

Regular Meeting

January 25, 2006

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

Member absent: Attorney Marc Sebor

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

President Lenz called for the Commission reorganization.

Commissioner Wetterling nominated Craig Lenz for the position of President. Commissioner Cook seconded the nomination. Commissioner Walser made a motion to cease nominations and elect Craig Lenz to the position of President. Commissioner Cook seconded the motion and it passed unanimously.

Commissioner Wetterling nominated Donald Walser for the position of Vice President. Commissioner Cook seconded the nomination. Commissioner Wetterling made a motion to cease nominations and elect Donald Walser to the position of Vice President. Commissioner Cook seconded the motion and it passed unanimously.

President Lenz appointed David Wetterling as Secretary.

President Lenz appointed Marc Sebor as legal counsel.

President Lenz appointed Lin Madson as recording secretary.

Commissioner Wetterling made a motion to designate Citizens Bank & Trust Company and Wells Fargo as depositories for utility funds. Vice President Walser seconded the motion and it passed unanimously.

Vice President Walser made a motion to approve the minutes of the December 28, 2005 Regular Meeting. Secretary Wetterling seconded the motion and it passed unanimously.

Manager Kumm discussed the accounts payables and will e-mail President Lenz as to the payment to the State of Minnesota. Secretary Wetterling made a motion to ratify the payment of bills in the amount of \$3,630,428.60 (detailed listing in payable book). Commissioner Bordson seconded the motion and it passed unanimously.

Manager Kumm reported that the auditors will be here next week. The cash flow figures are not accurate because various entries were made for year-end Journal entries, however, HUC does have a positive cash flow for December.

Jan Sifferath will meet with Karen Holt and will get the rest of the 2005 claims for a more accurate figure for the year-end running balance in the medical insurance account.

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.

Manager Kumm presented the Amendment to 2004 Stipulation Agreement (see attached). Motion was made by Commissioner Cook to approve the Amendment to 2004 Stipulation Agreement, pending PUC / EQB approval. Vice President Walser Seconded the motion and it passed unanimously.

Manager Kumm asked for authorization to proceed with the implementation of the rate stabilization funds as presented at the December Commission meeting, with the exception, and as per our auditor's recommendation, that we place money in these funds beginning in January. Vice President Walser made a motion to approve the implementation of rate stabilization fund for electric and gas. Secretary Wetterling seconded the motion and it passed unanimously.

Jeff Borkenhagen, Insurance Planners, was welcomed to the meeting. Mr. Borkenhagen gave a presentation on HUC Insurance Renewals. Vice President Walser made a motion to approve staff's recommendation of approving the \$25,000 deductible insurance renewals, but not to include the excess liability coverage. Commissioner Cook seconded the motion and it passed unanimously.

Manager Kumm asked for authorization to negotiate a new contract with Minnesota Mining & Manufacturing (3M). This contract will come before the board for approval. Secretary Wetterling made a motion to approve authorization to negotiate new contract with 3M. Commissioner Bordson seconded the motion and it passed unanimously.

To follow through with an action from 2003, Manager Kumm asked for authorization to use Commissioner's presigned (stamped) signatures for payment of bills. Secretary Wetterling made a motion to authorize the use of Commissioner's presigned (stamped) signatures for payment of bills. Vice President Walser seconded the motion and it passed unanimously.

Manager Kumm gave a presentation on a strategic management process. Nine key areas will be presented to the board, one section at a time.

Don Merkins explained that a control card from plant 1 (downtown) cannot be repaired, due to being obsolete. We need to upgrade Unit 1 so we can fix substation at the downtown plant. Secretary Wetterling made a motion to approve requisition #001651 for Unit 1 RTU/Control System Replacement from C3 Ilex Systems for \$30,885. Commissioner Bordson seconded the motion and it passed unanimously.

Division Reports:

Don Merkins – Electric

Electric & gas crews working together to remove overhead lines on Adams Street

Turbocharger is being overhauled

End of year reports done

Dan Lang at MRES regarding MISO

John Webster – Gas

New Ulm consultants meeting regarding Fairfax Interconnect station

Employees training on public awareness – how to respond to emergencies

Jo-Max asking for final payment

MN Pipeline running liquid pipeline through part of McLeod County

Jan Sifferath – Business

Policy at next month's meeting regarding 2 Commissioners signatures on check

Videotronix to change front doors from auto-lock to manual lock

Videotronix to fix key-card hardware lock system

Cleaning up end-of-year inventory

Manager Kumm reported to the Commission about the two break-ins on our property. We have installed more lights and a lock plate on some of the doors.

Legal Update

Received e-mail from Gislason & Hunter. One property owner on the pipeline has filed an appeal. HUC will file an appeal also so as not to set the original award as a floor from which other appeals will work from.

Old Business:

None

New Business:

None

Commissioner Cook made a motion to adjourn at 4:50 pm. Secretary Wetterling seconded the motion and it passed unanimously.

David Wetterling, Secretary

ATTEST _____
Craig Lenz, President

Closed Meeting

February 9, 2006

Members present: Vice President Donald Walser; Secretary David Wetterling; Commissioner Steven Cook; Commissioner Dwight Bordson; General Manager Michael Kumm

Members absent: President Craig Lenz and Attorney Marc Sebora

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

Secretary Wetterling made a motion to close the meeting to discuss natural gas pipeline litigation strategy. Commissioner Cook seconded the motion and it passed unanimously.

The meeting was closed at 3:05 p.m.

David Wetterling, Secretary

ATTEST _____
Craig Lenz, President

Regular Meeting

February 22, 2006

Members present: President Craig Lenz; Vice President Donald Walser; Secretary David Wetterling; Commissioner Steven Cook; Commissioner Dwight Bordson; 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 January 25, 2006 Regular Meeting. Commissioner Cook seconded the motion and it passed unanimously.

Commissioner Cook made a motion to approve the minutes of the February 9, 2006 Closed Meeting. Commissioner Bordson seconded the motion and it passed unanimously.

Manager Kumm discussed the accounts payable. Payment to the Department of Transportation – Pipeline User Fee Assessment is an annual fee. Payment to the City of Hutchinson for three water billings is because we have three locations. Payment to Anderson Chemical – Boiler Lizard is a chemical for the engines.

Payment to Corvel Corporation is our new workers compensation carrier, through the League of Minnesota Cities Insurance Trust. City of Hutchinson Human Resources Department performed the evaluation and they have the same carrier.

Vice President Walser made a motion to ratify the payment of bills in the amount of \$4,238,212.43 (detailed listing in payable book). Commissioner Cook seconded the motion and it passed unanimously.

Manager Kumm explained changes in the financial statements/budget year-to-date. We have now implemented the rate stabilization fund for the fuel cost adjustment clause and the rate stabilization fund for the power cost adjustment clause. The January billing showed a FCAC of .99¢, and the PCAC was zero. The February billing should be zero for both gas and electric.

At the request of our auditors, we have added an entry for deferred energy cost – MISO. Journal entries have been given to accounting. At the March meeting Manager Kumm will walk through those journal entries to give the Board a better understanding of the financial statements.

Manager Kumm will look into the medical insurance account and find out what the adjustment figure is for and will report back to Secretary Wetterling. There are still more claims for 2005 to be processed.

Commissioner Cook made a motion to approve the financial statements and budget year-to-date. Secretary Wetterling seconded the motion and it passed unanimously.

Manager Kumm presented the Vision, Mission and Value Statements (section 1) of Strategic Management Process for adoption. The Board feels some sections could be shortened, while some sections could be lengthened. They would like to see a paragraph on alternative/renewable energy. Manager Kumm will better define portions of the report and present it at the March meeting for approval. Commissioner Cook made a motion to table the adoption of the Vision, Mission and Value Statements (section1) of Strategic Management Process. Commissioner Bordson seconded the motion and it passed unanimously.

Manager Kumm presented the Leadership and Governance (section 2) of Strategic Management Process. Surveys were conducted and calculated giving an assessment on HUC leadership. Strategies have been developed and implemented to improve HUC leadership. The Board made some suggestions that better defines certain portions of the report. They felt this is a very good review and Manager Kumm did a great job putting it all together.

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

Manager Kumm explained the Minneapolis Consulting Group (MCG) Software Services Agreement – Addendum 1. This updates HUC's software services agreement for MCG's IAM software since the discontinuation of services with Lighthouse Energy Trading. Secretary Wetterling made a motion to approve Minneapolis Consulting Group Software Services Agreement – Addendum 1. Vice President Walser seconded the motion and it passed unanimously.

Requisitions:

- A. #001629 for Gas Meters from Groebner & Associates, Inc. for \$15,016.50
- B. #001632 for Residential Meter Bars from Advance Engineering Corp for \$10,128.15
- C. #001642 for 3 Phase Pad Switches from WESCO for \$30,911.63
- D. #001696 for 2006 Dodge Dakota Extended Cab for Operations Dept. from Elk River Dodge for \$18,661.00
- E. #001697 for 2006 1500 Chevrolet Truck for the Technical Dept. from Thane Hawkins Polar Chev for \$18,196.00
- F. #001705 for 50,000 ft. Conductor from Border States Electric for \$76,839.75
- G. #001706 for 22,500 ft. Conductor from Border States Electric for \$81,712.13
- H. #001707 for 10,000 ft. Conductor from Border States Electric for \$29,447.25

- I. #001708 for Boiler Feed Pump Systems for Unit 8 from PFC Equipment, Inc. for \$19,917.63

Secretary Wetterling made a motion to approve requisitions A through I. Commissioner Bordson seconded the motion and it passed unanimously.

