for professional services regarding the agreement with Utilities Plus.

Registration fees are for six employees who are either in training or have completed first-line supervision training.

Manager Kumm will check into payment being made to "Who's Who Directories".

The MISO wire transfers are for purchasing power.

Commissioner Ackland made a motion to ratify the payment of bills in the amount of \$3,272,016.39 (detailed listing in payable book). Secretary Wetterling seconded the motion and it passed unanimously.

Manager Kumm reported that a part in the business plan will include Power Supply Planning and Gas Supply Planning. This will be a strategic effort to reduce purchasing power costs. Financial and operational benchmarks are moving in the right direction. After discussion Vice President Walser made a motion to approve the financial statement and budget year to date. Commissioner Ackland seconded the motion and it passed unanimously.

All the issues have been resolved regarding the meter reader contract that was tabled from last month. Attorney Sebora has reviewed the contracts and it will be an on-going contract. The contract will pay meter reader \$.40 per meter for route #10 as this route is the industrial area and requires more driving from one location to another. We will be working with the meter reader to try and simplify this route. The contract will pay \$.30 per meter for all remaining routes. Commissioner Cook made a motion to approve the meter reader labor contracts/agreements with AnneMarie Dammann – two contracts: electric and gas meters; and water meters. Vice President Walser seconded the motion and it passed unanimously.

Manager Kumm explained that McLeod Coop is asking to absolve their June 7, 1994 Service Territory Agreement. Currently McLeod Coop receives \$800 for every parcel that is annexed into the City. They desire to absolve the contract then enter into a new contract and increase that compensation amount. In re-negotiating a new contract we would ask for assistance from Julie Wischnauk, Director of City Building, Planning & Zoning and Attorney Sebora. Secretary Wetterling made a motion giving authorization to Mike Kumm, Julie Wischnauk and Marc Sebora to negotiate new compensation

terms to absolve June 7, 1994 Service Territory Agreement with McLeod Cooperative Power Association. Commissioner Cook seconded the motion and it passed unanimously.

This agreement might need to go before the City Council. Commissioner Ackland asked that Commissioner Cook be involved in the contract negotiations with McLeod Cooperative. A motion was made by Secretary Wetterling to amend the previous motion and to add Commissioner Cook to the negotiations. Commissioner Cook seconded the motion and it passed unanimously.

Manager Kumm explained that New Ulm has asked for a proposal for additional transmission capacity from HUC as well as from Northern Natural Gas. It would be for a 5-year term and any cost for construction and labor would be the responsibility of New Ulm.

Revenue for us would be between \$500,000 to \$700,000 a year. Because the Court of Appeals is deciding if the PUC can regulate HUC's pipeline, New Ulm needs to be aware that HUC does not want to be used as a party against NNG. This is not a problem for the PUC, as their case is already set, facts are in and this proposal is not a part of their decision to regulate HUC pipeline.

After further discussion, Vice President Walser made a motion giving authorization for staff to prepare a proposal for New Ulm regarding additional natural gas transportation capacity. Secretary Wetterling seconded the motion and it passed unanimously.

Don Merkins reported that a rotor has been sent to Salina, Kansas for repair. We do have a spare rotor that enabled unit #7 to continue to run. The repaired rotor would then be our spare. Commissioner Ackland made a motion to approve requisition #001496 to Turbine Specialties to repair unit #7 turbocharger rotor – reblading for \$14,618.95. Commissioner Cook seconded the motion and it passed unanimously.

Manager Kumm reported that the BP Marketing Agreement expires December 31, 2005. Re-negotiating a new agreement will be on the November agenda.

Division reports:

Electric – Don Merkins

Electric services installed in the Summerset Development with phone and cable installed at the same time.

TransCanada will do bore scope inspections on the LM6000.

Business – Jan Sifferath

Insurance Planners renewal policies will be on the November agenda.

Berkley Risk health insurance policy changes will be on the November agenda.

A bag of goodies will be given to each second grader in Hutchinson to promote energy conservation awareness.

2006 CIP programs will be finalized soon and presentation given.

40,000' of wire will be an agenda item in the near future.

Gas Division – John Webster

We will watch market and when it turns around we will buy.
Construction is going well.