Secretary Wetterling made a motion to close the meeting to discuss natural gas pipeline litigation. Commissioner Cook seconded the motion and it passed unanimously.

Meeting closed at 4:20 p.m.

Commissioner Cook made a motion to move from closed meeting back to open meeting. Vice President Walser seconded the motion and it passed unanimously. The meeting was reopened at 5:18 p.m.

Manager Kumm presented the policy on Surplus Property Disposal. This policy will rescind the only policy we have on excess property - the sale of used poles. This policy is modeled after the City's Disposal of Excess Property policy. After discussion the policy will be reworded to make it more clear and brought back to the Board at the March meeting for approval. Secretary Wetterling made a motion to table the policy on Surplus Property Disposal. Vice President Walser seconded the motion and it passed unanimously.

The HUC Edition of the Information Technology Policy 2006 was developed by the Information Technology Department and is modeled after the City IT policy. Changes and/or additions have been presented and explained to employees who must sign affidavit of receipt and return form to IT. Secretary Wetterling made a motion to approve the HUC Edition of the Information Technology Policy 2006. Commissioner Bordson seconded the motion and it passed unanimously.

Division Reports

None

Legal Update

None

Old Business

None

New Business

Commissioner Cook noted that the ad in the Hutchinson Leader for the customer rebate program has a spelling error - the letter 'H' is left off on each occurrence of HUC and Hutchinson.

Commissioner Cook inquired on the progress of hiring an engineering technician. That position has been budgeted and it is in the organizational chart. Will check on the progress of filling that position.

President Lenz conducted Manager Kumm's performance review and proposes a stipend in monthly vehicle expense from \$400 to \$600 and a yearly salary increase from \$106,050 to \$115,000.08 (\$9,583.34 monthly.)

Secretary Wetterling made a motion to increase Manager Kumm's monthly vehicle stipend from \$400 to \$600 and to increase his yearly salary from \$106,050 to \$115,000.08 Commissioner Cook seconded the motion and it passed unanimously.

President Lenz based the salary increase on a survey of the average annual salary of general managers who multi-task and consideration was given to the outstanding job Manager Kumm has performed.

Secretary Wetterling made a motion that Manager Kumm's increases be retroactive from January 1, 2006. Commissioner Bordson seconded the motion and it passed unanimously.

Vice President Walser made a motion to adjourn at 5:48 pm. Commissioner Cook seconded the motion and it passed unanimously.

David Wetterling, Secretary

ATTEST _____
Craig Lenz, President

Regular Meeting

March 29, 2006

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

Member absent: Secretary David Wetterling

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

Vice President Walser made a motion to approve the minutes of the February 22, 2006 Regular Meeting. Commissioner Cook seconded the motion and it passed unanimously.

Vice President Walser made a motion to close the meeting to discuss litigation proceedings. Commissioner Bordson seconded the motion and it passed unanimously. The meeting was closed at 3:02 p.m.

Commissioner Cook made a motion to move from closed meeting back to open meeting. Commissioner Bordson seconded the motion and it passed unanimously. The meeting was reopened at 3:50 p.m.

Manager Kumm discussed the accounts payables. The payment to Lighthouse Energy Trading Co. for purchased power expense is the last payment to them.

President Lenz asked Manager Kumm to prepare of list of the number of tile repairs that were made by the Eiden Farm Drainage Company on the pipeline.

Commissioner Cook questioned the payment to Culver Company – CIP homeshow hand out material. They are a publishing company and items were purchased from them to give out to people at the Hutchinson Home & Garden Show.

Commissioner Cook thought the payments to Heartland Community Action Agency and Habitat for Humanity were very good things that we're doing through the Energy Conservation Program.

Commissioner Cook asked about the payment for truck maintenance. Jan Sifferath said the maintenance we needed could not be performed by the HATS Facility. Jay Malone Motors was able to do the work.

Vice President Walser asked about the wire transfer for the Visa/Master Card charges. This is a processing payment for customers making payments by credit card. This will likely go up each month as more and more customers are making their payments this way. We do get a break on this fee as we use the same software with City. The highest processing fee are the on-line payments, next is making payment by telephone, and the

lowest fee is if customer comes in with their credit card and we swipe it through the credit card encoder.

Vice President Walser made a motion to ratify the payment of bills in the amount of \$3,281,804.63 (detailed listing in payable book). Commissioner Cook seconded the motion and it passed unanimously.

Manager Kumm explained the financial statements/budget year-to-date. Our auditors have asked us to add two new line items to our balance sheet: deferred energy cost – MISO and accounts payable – MISO. These general ledger entries are to reconcile a timing difference.

Manager Kumm explained that the cash flow sheet has two figures that are supposed to be date entries. The computer converted the date entries to currency.

Commissioner Cook asked what the 'proceeds from sale of assets' were in the cash flow sheet. This is natural gas inventory that was sold on the pipeline.

Jan Sifferath explained the medical insurance account. Our large claims should be coming to an end. But because of the deficit we may want to evaluate our insurance plan options.

There's one of two things we can do: continue on with the medical insurance account with a running total or do a one-time journal entry adjustment and zero it out at the end of the year. There are a few claims that were charged to our insurance account that the hospital mistakenly took as our employees. Once they are removed the deficit will be less.

Because the money has already been spent, President Lenz suggested we wait and see what impact there will be once the claims that aren't ours are removed.

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

The policy on disposal of excess property and rescind policy on used poles, that was tabled from February 22, 2006, has been reworded and portions highlighted to emphasize the Commission declares property surplus and the General Manager then has authorization to dispose of that property.

Vice President Walser made a motion to approve the Policy on Disposal of Excess Property and Rescind Policy on Sale of Used Poles. Commissioner Cook seconded the motion and it passed unanimously.

Manager Kumm explained the purpose of the policy on parallel generation. Customers will have the availability of generating their own electricity in parallel with HUC and approved by HUC. We need to have a policy in place when this happens. We will need

to fine-tune the policy, but for now we're just explaining the reasoning for establishing a policy. President Lenz asked what MRES can do for us regarding parallel generation. Manager Kumm will check into this. This is work that is in progress.

Commissioner Cook will talk to Manager Kumm about sharing resources and governmental issues regarding the Vision, Mission & Value Statements, Section 1 of the Strategic Management Process. Commissioner Cook made a motion to table the adoption of the Vision, Mission & Value Statements, Section 1 of the Strategic Management Process. Commissioner Bordson seconded the motion and it passed unanimously.

Manager Kumm presented the Leadership & Governance, Section 2 of the Strategic Management Process, tabled from the February 22, 2006 meeting, with the required changes.

Commissioner Cook asked about the possibility of HUC having a booth at the County Fair, but because of the length of the fair, it might not be financially feasible to do that.

Commissioner Bordson asked to include the Hutchinson Community Leadership Development Program into the section under 'active in the community'.

President Lenz asked to change/add: "General Manager/CEO" to the report.

Commissioner Cook made a motion to approve the Leadership & Governance, Section 2, Strategic Management Process with the noted changes. Vice President Walser seconded the motion and it passed unanimously.

Manager Kumm presented the Community Support - Key Result Area, Section 4 of the Strategic Management Process. This section was developed to form an understanding of how HUC works with the City of Hutchinson and shares services with the City of Hutchinson to help benefit the ratepayers and taxpayers of the City. Strategies are in place to implement a good working/sharing relationship with City. A formula is being developed for general funds transfer.

Commissioner Cook asked to make a change to the wording of 'limits' to 'formula' as it pertains to the general funds transfer information. And to add an item to the strategies as it relates to working with the City of Hutchinson on combining efforts with regards to public relations.

After discussion, motion was made by Commissioner Cook to approve the Community Support - Key Result Area, Section 4 Strategic Management Process with the noted changes. Vice President Walser seconded the motion and it passed unanimously.

Manager Kumm asked to change the date of the April 26th Commissioners meeting because MRES has invited us to attend their annual meeting on April 26th and 27th in Sioux Falls, South Dakota as they will be introducing HUC as their newest member and

they will be presenting us with a membership plaque. After discussion it was decided to reschedule the April 26, 2006 meeting to April 28, 2006 at 1:00 p.m. Vice President Walser made a motion to reschedule April's commissioners meeting to April 28, 2006 at 1:00 p.m. Commissioner Bordson seconded the motion and it passed unanimously.

Manager Kumm will contact MRES for a copy of their meetings calendar.

Requisitions #001711 and #001712 were presented for approval. These are two 2006 Ford F150 pickups for the gas division. They are a budgeted item and are replacements for two 8-year old trucks. These are being purchased through state bids. They are not leases. Vice President Walser made a motion to approve requisitions #001711 and #001712 for two 2006 F150 Ford trucks for the gas division from Owatonna Motor Company for \$20,964 each. Commissioner Bordson seconded the motion and it passed unanimously.

Commissioner Cook had a concern with the energy conservation rebate program. The program went into effect on March 1, 2006 and Jan Sifferath reported that 233 residential customers have been guaranteed funds and as of March 14, 2006, there are 147 customers on a waiting list. Customers were notified of the rebate program by a letter with their monthly utility bill, advertisements on the local radio station, advertisements in the Hutchinson Leader newspaper, and we had it on our web site.

Commissioner Cook asked if we had offered less money would more people take advantage of the program and why the restrictions on residential to only buy locally when commercial can buy out of town.

This same program has been run before and it was a success then so to offer less money would not be as much of an incentive for people to purchase the more expensive energy conservation appliances.

Attorney Seborra commented that HUC can set the rules of the program as we want, that it's our money and our decision as to how we're going to fund it.

Jan explained that some items ie: high efficiency motors, are not supplied locally, so for these items commercial customers could purchase them out of town.

President Lenz asked how can there be an argument with the success of a program. In two weeks the allotted money was spoken for. There have been more compliments than criticism by far. There is no need to support businesses out of town when most of the items can be purchased locally.

Jan also explained that it's easier to track the installation of items by local reputable persons who we know are certified.

Commissioner Cook stated he had talked with someone who wanted the choice of buying locally or buying out of town.

Manager Kumm explained that the PUC wants us to pay their legal bills as it relates to their attempt to regulate HUC's pipeline. Our attorney suggests we pay the bill and lodge another complaint with a letter contesting payment. Vice President Walser made a motion to pay the PUC bill and send a letter contesting payment. Commissioner Bordson seconded the motion and it passed unanimously.

Division Reports

Electric - Don Merkins

None

Gas

None

Business - Jan Sifferath

Wants update on 457 plan - there is no update at this time

Legal Update

None

Old Business

President Lenz asked how we are securing our property in light of our recent break-ins and robberies. Hutchinson Polices Services have made suggestions on video camera locations and additional doors and locks will be installed. Videotronics have been here to assist us.

President Lenz commented on the process in calling special meetings. He felt awkward with the last special meeting that was called and then subsequently cancelled. If special meetings are to be called, the rest of the Commission Board should know about it before its called. Was today's discussion on the energy conservation rebate program the reason for calling then canceling that special meeting? Respect needs to be given for all the work involved in calling a special meeting. We need to follow our procedures that are in place for calling a special meeting.

Commission Cook felt that if a change is needed, it should be done right away. If a situation comes up again, it will be handled differently.

President Lenz wants to follow the By-Laws that are in place for HUC. The criteria was not enough to call a special meeting. We have a General Manager/CEO who presented the budget and it was approved by the whole board. We don't need to be micromanaging.

Commissioner Cook felt he needed a better understanding of the program. President Lenz remarked that it was the same program as 2002.

Commissioner Cook said he has no problem with the program, but he'd like it to be presented more specifically for awareness and feels it should have been presented for approval.

President Lenz reiterated that we follow our By-Laws and utilize our personnel to issue notices of special meetings.

Commissioner Cook asked Manager Kumm if he could highlight the areas of the mid-month report that are new from the previous month. Manager Kumm said he will try to do that.

New Business
None

Vice President Walser made a motion to adjourn at 6:03 p.m. Commissioner Bordson seconded the motion and it passed unanimously.

David Wetterling, Secretary

ATTEST _____
Craig Lenz, President

Regular Meeting

April 28, 2006

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

President Lenz called the meeting to order at 1:00 pm.

Vice President Walser made a motion to approve the minutes of the March 29, 2006 Regular Meeting. Secretary Wetterling seconded the motion and it passed unanimously.

Secretary Wetterling asked about the payment to I & S Engineers & Architects - Professional Services. This is payment for surveying the pipeline. And he asked about the payment to Twin Cities & Western Railroad - Lease-Railroad Crossing. We pay for the railroad right-of-way crossings.

Commissioner Bordson asked about the payment to Total Compliance. This is for drug and alcohol testing for electric and gas departments.

President Lenz asked if we could put together an itemized list of who has received rebates from the Energy Conservation Program and cross-reference that with the list from 2002 to check for duplication. Jan Sifferath will research this. Commissioner Cook asked if we have something in place to cross reference duplication and if we don't, we should develop something.

Secretary Wetterling made a motion to ratify the payment of bills in the amount of \$3,877,815.31 (detailed listing in payable book). Commissioner Bordson seconded the motion and it passed unanimously.

Manager Kumm discussed the accounts payable. Utilities Plus under billed us for January, February and also March. Our contract is based off a retail rate with Xcel. In January, they reset their FCA, however, they did not increase the energy rate. It would appear the FCA people did not talk with the billing people. As a consequence, HUC was underbilled. We questioned Utilities Plus on our bill in January. We advised Utilities Plus it is going to take us three months to pay them back. That payment plan appears to be okay with them. Fortunately, we have the rate stabilization fund to fall back on. Our customers will see little impact, if any on their bills, due to the rate stabilization fund.

Jan explained the medical insurance fund account. The few claims that were charged to our account mistakenly last month, amounted to less than \$30,000 in claims and that did not have a big impact on our deficit. We still need to evaluate other insurance plan options.

Commissioner Wetterling made a motion to approve the financial statement and budget

year to date. Commissioner Cook seconded the motion and it passed unanimously.

Paul Harvego, Conway, Deuth & Schmiesing presented the 2005 audit. Mr. Harvego informed the board that a decision will need to be made regarding the medical insurance fund. We're paying out more in claims than we're getting in premiums. Our big claims over the last few months have hurt us. When we make a decision the report can easily be restated and reissued. Because the money has already been spent, it does not affect the bottom line.

Also discussed was the fact that HUC has an Employee Recognition Banquet that the Commission pays for. Because it is in our Employee Handbook and is offered to our employees, we are not violating any state rules.

Mr. Harvego also reported on new standards for audits as it relates to accounting issues and internal controls. After the presentation, Commissioner Cook made a motion to accept/approve the 2005 audit. Vice President Walser seconded the motion and it passed unanimously.

Manager Kumm presented the Vision, Mission & Value Statements - Section 1 - Strategic Management Process (tabled from February 22, 2006 and March 29, 2006 regular meetings) with the changes that Commissioner Cook had suggested. Secretary Wetterling made a motion to adopt the Vision, Mission & Value Statements - Section 1 - Strategic Management Process with noted changes to spelling and grammar. Commissioner Cook seconded the motion and it passed unanimously.

Manager Kumm referred to an e-mail from Attorney Seboria asking that the Employee Recognition Banquet be scheduled as an open meeting because more than three Commissioners might be present. This will avoid any potential violations as it relates to the open meeting law. Commissioner Cook made a motion to approve the Employee Recognition Banquet scheduled for May 19, 2006, as an open meeting. Commissioner Bordson seconded the motion and it passed unanimously.

Manager Kumm presented the changes to policies on purchasing. The level of purchasing authority has been changed because it was too low, and a separate section has been added for local purchases. Secretary Wetterling made a motion to approve the changes to policies on purchasing with the noted changes to spelling and grammar. Commissioner Bordson seconded the motion and it passed unanimously.

Manager Kumm presented the changes to services in the policies and requirements booklet. This is just for approval to the change in the placement of meters in the electric and gas sections. Contractors have been notified. Vice President Walser made a motion to approve the changes to services in the policies and requirements booklet with the removal of the word 'accessible' on page 12 in the electric section and page 18 of the gas section, and with Manager Kumm's approval to the changes in the rest of the booklet. Commissioner Cook seconded the motion and it passed unanimously.

Commissioner Walser made a motion to table the approval of Service Agreement Renewal with Carrier Commercial Services. Secretary Wetterling seconded the motion and it passed unanimously.

Manager Kumm presented the utilities bill re-design. The new bill layout will provide more of an itemized bill for customers. After discussion it was decided that a simple explanation be added to the back of the bill explaining the fuel cost and power cost adjustment clauses. It will take a couple of months before the new layout will be implemented.

Secretary Wetterling made a motion to table the settlement agreement between Sib-Ren-Fair and HUC until further notice. Commissioner Bordson seconded the motion and it passed unanimously.

Requisitions #001772 and #001811 were presented for approval. Number 001772 is for 1,700' of 8" steel pipe. This is to rebuild the gas line to the downtown power plant after the Highway 7 reconstruction. Number 001811 is for a 2006 John Deere backhoe to replace a 1988 John Deere backhoe.

Vice President Walser made a motion to approve requisition #001772 for 1,700' of 8" steel pipe from Ferguson Thrall Distribution Inc. for \$38,563.65, and to approve requisition #001811 for 2006 John Deere backhoe loader with extended warranty from RDO Equipment for \$75,120.36. Commissioner Cook seconded the motion and it passed unanimously.

Manager Kumm presented requisition #001818 for additional surveying services on the natural gas pipeline from I & S Engineers & Architects, Inc for \$38,250. This a requirement to manage the integrity of the pipeline. Secretary Wetterling made a motion to approve requisition #001818 for Additional Surveying Services on the Natural Gas Pipeline from I & S Engineering & Architects, Inc for \$38,250. Commissioner Bordson seconded the motion and it passed unanimously.