Legal update:
None

Commissioner Ackland asked if the PUC could itemize their bills so we could see exactly what we're being billed for. Manager Kumm will check into this.

Change made: added: 'if the energy conservation fund will make a payment for underground conversions as it has done in the past. That will not be a part of the CIP Program for 2006.' See November 30, 2005 minutes.

Old Business



Commissioner Cook asked ~~about the energy conservation fund~~. There's about \$100,000 in that fund that will be applied to rate classes in general.

New Business
None

Secretary Wetterling made a motion to adjourn at 5:15 pm. Commissioner Cook seconded the motion and it passed unanimously.

David Wetterling, Secretary

ATTEST _____
Craig Lenz, President

Regular Meeting

November 30, 2005

Members present: President Craig Lenz; Vice President Donald Walser; Secretary David Wetterling; Commissioner Paul Ackland; Commissioner Steven Cook; General Manager Michael Kumm; Attorney Marc Sebora.

President Lenz called the meeting to order at 3:00 pm.

Commissioner Ackland made a motion to approve the minutes of the October 26, 2005 Regular Meeting with a change to Old Business: Commissioner Cook asked *if the energy conservation fund will make a payment for underground conversions as it has done in the past. That will not be a part of the CIP program for 2006.* There's about \$100,000 in that fund that will be applied to rate classes in general. Commissioner Cook seconded the motion and it passed unanimously.

Commissioner Ackland questioned the payment to Department of Commerce for Direct Charges. Mike will talk with Attorney Gary Van Cleve as it relates to the appeal that is in process.

Commissioner Ackland asked about the payment for college courses. We have a policy in place that states the Commission will provide financial assistance for successful completion of qualifying programs and courses. Courses must be job related for career advancement with the Utilities.

Secretary Wetterling asked about the payment to Tom Mahoney. This payment is for services regarding the pipeline.

Commissioner Cook asked if the Accounts Payable list could be put in check number order. Commissioner Walser informed the board that the bills are already sorted by the greatest amount to the least amount at Commission request previously.

Secretary Wetterling made a motion to ratify the payment of bills in the amount of \$2,690,951.17 (detailed listing in payable book). Vice-President Walser seconded the motion and it passed unanimously.

Manager Kumm explained two new forms that will be included in the monthly packets each month. The Electric and Gas Income Statement will show the monthly percentages, as well as the year-to-date percentages, of the gross margin and profit margin on the cost of goods sold, operating income, and net income per revenue dollar. It will also show the year-to-date operating revenue, non-operating revenue, cost of goods sold, operating income, and net income.

Commissioner Cook asked if this information could be an added column to the cash flow statement showing the target ratios. Manager Kumm will include this in the cash flow statement each month.

Manager Kumm explained that last month was the first time we read all the city's meters and with the change in the cycle to reading all the meters, the income statement looks disproportionate. This is a one-time change but it did cause an impact; however it had no bearing on the cash flow.

The future expansion & development account is money that is reserved for the condemnation hearings. We'll know sometime in December as to the award in the appeals case.

Commission President Lenz asked if it would be possible to set up a wire transfer for the New Ulm Transportation payment. John Webster will check into it.

Commissioner Cook questioned some line items in the financials. One was the unemployment expense and the other was water/waste disposal. Manager Kumm explained that the unemployment expense was something HUC found out half way through the year. In addition he explained the water/waste disposal expense budgeted amount is with respect to generation.

Commissioner Ackland made a motion to approve the financial statement and budget year to date. Vice-President Walser seconded the motion and it passed unanimously.

Sarah Young was welcomed to the meeting. She gave a presentation on 5-Sort Recycling program with McLeod County Solid Waste Management. She asked if we could insert the 1-page flier with our monthly bills in January. They would cover the costs of folding and sending the fliers to UIS (our out-sourcing agent) for stuffing in the January billing. We have a policy in place prohibiting any material that does not apply directly to HUC business. After discussion the commissioner's agreed that this is a great thing for the residents as well as the whole county, and believed the policy could be waived in this circumstance because it is a local government making the request. Commissioner Cook made a motion to approve the request from Sarah Young to insert 5-sort recycling stuffers in January utility bills. Commissioner Ackland seconded the motion and it passed unanimously.