Requisitions #001849, #001850, #001851, and #001852 were presented for approval. These are budgeted items for the Highway 7 gas line reconstruction. The downtown plant will be down for three weeks. We will not be able to generate during that time. Commissioner Bordson made a motion to approve requisitions #001849, #001850, #001851, and #001852 for the Highway 7 Gas Line Reconstruction from Northern Pipeline Construction Company. Secretary Wetterling seconded the motion and it passed unanimously.

Manager Kumm explained that we need to purchase diesel fuel for plant 1, but because the amount exceeds our purchasing authority, we are asking for authorization for staff to purchase diesel fuel. We will do this under one contract with Schmeling Oil Company. Vice President Walser made a motion to authorize staff to purchase diesel fuel on requisition #001836. Secretary Wetterling seconded the motion and it passed unanimously.

Manager Kumm presented the charge-off of non-collectible accounts. This is done one or two times yearly. A record is also kept of these accounts and if someone moves back into our services, they need to pay the uncollectible account in full before service will be rendered to them. We cannot collect on the bankrupt accounts. Jan Sifferath will check to see if this amount is going up or down compared to previous years. Secretary Wetterling made a motion to approve the charge-offs of non-collectible accounts. (Detailed listing on page 2,608 of April general journal.) Commissioner Bordson seconded the motion and it passed unanimously.

Manager Kumm reported on the annual meeting with MRES. Report on Big Stone II; we will need three permits: certificate of need by next year in April or May, clean air permit and, siting permit with the State of South Dakota. Their monthly meetings are the second Thursday of the month. We are the 60th member to join MRES.

We will check on the 3M gas contract when we have the quarterly meetings with 3M.

Steven Lancaster was congratulated on being the new Director of the Electric Division.

Manager Kumm will present the Customer Service - Section 3 - Strategic Management Process at next months meeting. He will also present the parallel generation policy.

Division Reports

Gas - John Webster

We've earned \$17,000 from the pipeline from BP - they have used it for storage
Gopher State One-Call ticket management software can reduce costs by 30%
Sib-Ren-Fair landowners want more than just land leveling - we land level only

Business - Jan Sifferath

Editing/amending employee handbook: 1 for staff - 1 for union
Interview for purchasing agent next week
Voluntary insurance plan for employees - no cost to HUC
Working with Paul Harvego on audit

Electric - Don Merkins

Nothing to report

Legal Update

None

Don Merkins was presented with a plaque for his 34 years of dedicated service to Hutchinson Utilities Commission.

Old Business

None

New Business

Commissioner Cook would like to see advertising of the rebate program one month in advance before the bills go out with application form, if we run the same kind of energy conservation program in the future.

Commissioner Cook asked about the Engineering Technician job. We have received few applications for this position but we are still searching.

Commissioner Cook made a motion to adjourn at 3:43 pm. Secretary Wetterling seconded the motion and it passed unanimously.

David Wetterling, Secretary

ATTEST _____
Craig Lenz, President

Regular Meeting

May 31, 2006

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

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

Manager Kumm gave a follow-up on items requested from last month's meeting: Jan Sifferath will have the entire report on the 2005-2006 Energy Conservation Rebate Program at the end of October; a 'charged-off accounts' recap from 2003-2005 was placed in each Commissioner's mail; the approved changes in the polices and requirements booklet was only for gas and electric meter locations.

Secretary Wetterling made a motion to approve the minutes of the April 28, 2006 Regular Meeting with amended change in a spelling error. Vice President Walser seconded the motion and it passed unanimously.

Secretary Wetterling made a motion to close the regular meeting to discuss pending litigation. Commissioner Cook seconded the motion and it passed unanimously. The meeting closed at 3:05 p.m.

Commissioner Cook made a motion to move from closed meeting back to open meeting. Vice President Walser seconded the motion and it passed unanimously. The meeting reopened at 4:00 p.m.

Commissioner Cook asked about the payment to Utilities Plus - Purchased Power agreement. This is our retail rate through Xcel Energy. And he asked about the payment to Total Compliance Solution. This is our drug testing company and it's for the electric and gas divisions.

Commissioner Cook also asked if the payment for Brian P. Short is our share of the cost for the condemnation-mediation proceedings, and it is. And he asked about the payment to Millenium Credit Consultants - Collection Expense. This is our cost for their services in collections.

Commissioner Bordson asked about the wire transfer to BP Canada Energy Marketing. BP is our broker/trader in the gas market.

President Lenz asked about the Utilities Plus - Purchased Power payment. This is 1/3 of our payment. And he asked about the payment to Schmeling Oil - Antifreeze. Steve Lancaster explained this is to chill the water at the power plant. He also asked about the payment to MidCountry Bank to replace a lost check. Jan Sifferath will check to find out what the original payment was for.

Commissioner Bordson made a motion to ratify the payment of bills in the amount of \$3,136,359.65 (detailed listing in payable book). Vice President Walser seconded the motion and it passed unanimously.

Manager Kumm discussed the financial statements/budget year-to-date. The accounting model for the rate stabilization fund has been modified and is now booked as an asset.

President Lenz asked about updating the work order report. This will be updated prior to the next commission meeting.

We have made some progress in the medical insurance account. The \$30,000 error has not been adjusted out yet.

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

Steve Lancaster discussed the agreement renewal with Carrier Commercial Service that was tabled from the April 28, 2006 regular meeting. We now have the option of buying a 5-year proposal with a savings of 15% or \$16,202.25 over five years and it's based on a 2% yearly increase minus the discount. There is also a provision in the contract for early termination or out clause. There is over a \$70,000 difference in the 5-year payment compared to the 1-year payment, and we have budgeted \$20,000 for this contract. Steve can work through his budget to pay the 5-year proposal of \$91,812.75. We have worked with Carrier for 14 years and they are a very reliable company. Secretary Wetterling made a motion to enter into the 5-year proposal with Carrier Commercial Service. Vice President Walser seconded the motion and it passed unanimously.

Dave Hunstad presented the policy on parallel generation. Discussion took place as to adding language and changing language in the policy. Commissioner Cook made a motion to table the policy on parallel generation until the June meeting. Commissioner Bordson seconded the motion and it passed unanimously. Dave will work with Attorney Sebora and the policy on parallel generation will be presented at the June meeting.

Manager Kumm presented Section 3 - Customer Service of the Strategic management Process. Our overall objective is to increase our customer base. Three areas to improve on to make this happen are: Reliability; Cost; and Quality of Service. The strategies have been conducted or are in the process of being conducted. After all nine sections have been reviewed, a completed book will be made available for each Commissioner.

Jan Sifferath discussed the exempt and non-exempt handbooks. We are not asking for approval at this time, only to answer questions and welcome input. Several suggestions were offered and after discussion Commissioner Cook made a motion to table the approvals of: Changes to Exempt Employee Handbook; and New Non-Exempt

Employee Handbook until the June Commissioners meeting. Commissioner Bordson seconded the motion and it passed unanimously.

Manager Kumm presented a resolution authorizing HUC as a member of Missouri River Energy Services appointing Manager Kumm as the representative and Steve Lancaster as the alternative representative. Vice President Walser made a motion to adopt the Resolution Authorizing HUC as a Member of Missouri River Energy Services with noted changes to 'City of Hutchinson' to read 'Hutchinson Utilities Commission'. Commissioner Cook seconded the motion and it passed unanimously.

Manager Kumm announced that we will get \$25,000 from the PUC regarding the pipeline issues.

Division Reports

Gas - John Webster

Has a DVD on tile issues on the pipeline if the board would like to view it

Electric - Steve Lancaster

Generated Friday through Wednesday - twice for 4 hours and once for 10 hours

Business - Jan Sifferath

Purchasing Agent position has been filled

Interviewing for Energy Conservation Administrator

50% of money spent on the rebate program - 100% of the money spoken for

Legal Update

None

Old Business

Commissioner Cook mentioned that the contract for extra capacity with New Ulm fell through. That will have no effect on our gas transportation contract we have with them.

President Lenz asked about the MRES book placed in their mail. It's a resource plan and certain sections apply to us.

Commissioner Cook will follow-up on an e-mail he received from Redwood Falls regarding renewable energy.

New Business

None

Commissioner Bordson made a motion to adjourn at 6:20 p.m. Commissioner Cook seconded the motion and it passed unanimously.

David Wetterling, Secretary

ATTEST _____
Craig Lenz, President

Regular Meeting

June 28, 2006

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

Member absent: Attorney Marc Sebor

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

General Manager Kumm gave an update on items discussed from last month's meeting: the payment to Mid-Country Bank to replace a lost check was a rebate check made payable to Mid-Country Bank for energy conservation measures; the work order reports have been updated; and, we will receive the \$30,000 medical fund adjustment in July.

Secretary Wetterling made a motion to approve the minutes of the May 31, 2006 Regular Meeting. Vice-President Walser seconded the motion and it passed unanimously.

Manager Kumm discussed the payment of bills. Vice President Walser asked about the payment to Ferguson Enterprises. This is related to the Highway 7 project.

Commissioner Bordson had questions on our inventory control system. A 'preferred vendors' system is being evaluated where the vendor can inventory items for us.

President Lenz asked about the payment to Great River Energy. This is final payment to do the re-splicing on the Luce Line Trail.

Secretary Wetterling made a motion to ratify the payment of bills in the amount of \$2,958,312.19 (detailed listing in payable book). Commissioner Bordson seconded the motion and it passed unanimously.

General Manager Kumm explained the financial statements/budget year-to-date. In order to provide better communication to the board as it relates to the increase in wholesale electric costs, General Manager Kumm prepared a comparison showing these increased costs from 1999 to 2005.

There will be a large medical claim coming through in the next month or two (with the \$30,000 refund coming through in July).

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

Discussion took place regarding the wording of the Parallel Generation Policy.

Commissioner Cook made a motion to approve the Policy on Parallel Generation that was tabled from the May 31, 2006 regular meeting, noting the requested changes. Commissioner Bordson seconded the motion and it passed unanimously.

Jan Sifferath presented the requested changes to the exempt employee handbook, tabled from the May 31, 2006, regular meeting. General Manager Kumm explained that we will be adding the benefit of reimbursing tuition fees to the non-exempt employees handbook. This has been a benefit that has been used in the past for all employees, but it was never stated as a benefit for the non-exempt employees.

If this benefit is voted down during negotiations, it can be removed. But because this is a past practice, a precedent has been set, it needs to be included in the new handbook.

Commissioner Cook and President Lenz noted some grammatical errors that will be corrected in the final document.

Jan Sifferath will check with Attorney Seborra to see if there are any issues with the LMCIT as it relates to camera phone and/or cameras in general.

Vice President Walser made a motion to Approve Changes to Exempt Employee Handbook that was tabled from the May 31, 2006 regular meeting, subject to changes to the final document made by Jan Sifferath and staff. Commissioner Cook seconded the motion and it passed unanimously.

Jan Sifferath presented the New Non-Exempt Employees Handbook. With changes to be made to Section 2 and like changes from Exempt Employee Handbook, the final versions of both handbooks will be made available for the Commissioners. Secretary Wetterling made a motion to approve the New Non-Exempt Employee Handbook that was tabled from the May 31, 2006 regular meeting subject to noted changes. Commissioner Bordson seconded the motion and it passed unanimously.

General Manager Kumm explained that because the approved Employee Handbooks include new policies on business related vehicle operations and travel expense, the two previous policies we have on file need to be rescinded. Vice President Walser made a motion to rescind Business Related Vehicle Operation and Travel Expenses Policies. Secretary Wetterling seconded the motion and it passed unanimously.

General Manager Kumm presented Section 4 - Community Support of the Strategic Management Process. President Lenz asked if the Conservation Improvement Program (CIP) can be included in this section also, even though it is included in a previous section. ~~And he~~ [see minutes of July 26, 2006 Regular Meeting] Commissioner Cook asked if we could revisit with Mark Schnobrich and the Department of Commerce to discuss 'in direct' and 'direct' energy savings as it relates to the Tree Program for the 2006-2007 CIP program.

Dave Hunstad discussed the quotes for 2006 underground conversions & re-conductor

project. Jerrick Construction dissolved their company and consequently their contract was dissolved. We had to re-quote our prices and our recommendation is to award the quote to Stiele Construction. Secretary Wetterling made a motion to approve quote for 2006 Underground Conversions and Re-Conductor Project to Steile Construction. Commissioner Bordson seconded the motion and it passed unanimously.

John Webster presented requisition 001923 for 24,500' of plastic pipe from Groebner & Associates Inc. Our inventory is getting low on 2" pipe and it's more economical to buy a truckload than a partial truckload. The 24,500' of pipe should last two to three years. President Lenz asked if there were multiple quotes and in the future include all quotes for a comparison. Commissioner Cook made a motion to approve Requisition #001923 for 24,500' Plastic Pipe from Groebner and Associates for \$18,264.75.

General Manager Kumm discussed the Sib-Ren-Fair Agreement. This agreement has been negotiated, signed, and needs to be ratified/approved at a public meeting [see minutes of July 26, 2006 Regular Meeting] hearing. Commissioner Cook made a motion to Ratify the Agreement with Sib-Ren-Fair and HUC. Vice President Walser seconded the motion and it passed unanimously.

General Manager Kumm asked for authorization to execute the Interconnect Agreement with Xcel Energy. The transmission agreements will be sent to MISO and FERC for completion. Secretary Wetterling made a motion approving Authorization for General Manager Kumm to Execute Interconnect Agreement with Xcel Energy. Commissioner Cook seconded the motion and it passed unanimously.

Division Reports

Gas - John Webster

Staying ahead of the Highway 7 project and renting vacuum excavating machine for 'pot holing'

Electric - Dave Hunstad and Steve Lancaster

Keeping up with Highway 7 project

Outages: bad underground - fixed; contractor hit overhead transmission line on 3rd Ave NW - will be meeting to discuss safety issues

Running #9, generating more

Hiring people for positions that are coming available since Don Merkins' retirement - good internal people filling these positions

Legal Update

None

Old Business

None

New Business

Commissioner Cook asked if the truck that is for sale was offered to the City to

purchase. The ad and sale of that truck was handled per our surplus policy.

Commissioner Cook would like our preliminary budget provided in August and at the end of October the board could receive the first review of the 2007 budget.

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

July 26, 2006

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

Member absent: President Craig Lenz

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

Commissioner Cook made a motion to approve the minutes of the June 28, 2006, Regular Meeting with the following changes:

second page, ninth paragraph, second sentence - changed '*And he*' to '*Commissioner Cook*'; and

third page, third paragraph, second sentence - changed '*meeting*' to '*hearing*,'

Secretary Wetterling seconded the motion and it passed unanimously.

General Manager Kumm reported that we have not yet received the high medical claim that we are expecting to come in, nor have we received the \$30,000 adjustment yet for the medical fund.

Commissioner Bordson asked about the payment to Micro Motion Inc. This is security for one of the Town Border Stations. He asked about the payment to C3-Ilex LLC. This is an upgrade to the software. And he asked about the payment to Fisher Controls Int'l LLC. This is training for the gas department

Vice President Walser asked about the payment to Minneapolis Consulting Group - Purchased Power Expense. General Manager Kumm will check into this and will e-mail Vice President Walser. And he asked if we could get quotes on our refuse service to get a comparison on costs, before our contract expires with Waste Management.

Secretary Wetterling asked about the two payments to Missouri Basin Municipal - Dues. These are dues for two different months.

Commissioner Cook asked if we could check into requiring employees to have direct deposit of their payroll checks, to prevent the loss of a payroll check.

Commissioner Cook had questions on inventory items. It was explained that sometimes several items are purchased through Purchase Orders and are then listed in the payables as 'inventory', while some items (things that are needed immediately at a job site) are purchased locally and are then itemized as to what they actually are.

Secretary Wetterling made a motion to ratify the payment of bills in the amount of \$3,306,083.12 (detailed listing in payable book). Commissioner Bordson seconded the

motion and it passed unanimously.

General Manager Kumm explained the financial statements/budget year-to-date. The check to Sib-Ren-Fair will be issued sometime next week.

We will be receiving a check from Utilities Plus. Last week, HUC netted between \$45,000 - \$50,000 in one day of generation. Between 3:00 and 4:00 today, we netted between \$10,000 - \$15,000 an hour in generation.

Vice President Walser asked about the \$100,000 restricted funds in the medical insurance fund. General Manager Kumm expressed his understanding from a previous meeting that we were going to wait and see how the rest of year progressed, but the auditors did suggest dissolving it if we're not going to use it.

General Manager Kumm explained that we could go out for quotes at any time for medical insurance coverage. Because the City of Hutchinson would be impacted if we stopped our self insurance plan, General Manager Kumm will meet with Ken Merrill and report back to the board on the practicability of getting quotes.

Secretary Wetterling made a motion to approve the financial statements/budget year-to-date. Commissioner Bordson seconded the motion and it passed unanimously.

General Manager Kumm presented the Employee Support and Staffing - Section 5 - Strategic Management Process. Staff has completed all items except for implementation of common cost reallocation. This will be in the 2007 budget.

Because certain critical job positions are hard to fill, Commissioner Bordson discussed the possibility of grooming our own employees for different positions within the organization. By offering reimbursable training we plan for replacements from within the organization to fill positions as they become available.

Commissioner Walser asked for an updated organizational chart. Interviews are scheduled in the next couple of weeks for two vacant positions; an update will be placed in the Commissioner's mail.

Commissioner Cook asked for a graph to better understand the comparison of gas against the benchmarks. General Manager Kumm explained that benchmarks are difficult to find for gas utilities. He further explained that the objective was to true-up the costs between the gas division and the electric division. There were problems with the way expenses were allocated and it needs to be fixed. For some reason the allocations had changed in 2001 and 2002 and we don't know why, but it needs to be changed back to similarly how it was.

General Manager Kumm presented requisition 002003 for approval. This is a budgeted item and it's already been completed. It's our portion of the bill, with Glencoe paying the other half and installing the breaker. Glencoe went out for quotes and this is a one-time

payment for us. Secretary Wetterling made a motion to approve Requisition #002003 for Breaker Inspection, Relay Setting and Testing for McLeod Sub 115 Kv Line to Glencoe, from Great River Energy for \$37,909.45. Commissioner Cook seconded the motion and it passed unanimously.