R W Beck gave a presentation on the Cost of Service Study. Vice-President Walser commended them for the thorough *presentation*. ~~and thought out though complex, model that was applied.~~

Change made :added 'presentation' and deleted rest of sentence see December 28, 2005 minutes.
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President Lenz was uncomfortable with the report. He would like to see a rate comparison on an annual basis with additional companies and use more than just one month. He was disappointed in the time of the final presentation since this has been on going since August of 2005. He felt it unacceptable especially since we got updated

sections the same day as the meeting. This study is expensive and the delivery of the presentation was not what he had expected.

Commissioner Ackland expressed his concern on the amount of material that there is to absorb. He'd like to meet with Manager Kumm and go over some questions that he has.

There is no recommendation at this time. Commissioner Cook made a motion for a special meeting to be held on December 12, 2005 at 3:00 pm at the Event Center, with the joint meeting with City Council members to follow at 4:30 pm. Vice-President Walser seconded the motion and it passed unanimously.

Commissioner Cook thanked R W Beck for their presentation; being able to see a breakdown of allocations; and for a formula that the utilities can use in on going studies.

R W Beck apologized for the timing of the presentation and that Dave Berg would be at the joint meeting for future discussion.

If the attorney's Dustin Cross or Reed Glawe have the award from the condemnation hearings by December 12th, we will have a closed meeting for discussion. Commissioner Cook made a motion to have a closed meeting after the special meeting on December 12, 2005, to discuss condemnation hearings at the event center. Vice President Walser seconded the motion and it passed unanimously.

Manager Kumm presented the 2006 budget for discussion. The budget is based on R W Beck's forecast. A rate change was not used in the budget, but it does show that a rate change is needed. We would need approval at the end of the month.

Commissioner Cook liked the format and felt the information contained in it was very useful.

Jan Sifferath explained the medical and dental insurance policy changes. The dental plan now has a \$750 maximum which can be increased to \$1,000 maximum at a 2.6% increase, which equates to \$1.03 a month more for single and \$1.92 a month more for family.

The health plan would be a health-preventative change only. We presently have a \$250 maximum on preventative care. We would change that to one physical exam covered at 100% and anything over that would be 80/20 split, with the HUC paying 80% and employees paying 20%. With the change in policy there will be a 16.3% increase. If we left the plan as it is with no change, there would still be a need for an increase of 15.5%.

Union employees would have to vote on this change. If they vote against it, staff would have their own plan. Jan's recommendation is to have two plans: one for staff and one for union employees. The plans would not be hard to administer and this is also Berkley Risk' recommendation.

This would not be a change to the union contract, which expires in the summer of 2007, just a policy change.

This increase has been factored into the 2006 budget proposal.

Commissioner Ackland made a motion to accept Jan Sifferath's recommendation to increase the health plan by 16.3%, increase the dental plan by 2.6% and to administer two plans if needed: one for union employees, and one for staff employees in the event that the union votes down the change. Commissioner Cook seconded the motion and it passed unanimously.

Commissioner Ackland reported on the committee meeting regarding the contribution to the City of Hutchinson. The recommendation is to provide up to a 5% increase, where 3% of the requested amount will be provided on January 1, 2006, followed by an additional 2% in October 2006. The 2% is contingent upon a formula being put in place in June and also the financial well being of HUC in October. A committee will be assigned by the Commission President to develop a formula to be adopted by June of 2006 at which time it will come to the Commission for approval.

Commissioner Ackland made a motion to offer 3% by January 2006; President to appoint committee to adopt a formula and in October of 2006 additional 2%. Commissioner Cook seconded the motion and it passed unanimously.

Division Reports:

Business – Jan Sifferath

Requisition #1568 for \$11,994.34 for City of Hutchinson for 2005 Lawn Care Services. This is a once a year bill. Motion made by Vice President Walser to approve Requisition #1568 in the amount of \$11,994.34 to City of Hutchinson for Lawn Care Services. Secretary Wetterling seconded the motion and it passed unanimously.

Insurance Planners do not have the renewal policies ready – will be on the December agenda.