General Manager Kumm presented Fixed Asset Capitalization Policy for review. Our auditors suggested we have a policy regarding assets and is being presented at this time for commissioner input with approval at the August Commissioners meeting.

Commissioner Bordson made a request that when this has been awarded approval, to attach it to the purchasing policy as it relates to the authorized \$5,000 purchasing limit to the General Manager.

Commissioner Cook asked for a change of verbiage from 'motor and parts' to 'machine parts'.

Commissioner Bordson made a motion to adopt the Fixed Asset Capitalization Policy, add it to the Purchasing Policy, and include the requested verbiage change. Secretary Wetterling seconded the motion and it passed unanimously.

General Manager Kumm presented the Capacity Contract with SMMPA for approval. There is only one item left to iron out in the contract but that won't prevent the deal from happening. We are asking for authorization to proceed with the negotiations to execute this agreement. Secretary Wetterling made a motion to approve authorization for staff to proceed with the Capacity Contract with SMMPA. Commissioner Bordson seconded the motion and it passed unanimously.

General Manager Kumm explained that the Proposed 2007 CIP Programs that was included in the packets is informational only. Jon Guthmiller, Energy Conservation Administrator, will give a presentation at the August Commissioners meeting.

General Manager Kumm has an analysis for the Big Stone II Project available for Commissioners to review.

General Manager Kumm reported that the basic analysis for wind energy has been completed and is available in his office. On August 1, 2006, a company is coming here to speak to us on renewable energy. President Lenz will be present for that meeting. On August 2, 2006, MMUA will have a conference on renewable energy.

Division Reports

Electric - Steve Lancaster

- Staying ahead of the Highway 7 project
- We broke an 18" sanitary sewer line (not in use) while directional boring - did not hold anyone up.

- We are generating quite a bit.
- Four candidates for lineman position; 11 candidates for operator position

Gas
None

Business
None

Legal Update
None

Vice President Walser will be unable to attend the August Commissioners meeting.

Old Business

Commissioner Cook inquired about the recent break-ins of our facilities. General Manager Kumm reported that the person was caught on video and the police are conducting an investigation.

New Business
None

Commissioner Cook made a motion to adjourn at 4:30 pm. Secretary Wetterling seconded the motion and it passed unanimously.

David Wetterling, Secretary

ATTEST _____
Craig Lenz, President

Regular Meeting

August 30, 2006

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

Member absent: Vice President Donald Walser

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

Commissioner Cook made a motion to close the meeting to discuss litigation proceedings. Commissioner Bordson seconded the motion and it passed unanimously. The meeting was closed at 3:02 pm.

Secretary Wetterling 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 3:35 pm.

Secretary Wetterling made a motion to approve the minutes of the July 26 2006, Regular Meeting. Commissioner Bordson seconded the motion and it passed unanimously.

General Manager Kumm reported that the pipe inventory in the payment of bills had been previously authorized for purchase. The payment to JT Services - Inventory, was for street light poles that also was authorized for purchase.

Commissioner Cook asked about the payment to City for HR Support and IT Support. This is the quarterly payment for the shared services of Human Resources and Information Technology. He also asked about the payment to the League of MN Cities - Legal Services. General Manager Kumm explained that is our portion of payment and he will e-mail Commissioner Cook exactly what it covers. And he asked about a refund check issued to a residential customer. This customer ran a huge credit on his utility bill and has asked for check to lower that credit.

Commissioner Bordson asked about the payment to Anderson Chemical. This is for water treatment at the plant. He also asked about the price of the backhoe as it relates to the quote given. General Manager Kumm explained that it ended up being a little more than budgeted.

Commissioner Bordson made a motion to ratify the payment of bills in the amount of \$3,119,752.08 (detailed listing in payable book). Secretary Wetterling seconded the motion and it passed unanimously.

General Manager Kumm presented the financial statements/budget year-to-date. Our

sales are slightly ahead of budget, but because of the timing of power purchases versus when the meters were read, the gross margin for the electric division was low in July.

The deviation in the miscellaneous expenses is because of the recent break-ins and loss of material in our warehouses. We are looking into putting fencing around the old Consolidated Freightways building that we use for storage/inventory.

The deviation in the operating expense for generator #1 - transportation is because of the rate change. In addition, we are doing more work ourselves instead of hiring outside services, we are under budget in maintenance for generator 1.

More was spent in the electric distribution operation budget because additional employees were hired to fill vacant positions.

Less was spent this year on electric distribution maintenance.

General Manager Kumm will e-mail President Lenz as to why the budget for railroad licenses is less than last year.

The deviation in the sick leave is because more sick leave has been used.

The deviation in the bad debt write-offs is because we usually do the write-offs twice a year but last year it was done only once, as a consequence, some of the bad debt that would have been written off in 2005 was written off this year.

Discussion took place about the fee for processing credit card payments. This is a convenience for our customers and as more customers take advantage of this service, our processing fee will increase. This is something we will need to address in the future.

Manager Kumm expressed his concern over four items in the budget:

- Boiler Insurance - up about \$12,000
- General Liability - up about \$42,000
- Health Insurance - up about \$69,000
- Stop Loss Premium - up about \$7,200

We've spent \$130,000 more on insurance this year than last year. Jan Sifferath will continue to meet with the insurance committee and discuss our options.

The deviation in the miscellaneous expense - material and services in the administrative and general expenses budget is for the installation of security cameras

Our cash flow is ahead of budget. The check for Sib-Ren-Fair has been sent and we have received the check from Utilities Plus.

President Lenz commented on the negative fuel adjustment. Manager Kumm reported that this is the third month in a row that the fuel adjustment has been negative, first time since 2002. In the coming months there might be an adjustment on the electric.

The bills with the new formats went out this month.

Commissioner Cook asked for clarification on the sales for resale.

President Lenz asked for a recap of the costs of the natural gas pipeline; the total from start to finish. How much was budgeted - how much was spent - what is left. General Manager Kumm will develop a progress report and mail it out to the commissioners.

Also discussed was additional planning for a possible pandemic flu outbreak.

Secretary Wetterling made a motion to approve the financial statements/budget year to date. Commissioner Bordson seconded the motion and it passed unanimously.

Jon Guthmiller presented the 2007 CIP Program. This year's program will be geared more toward our industrial customers and with greater emphasis on the lighting programs. The total CIP funds to be allocated will be \$310,000 with the breakdown being:

Residential	12%	\$ 37,200
Commercial	15%	\$ 46,500
Industrial	35%	\$108,500
Low Income	7%	\$ 21,700
Administrative	24%	\$ 74,400
Marketing	7%	\$ 21,700

Jon will be monitoring the progress of each applicant to eliminate anyone abusing the program.

Jon will also meet with our two large industrial customers and talk about the rebate for high efficiency motors and he will meet with the companies with a poor power factor, and he will also meet with companies to improve their load factor.

Jon will also give an energy conservation presentation to the schools appealing to the elementary students as well as the junior high students. In addition HUC will have a spot at the Home Show and at our open house HUC will have door prizes, barbeques and arrange tours of the LM6000 and etc.

Jon is working on getting certification for Key Accounts Program and Audits. Commissioner Cook asked about bringing someone in with expertise on doing audits. President Lenz said we need to be open minded with the CIP program.

Commissioner Cook and Secretary Wetterling asked about a limit in the low income group. Jon will meet with these agencies with emphasis on the organization setting their own limits as to the qualifications they have in place. Then Jon will monitor the progress.

General Manager Kumm asked if he had addressed all the concerns from last year's

program and incorporated all those concerns and worked out all the glitches for this year's program. Jon said they went over all the notes/concerns/glitches and overall the program will be modified to incorporate comments and items we have learned.

Commissioner Cook, President Lenz and Secretary Wetterling feel the program is great, has come a long way, and will evolve.

Commissioner Cook's concern is paying the recipient before the work is completed. Jon has talked to customers who have gotten paid before the work was completed, and will talk to other customers who have not completed the work but want the grant anyway. This represents a very small number of customers who applied for the grant. Secretary Wetterling agrees that the job should be completed before the check is granted.

General Manager Kumm commented on residential customers having their work done by local vendors only. Jon said he won't do that next year. Some vendors upped their prices because of that stipulation. Many contractors from the surrounding communities do the majority of their work in Hutchinson. Commissioner Cook feels the local vendors rely more on product than services. Secretary Wetterling asked if we could keep it local unless they abuse it. The discretion will be up to Jon as he monitors the program.

Secretary Wetterling made a motion to approve 2007 CIP Program. Secretary Bordson seconded the motion and it passed unanimously.

Jon Guthmiller presented Resolution Supporting the Hutchinson Utilities Commission's Participation in Public Power's National **TREE POWER** Program for approval. We applied for certification with APPA and they have accepted it. We will turn the program over to Park & Rec with our funding and under our stipulation on how the trees will be disbursed. Mark Schnobrich will be the administrator of the program but Jon will develop a criteria for him to follow. Mark will supply us with documentation on how the program is progressing.

Secretary Wetterling asked how this is different than the tree board program. President Lenz told the board that there is no cost to us to participate in the APPA Program, they have grants we could be eligible for in the future, it gives us recognition within APPA, and the recipient will know where the trees came from. President Lenz also commented that trees are long-term energy savings and also beautifies our community. Commissioner Cook commented that Mark would know what tree should go where.

Commissioner Cook made a motion, with a change made as noted, to approve Resolution Supporting Hutchinson Utilities Commission's Participation in Public Power's National **TREE POWER** Program with Recommendation that City Council approve the same. Secretary Wetterling seconded the motion and it passed unanimously. Commissioner Cook told the Commission he would ensure this resolution will be placed on the City Council's agenda.

Commissioner Cook added if we should set a time frame on the funds/job for the

program.

General Manager Kumm and Human Resources Director Brenda Ewing presented the Sick/Vacation Leave Donation Policy for approval. City of Hutchinson has had this policy since 2000. Our policy will be identical to theirs. Discussion ensued that the Union is not viewing this as a benefit and Rick Oakes, Union Representative, will draft a letter accepting this new policy.

President Lenz asked for more clarity as it relates to the limit of catastrophic events per year. Jan reported there is no limit. Commissioner Cook made a motion to approve Sick/Vacation Leave Donation Policy with clarification noted and with letter from IBEW accepting this new policy. Secretary Wetterling seconded the motion and it passed unanimously.

General Manager Kumm presented Facilities and Equipment - Section 6 - Strategic Management Process. These strategies have been implemented or they are being implemented.

Our System Controllers monitors SAIDI (System Average Interruption Duration Index), the average number of minutes our system is down; and CAIDI (Customer Average Interruption Duration Index), the average number of minutes each customer is without power. Our goal is to meet or exceed the index published by APPA's benchmarks.

Commissioner Cook commented on the fact that if there is a one minute power outage, 3M's downtime is an hour; it will be nice to see how often that happens.

With the continuation of underground conversions phased in between now and 2008, our reliability will improve but because the lines are underground, an outage could last longer. We can't see the problem (overhead); we must find it (underground).

A part of the facilities and equipment assessment, General Manager Kumm commented that we need one person to oversee purchasing and one person to oversee inventory.

Jan mentioned that her and Roberta Yates attended a meeting and gained insight on obtaining quotes for supplies; it should go out as contracts and not quotes. Commissioner Bordson suggested adding 'terms' to the purchase order then we would not have to have a separate contract when ordering.

Jan also mentioned that if a supplier is the 'only source supplier' for an item, we need to shift that responsibility from us to the supplier. The supplier should produce something in writing that they are the 'only source supplier'.

Jan presented our insurance issues. Our dental plan is doing well, but if we go private with our health care we should do the same with our dental plan and our long term plans. Jan will do some research regarding HRA's (Health Reimbursement Account) and HSA's (Health Savings Account). Information needs to reach all employees so

everyone understands any changes.

Division Reports

Electric - Steve Lancaster

Staying ahead of Highway 7 project

September 7 - outage all day - Cornerstone Commons project - electrical work

Business - Jan Sifferath

Waste Management contract was renewed July 11 for a 3-year period. If terminated need 60 day notice. Was able to change 3-year contract to a 1-year contract. Mid-State and Mumford offered competitive prices. TCW did not quote. Jan will contact Vice-President Walser with information.

Gas

None

Legal Update

President Lenz informed the board that Attorney Seborra had talked with a commercial customer who made a payment and will be attending the September Commissioner's meeting protesting that payment.

Old Business

None

New Business

None

President Lenz talked about the Carlton Obligation payment of \$1,000 a month. This was money that was spent years ago for NNG transportation costs. Money was incurred as result of court costs. We will have Attorney Seborra draft a letter to NNG.

General Manager Kumm announced that he was elected to serve on the board for the Minnesota Municipal Utilities Association for a one year term. After that one year term he could serve two more three year terms. This is quite an honor and the board congratulated General Manager Kumm on his appointment.

Secretary Wetterling made a motion to adjourn at 6:00 p.m. Commissioner Bordson seconded the motion and it passed unanimously.

David Wetterling, Secretary

ATTEST _____
Craig Lenz, President

Regular Meeting

September 27, 2006

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

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

General Manager Kumm reported on items that were asked of him at last month's meeting:

- Answered the questions Commissioner Cook had on the payment to the League of MN Cities
- Fencing for our building next door (old Consolidated Freightway building) is in next years budget
- Answered the question President Lenz had on railroad licenses – we paid for 2 years' worth so the number in the financials is accurate. Each Commissioner has a progress report on the natural gas expense as it relates to the pipeline.
- GM Kumm asked Commissioner Cook if the Tree Power Resolution was approved by the City Council, and it was.
- GM Kumm asked Attorney Sebora to draft a letter to NNG regarding stopping payments on the Carlton Obligation.

Secretary Wetterling made a motion to approve the minutes of the August 30, 2006 Regular Meeting. Commissioner Bordson seconded the motion and it passed unanimously.

Vice President Walser asked about the payment to Glencoe Light & Power Comm – Material for McLeod Sub. This is the payment in its entirety. The power is not turned on as of yet because of contractual difference but it does not affect us.

Commissioner Cook asked about the payment to MMUA Municipal Utilities Assn – Registration. This is supervisory training; it's a two year program with three employees graduating this November, three employees are one session behind, and two employees will be starting the training.

Commissioner Bordson asked about the payment to Minneapolis Consulting Group – IAM Implementation. This is not an on-going fee, it's just spread out over a period of time. And he asked about the payment to Ulteig Engineers Inc – Engineering Services. This is for changing out transmission poles because of the Highway 7 reconstruction project.

Vice President Walser made a motion to ratify the payment of bills in the amount of \$4,519,096.54 (detailed listing in payable book). Secretary Wetterling seconded the motion and it passed unanimously.

GM Kumm presented the financial statements/budget year to date for approval. We received some customer complaints regarding the power cost adjustment. As a consequence, we are going to increase the range in electric and gas rate stabilization funds to 'fill' the fund over the course of the winter.

Our medical insurance premium would have to double to clean up the \$200,000 deficit. Jan Sifferath reported that quotes have come in for our medical insurance plan and her belief is that we should go with a fully funded plan. GM Kumm reported that we will keep evaluating what we're doing but with a sense of urgency. We will present a recommendation at the October meeting as to what plan we want to go with.

The deviation in the operating revenue – New Ulm transportation is because the capacity sale fell through.

Secretary Wetterling made a motion to approve financial statements/budget year to date. Commissioner Cook seconded the motion and it passed unanimously.

GM Kumm presented the Power/Gas Supply – Section 7 – Strategic Management Process. He discussed with the board the strategies that have already been accomplished or are in the process of being completed for both the electric power supply as well as the natural gas supply.

President Lenz asked about becoming a transmission owning member of MISO. An analysis has been done, and at that time it looked like we would become a transmission owning member in 2009. Money has been placed in 2007 budget for additional analysis to see if we could do something with MRES in this regard.

Commissioner Cook asked about meeting with 3M as it relates to our gas contract. At our last quarterly meeting with them we presented a 2-page natural gas contract. It might be finalized by the end of the year. Good ideas were exchanged, they are easy to work with, but it's a long process.

It was the consensus of the board that the review of the Power/Gas Supply – Section 7 is good.

Dave Hunstad presented requisition #001970 for 7,500' Conductor 500MCM for approval. After discussion Vice President Walser made a motion to approve requisition #001970 for 7,500' Conductor 500MCM from Border States Electric for \$33,627.38. Secretary Wetterling seconded the motion and it passed unanimously.

Dave Hunstad presented requisition #002078 for 1) 1500 KVA Padmounted Transformer and 1) 2500 KVA Padmounted Transformer for approval. The 1500 KVA transformer is for stock. The 2500 KVA transformer is for Warrior Mfg and they want to be running by March. After discussion Commissioner Cook made a motion to approve Requisition #002078 from B & B Transformer Inc for \$50,055 for 1) 1500 KVA Padmounted Transformer, and 1) 2500 KVA Padmounted Transformer. Commissioner

Bordson seconded the motion and it passed unanimously. Commissioner Cook asked if we have a history on rebuilt transformers. Dave reported that the longevity is good on rebuilt transformers, and we have good history with the ones we currently have. If we were to order new ones, it's a 34-week lead time. Secretary Wetterling asked if this is in our budget. It is in next year's budget. Commissioner Bordson asked if we should order a new one now because of the long wait. Dave explained that we meet with City officials regularly and we discuss what the future needs are.

Randy Blake presented requisition #002122 for Control and Monitoring System for Unit 1 Heat Tracing for approval. The current system is old and should have been replaced in 1993 but never was. This is the same company that provided the original one. Commissioner Cook made a motion to approve Requisition #002122 for Control and Monitoring System for Unit 1 Heat Tracing from Applied Thermo Systems for \$38,553.78. Commissioner Bordson seconded the motion and it passed unanimously.

GM Kumm presented the Operation and Maintenance Agreement for approval. There is a sense of urgency in getting this signed as we have been working on this for 1 ½ years and it is now done. There is a meeting tomorrow (September 28th) at Elk River and Dan Lang will talk to them about some inconsistencies in the language of the contract. Attorney Seborra has reviewed the contract and feels it is acceptable under state law. Vice President Walser made a motion to approve authorization for staff to Sign Operation and Maintenance Agreement for McLeod Substation between HUC, Glencoe Power and Light, and Northern States Power Company with changes to wording if needed. Secretary Wetterling seconded the motion and it passed unanimously.