We received many thank-you cards, notes, pictures from the second graders who received the Halloween treats we presented to their classes in October.

Teri Hofmeister and Jen Tramp in the Customer Service Department came up with an idea of doing a drawing for turkey if residents of Hutchinson bring in a non-perishable food item for the McLeod County Food Shelf. Will advertise this in the Hutchinson Leader as well as a small note on the December Utility bill.

Gas – John Webster

Dustin Cross was hoping the award would be in by Thanksgiving from the appeals process. There's a rumored possibility that we might have it by the end

of this week. Will contact HUC Commissioners after we meet with the attorneys and the condemnation commissioners.

Next week we will be sending out HUC calendars and natural gas safety facts to owners on the pipeline and their public officials. Ryan Ellenson on the gas department has developed a very good credibility relationship with the landowners on the pipeline.

Discussion was held regarding the joint Christmas Party on December 16, 2005. The Commissioners agreed to pay employees and guest fees to attend. Concerns were raised regarding the laws on gifts to employees. Commissioner Walser advised this issue was addressed when the recognition banquet commenced.

Manager Kumm met with McLeod Coop. It was a fact-finding meeting regarding future annexations. From the initial meeting they were very forthright with information.

The election of officers for HUC will be in January. Commissioner Cook reported that City Council will be proposing Commissioner Ackland's replacement as his term will expire in December.

Old Business

BP Contract expires December 31, 2005. Meeting with BP on December 6 to discuss natural gas prices for generation. Changes to the existing contract are very straightforward, and BP has indicated verbally they are agreeable to the changes. Will come before the board next month.

Commissioner Ackland inquired about the payment for Who's Who Director's from last month's payables. Jan Sifferath explained it was for an autobiography of herself and membership into the Manchester Who's Who Directories of Executives and Professionals. HUC opted to not buy the book, but we are members of it.

New Business

None

Vice President Walser made a motion to adjourn at 6:43 pm. Commissioner Ackalnd seconded the motion and it passed unanimously.

David Wetterling, Secretary

ATTEST _____
Craig Lenz, President

Special Meeting

December 12, 2005

Members present: President Craig Lenz; Vice President Donald Walser; Secretary David Wetterling; Commissioner Paul Ackland; Commissioner Steven Cook; General Manager Michael Kumm; Attorney Marc Sebora.

President Lenz called the meeting to order at 3:10 pm.

Vice President Walser made a motion to close the meeting to discuss condemnation proceedings. Commissioner Ackland seconded the motion and it passed unanimously. The meeting was closed at 3:12 pm.

Commissioner Cook made a motion to move from closed meeting back to open meeting. Secretary Wetterling seconded the motion and it passed unanimously. The meeting was reopened at 4:19 pm.

President Lenz offered to table the discussion on 2006 budget, in light of the time it took to discuss the condemnation proceedings. Secretary Wetterling made a motion to table the discussion on 2006 budget. Commissioner Ackland seconded the motion and it passed unanimously.

President Lenz announced there was no formal award regarding the condemnation hearings. There is nothing to report at this time.

Dave Berg from R W Beck was welcomed to the meeting to discuss the cost of service study. Preliminary results have been presented to the board at the November meeting. This presentation is the final recommendation:

- Develop Projected Operating Results at Existing Rates
This is the most critical aspect. We need to bring in enough revenue to pay our bills.
- Analyze Cost-of-Service
If increase for a given class is necessary, the increase should represent the cost to service that class.
- Unbundle Cost Categories
Within each given class, how much should come from energy charge and how much should come from customer charge. Customer charge relates to all charges associated with that class, ie: number of fixed charges, the meter itself, the reading of the meters, etc.
- Design New Rates

Manager Kumm mentioned that the last electric increase was in 1988, and the last gas increase was in 1995.

R W Beck's recommendation - electric

Increase electric rate:

- 9.0% residential
- 6.5% small general service (smaller stores, convenience stores, etc.)
- 8.1 large general service (Menards, hospital, Hutch Mfg., etc.)
- 8.2 large industrial (3M and HTI)

Redesign rates

Redesign power cost adjustment

- Simplify it
- Collect more on base rate
- Collect less on PCA

Residential:

- Monthly charge \$6.50
- All KWH/mo \$0.0872

Small General Service:

Eliminate seasonal rates

- Monthly charge \$10
- first 2000 KWH/mo \$0.0911
- over 2000 KWH/mo \$0.0855

Large General Service

- Demand per KWH/mo \$6
- All KWH/mo \$0.0737

Large Industrial

- Demand per kva \$7
- All KWH/mo \$0.0675

R W Beck's recommendation - gas

No overall rate increase for gas

Redesign residential rates

- Monthly charge \$6.50
- All MCF/mo \$9.08

Redesign commercial rates

- Monthly charge \$31.50
- All MCF/mo \$9.08

Lower large industrial rate 5% (HTI)

- Demand per MCF \$10
- All MCF/mo \$8.54

Renegotiate expired 3M contract

- 3M will pay their fair share

Redesign fuel cost adjustment

- We will zero it out
- Collect more on base rate and not from fuel cost adjustment

Because of the base load electric contract with Utilities Plus, 82% of the electric divisions energy needs are met. This contract has saved the electric customers of HUC millions of dollars in energy costs since June 2005.

In addition, 62% of the base load for the natural gas division has been procured through various contracts. The blended contract price for this gas is \$7.51, this compares to a daily market that was over \$15 last week. The natural gas has been purchased through a model that was developed in September 2004, and implemented in October 2004. This purchasing model has save our community millions of dollars.

Also, the natural gas transmission pipeline has saved our community millions of dollars in 2005, and will continue to do so. Other communities will continue to see increases in transportation costs from Northern Natural Gas; however, due to the pipeline, HUC's transportation costs are fixed. The pipeline has also helped out the communities of New Ulm and Fairfax.

Commissioner Cook mentioned the Big Stone 2 Project, and the projected benefits to our community.

Additional recommendations from R W Beck:

- Establish operating reserve fund
- Formulize transfer to City of Hutchinson
 - percent of plant in service
 - this is constant – grows with the City
 - fixed amount per unit (KHW or MCF)
 - this fluctuates more than in plant service

Commissioner Walser read the ruling *from the City Charter* on the process for a rate change. It reads in part:

Change made: added 'from the City Charter'. See 12-28-05 minutes

Powers of the Commission:

It shall regulate the distribution, use and sale of electricity and gas within and without the city limits, collect for services, and shall fix the rates for all such sales and services for public and private use, subject to right of the council to veto any proposed charge and rate by a four-fifths majority vote. Such veto power shall be exercised, if at all, within 30 days after the council has received notice of any proposed change in charge and rate.

Commissioner Ackland commented on the fact that a proposed \$6.50 monthly charge for customers who close up their homes and go south for the winter will experience a 100% increase in their bill.

The overall assumption in the proposal is based on the fact that people are here all year round.

This would be a one-time proposed rate with formal studies being done every five years, and less formal studies done every year.

President Lenz asked if there was a recommendation to act on. Commissioner Cook made a motion to approve the rate adjustment for electric and gas after the authorization/development of a rate stabilization fund for the power cost and fuel cost adjustment clauses, and with favorable recommendation from City Council

Vice President Walser seconded the motion but asked for an explanation of the stabilization fund. Manager Kumm explained that the stabilization will look at the base rate and will be used to control the swing of the power and fuel costs. The fund would counter these swings so as not to expose our customers to these costs. The adjustment clauses would be confined within a certain range. When the extreme happens, we could clip it and the difference would come out of the fund. We would also establish a cap on that fund balance.

Manager Kumm will come back to the Board and present the development of the stabilization fund at the December 28 Commission meeting.

Motion carried unanimously.

President Lenz called for a closed meeting to discuss condemnation proceedings at the December 28 Commission meeting starting at 3:00 pm. Secretary Wetterling made a motion for a closed meeting on December 28, 2005 starting at 3:00 pm. Vice President Walser seconded the motion and it passed unanimously.

Secretary Wetterling made a motion to adjourn the meeting at 6:25 pm. Commissioner Cook seconded the motion and it passed unanimously.

David Wetterling, Secretary

ATTEST: _____
Craig Lenz, President

Regular Meeting

December 28, 2005

Members present: President Craig Lenz; Vice President Donald Walser; Secretary David Wetterling; Commissioner Paul Ackland; Commissioner Steven Cook; General Manager Michael Kumm; Attorney Marc Sebora.

President Lenz called the meeting to order at 3:03 pm.

Secretary Wetterling made a motion to approve the minutes of the November 30, 2005 Regular Meeting with a change to the second page, eighth paragraph: Vice-President Walser commended them for the thorough *presentation that was given and thought out though complex, model that was applied*. Commissioner Ackland seconded the motion and it passed unanimously.

Commissioner Ackland made a motion to approve the minutes of the December 12, 2005 Special Meeting with a change to third page, tenth paragraph: Commissioner Walser read the ruling *from the City Charter* on the process for a rate change. Commissioner Cook seconded the motion and it passed unanimously.

Commissioner Cook asked about the payment to RW Beck for professional services and the payment to Wayne Novotny. Manager Kumm explained the payment to RW Beck is for the rate study and the payment to Mr. Novotny is payment for services for the commissioner on the pipeline.

Commissioner Ackland asked about the payment to Lindquist & Vennum's professional services. This is for transmission work and it is our share of the payment as we are part of a larger group.

President Lenz asked about the payment to City for lawn services. This is billed once a year and covers all the maintenance for our lawns ie: mulch, watering, weeding.

Secretary Walser made a motion to ratify the payment of bills in the amount of \$3,340,098.14 (detailed listing in payable book). Secretary Wetterling seconded the motion and it passed unanimously.

Commissioner Ackland made a motion to close the meeting to discuss condemnation hearings/Public Utilities Commission. Commissioner Wetterling seconded the motion and it passed unanimously. The meeting was closed at 3:13 pm.

Commissioner Ackland made a motion to move from closed meeting back to open meeting. Commissioner Cook seconded the motion and it passed unanimously. The meeting was reopened at 5:05 pm.

Mark Schnobrich, City Forester and members of the Tree Board were welcomed to the meeting. Mark distributed a printout of the 2005 Energy Tree Planting Report summarizing the savings in energy these trees have provided and will continue to provide our customers in the future. Mark thanked the Commission Board for the 13 years of contributions and even though there will be no contribution for 2006, if the opportunity should arise in the future they would appreciate any consideration for 2007.

Commissioner Cook asked if the Tree Board have had conversations with the State on the Utilities funding the program. Mark expressed that the State would not disallow the funding as long as it's not a large amount; they would rather see more direct savings for our customers.

Manager Kumm expressed the worthiness of the program but it has been funded for 13 years and the 2006 CIP money has been applied to the various rate classes as per Roberta's presentation back in September of 2005 based on the direction given from the Commission Board. The program is managed the way the Commission Board chooses but modifications can be made.

President Lenz asked if the funds for 2005 have been spent. Manager Kumm explained that not all the funds have been spent.

Commissioner Cook acknowledges the benefits the trees have provided for the community.

Commissioner Ackland asked how many trees had to be removed in 2005. Due to Dutch Elm disease, over 220 trees were lost in 2005.

President Lenz expressed that he is an advocate of the program and will try to find some funds, if possible. The time to make any adjustments in 2006 CIP Program would be between March and August.

Manager Kumm iterated that the program is run how the Commission Board wants to spend the money. We can make modifications as the Board wants.

Commissioner Ackland mentioned that he had received calls from customers who were very happy with the appliance rebate program we ran and he heard from customers who were satisfied with the installation of new windows and doors.

Commissioner Cook expressed the worthiness of the tree program and the other programs we have had in the past and questioned if there was room to do all of it.

Mark thanked the Board for 13 years of funding and to keep the Tree Board in mind for future funding if it does become available.

Manager Kumm explained the financial/operational performance metrics handout. Reviewed monthly would be: cash flow; gross margin; operating income per revenue dollar; net income per revenue dollar; and current ratio.

Reviewed annually would be: RONA; revenue (by rate class) per KWHR; revenue (by rate class) per CF; and debt to total assets. After discussion the board agreed this overview of the financials should be a part of the packets each month.

President Lenz asked if we obtained auditing quotes for our yearly audit. We did not go out for quotes this year, did not have the time.

Secretary Wetterling questioned the medical insurance account. There was a delay in getting information from the hospital. Unfortunately there are still more claims out there.

Vice President Walser made a motion to approve the financial statements and budget year to date, and financial/operations benchmarks. Secretary Wetterling seconded the motion and it passed unanimously.

Secretary Wetterling made a motion to approve advertisement for bids for electric conductor for stock. Vice President Walser seconded the motion and it passed unanimously.

Secretary Wetterling made a motion to approve the services addendum with BP Marketing. The natural gas services addendum is a supplement to the base contract for sale and purchase of natural gas between BP Canada Energy Marketing Corp and HUC. They will be using a piece of our pipeline for storage. Commissioner Ackland seconded the motion and it passed unanimously.

Commissioner Cook asked if the engineering technician position is now included in the budget. Manager Kumm indicated that it is and he will be able to help with the easements. The Commission Board is very pleased with the format of the 2006 budget. Secretary Wetterling made a motion to approve the 2006 budget (tabled from December 12, 2005 special meeting). Commissioner Ackland seconded the motion and it passed unanimously.

President Lenz asked if City Council ratified our rate change. Commissioner Cook explained that it was not on the agenda and that we need to notify City Council through a formal resolution and it will be on the January 2006 agenda. Secretary Wetterling made a motion to adopt a formal resolution to approve HUC rate change to go before the City Council's meeting on January 10, 2006. Commissioner Cook seconded the motion and it passed unanimously.

Manager Kumm asked for approval of the compensation plan/performance review policy, as we have nothing in place to-date. Performance reviews will be done every calendar year.

Commissioner Cook mentioned that City Council had just passed their classification plan at their last meeting, and Commissioner Cook has some questions he would like to talk to Manager Kumm about.

Commissioner Ackland liked the plan, so in the event there is an issue with an employee we will have documentation of their performance.

Commissioner Ackland made a motion to approve the 2006 compensation plan/performance review policy. Secretary Wetterling seconded the motion and it passed unanimously.

Insurance renewals with Insurance Planners was tabled until the January 25, 2006 meeting. We have been assured that the League of Minnesota Cities Insurance Trust will have it ready for us by then. In the meantime we are insured. Commissioner Cook made a motion to table the approval of the insurance renewals with Insurance Planners until January 25, 2006. Secretary Wetterling seconded the motion and it passed unanimously.

Manager Kumm delivered a power point presentation on the rate stabilization fund for the electric division and the natural gas division. The objective is to have the power cost adjustment clause and fuel cost adjustment clause be reduced to zero on a monthly basis. The base rate will increase so the adjustment clause will be less volatile.

The fund would be established by June or July for the electric division and the fund for the natural gas division would be established a little sooner. The Commission Board was very pleased with the simplification of the presentation. Action on the implementation of the two funds will be an agenda item at the January 25, 2006 Commissioners meeting.

Division Reports:

Jan Sifferath – Business

Auditors will be here the last week in January

New meter technician will start January 3, 2006

John Webster – Gas

Gas leak in the 700 block of Main St & Franklin St SW – poor construction from many years ago

Mike Kumm – Electric

Generating power in the downtown plant

Attorney Seborra gave an update on the 457 Plan. A trustee will be appointed to the plan and that should be completed by January.

Old Business:

President Lenz was asked to assign a committee to develop a formula regarding the Contribution to City. Paul Ackland, Michael Kumm, Gary Plotz and Steve Cook will be on the committee. The formula will come before the Commission Board for approval before the June 2006 meeting.

New Business:

Dwight Bordson was welcomed as a new Commissioner to the Hutchinson Utilities Commission Board.

Commissioner Ackland was presented with a plaque and congratulated for his ten years of loyal and dedicated service as a member of the Hutchinson Utilities Commission Board. Commissioner Ackland expressed his thankfulness to the Board and feels that HUC is in good shape with Michael Kumm as its Manager and leader.

Vice President Walser made a motion to adjourn at 6:51 pm. Commissioner Ackland seconded the motion and it passed unanimously.

David Wetterling, Secretary

ATTEST _____
Craig Lenz, President