GM Kumm presented the Credit Card Policy with attaching it to the Purchasing Policy for approval. Our auditors have requested we draft a policy on credit card purchasing. Commissioner Cook asked if the commissioners make credit card purchases. Commissioners can make purchases when traveling but they're used very little. It was the consensus of the board to cancel the Commissioners' credit cards. Secretary Wetterling made a motion to approve the Credit Card Policy and Attach it to the Purchasing Policy with the elimination of the Commissioners having authorization to use HUC credit cards. Commissioner Bordson seconded the motion and it passed unanimously.

GM Kumm presented the Bid Letting Policy to be rescinded. The bid letting is already a part of the amended Purchasing Policy. Secretary Wetterling made a motion to Rescind the Bid Letting Policy. Vice President Walser seconded the motion and it passed unanimously.

Division Reports

Business – Jan Sifferath

RFP's on other insurances ie: vehicle, building

Gas – John Webster
Pipeline Safety Audits taking place
Integrity Management meeting next week

Electric – Randy Blake
We are now fully staffed – cross training at both plants
Starting process on new foundation for plant 2

President Lenz asked if we could get the students in grades 4 or 5 involved in our open house on October 5th. We will check with the schools to see what age level would get the most benefit from our tours/open house. We also will be going to the schools with a presentation on energy and safety and will hand out light sticks for Halloween.

Commissioner Cook mentioned a complaint by a customer because of an outage. We have had problems with feeder 22 failing. We were planning on rebuilding this in three phases. Phase one and two were completed this year, and phase three will be built next year.

Attorney Sebor was had communication with the Army Corp of Engineers. We will provide service to them without a meter deposit. Attorney Sebor will contact them.

Old Business
None

New Business
None

Secretary Wetterling made a motion to adjourn the meeting at 4:31 p.m. Commissioner Bordson seconded the motion and it passed unanimously.

David Wetterling, Secretary

ATTEST _____
Craig Lenz, President

Regular Meeting

October 25, 2006

Members present: President Craig Lenz; Vice President Don Walser; Secretary David Wetterling; Commissioner Steven Cook; Commissioner Dwight Bordson; 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 September 27, 2006 Regular Meeting. Commissioner Bordson seconded the motion and it passed unanimously.

Vice President Walser asked about the payment to Trenchers Plus – VacTron Lease. This is a lease payment. He also asked about the payment to Dept. of Commerce – Alternative Energy Assessment. All Minnesota Utilities are billed for this – it's money spent on alternative energy.

Commissioner Bordson asked about the payment to Tinker & Razor – Data Logger. This is data that is collected to watch the current on the pipeline for cathodic protection; to make sure it's not corroding. He also asked about the wire transfer to the State of Minnesota. This is for sales tax.

Commissioner Bordson made a motion to ratify the payment of bills in the amount of \$3,576,865.16 (detailed listing in payable book). Vice President Walser seconded the motion and it passed unanimously.

General Manager Kumm presented the draft 2007 budget in conjunction with the financial statements/budget year-to-date. The draft is for review only, more detailed information will be available at the request of any Commissioner who wants to come in and meet with GM Kumm. The same format as last year was used. Included in the budget is the contribution to the City called PILOT (Payment In Lieu Of Taxes), and the contribution of HUC paying for roadway lighting. Other contributions include fees for services: human resources, IT, and legal counsel.

Meetings were held with City regarding the increase to the transfer of funds. GM Kumm developed a list of the shared services between City and HUC. Our auditors have asked for a definition of these fees for services. A copy of that report has been placed in the Commissioner's mail. President Lenz would like to see a dollar amount attached to each of these services. GM Kumm is working on that dollar amount.

GM Kumm reported that it's time to prioritize three funds:

- Catastrophic failure
- Renewable & replacement account
- Sinking funds

Discussion took place regarding BioMass making more sense than wind energy because BioMass is dispatchable.

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

GM Kumm presented the recommendation for insurance broker. Based upon our CIP thinking (industrial/commercial customer needs), we evaluated our insurance needs (bldg, vehicle, etc.) and we evaluated our current broker. We contacted Berkely Risk (BRAC) to provide us with names of other insurance brokers. BRAC contacted the League of MN Cities and we were provided with a list of four brokers. BRAC's recommendation is A J Gallagher.

We recommend A J Gallagher also because of their experience in insurance needs with other utilities and other entities, and their knowledge of power plants. They are a nationwide company, having resources throughout the country including an office in Eden Prairie.

Secretary Wetterling asked why we were going out of town for our insurance coverage. GM Kumm stated that all the brokers were given the same RFP. Commissioner Cook commented that the City is looking at getting quotes for its insurance needs. Attorney Sebora said the hospital is too.

Commissioner Cook made a motion to approve recommendation for insurance broker to A J Gallagher. Commissioner Bordson seconded the motion. A roll call vote was taken: Vice President Walser – aye; Secretary Wetterling – nay; Commissioner Cook – aye; Commissioner Bordson – aye; President Lenz – aye. Motion passed 4 to 1. Commissioner Cook expressed his understanding of Secretary Wetterlings' thoughts in keeping the broker locally. We can always re-visit this in three years. All commissioners feel we should give some feed back to our local broker so he understands the issues we have had.

GM Kumm presented the old sick leave policy for rescinding. We are still cleaning up some old policies and this is one that has been included in the new employee handbooks. Vice President Walser made a motion to rescind the old sick leave policy. Secretary Wetterling seconded the motion and it passed unanimously.

GM Kumm presented the old clothing allowance policy. This too is a clean up and it is in the new employee handbooks. Secretary Wetterling made a motion to rescind the old clothing allowance policy. Vice President Walser seconded the motion and it passed unanimously.

Steve Lancaster presented an advertisement for bids for conductor for 2007. This is for projects that we will be doing in 2007 and because of the lead time, we need to get this wire on order. Secretary Wetterling made a motion to approve the call for bids for

conductor for 2007. Commissioner Bordson seconded the motion and it passed unanimously.

GM Kumm presented Resolution of Support for the Big Stone II Project. MRES has asked all members to adopt and support the project and send the signed resolution to MRES and administrative judges. After discussion, Secretary Wetterling made a motion to Adopt Resolution of Support for the Big Stone II Project. Vice President Walser seconded the motion. A roll call vote was taken: Commissioner Cook – nay; Vice President Walser – aye; Secretary Wetterling – aye; Commissioner Bordson – aye; President Lenz – aye; Motion passed 4-1. Commissioner Cook expressed his concern to devote more to renewable energy. President Lenz said once we are secure we can devote to other energy sources. GM Kumm noted that we need to be cost effective and environmentally responsible.

GM Kumm presented for approval the Renewed Independent Contractor Agreements with AnneMarie Dammann (meter reader) – electric and gas meters, and water meters. The only change is instead of \$.40 for route 10 and \$.30 for all other routes, we will pay \$.35 for all meters read. This is the first pay increase in five years. HUC pays the whole bill and we bill City on a monthly basis. Commissioner Cook asked about looking at the contract on a regular basis. GM Kumm reported that last year we did an analysis and this is the best way to go compared to other cities that are paying on a per hour basis. Secretary Wetterling made a motion to approve renewed independent contractor agreements with AnneMarie Dammann (meter reader) – electric and gas meters, and water meters. Commissioner Bordson seconded the motion and it passed unanimously.

John Webster presented requisitions #002175 and #002182 from I & S Engineers & Architects Inc. This is to provide aerial photos and planimetric mapping services on the pipeline right-of-way, and to provide professional services to prepare GIS Base Map for the pipeline right-of-way. Tom Kloss will review specifications for the GIS software. Commissioner Cook made a motion, with Tom Kloss reviewing the specifications, to Approve Requisitions to I & S Engineers & Architects, Inc for:

- Requisition #002175 – Contract with MarkHurd Corp for aerial photography
- Requisition #002182 – Professional services to prepare GIS base map for pipeline ROW

Commissioner Bordson seconded the motion and it passed unanimously.

GM Kumm asked to approve new position of inventory control. During the business planning process one of the issues raised was inventory. With the retirement of Curt Dahl, Roberta was doing both the purchasing and the inventory. It turned out that was too much for one person so we need to recreate the position of inventory control. This new position would work with Roberta but under the business manager's authority. We have candidates internally who could fill this position. A job description has been drafted and it would be a salaried position. This person would be able to have items from inventory ready for the crews after their morning meetings, and would be better able to manage inventory. Commissioner Cook made a motion to approve the new position of inventory control. Vice President Walser seconded the motion and it passed

unanimously.

Division Reports

Business – Jan Sifferath

State will be out to do our sales tax audit

CIP left over allocated money – deciding how to use it – asking for suggestions

Gas – John Webster

Working on changing pipe for the new tunnel

3 interviews for vacant position

Pipeline pressure down

Money for Sib-Ren-Fair released – no one contested condemnation hearing

Electric – Steve Lancaster

Glencoe energized yesterday

O & M Agreement will be signed soon

Capacity contract has been signed

Boiler machinery insurance inspector will be here November 16 to inspect plants

President Lenz asked if the conservation rebate was available to the board members/mayor. Attorney Sebor reported that the program is available to any of our rate payers. He also asked where we are at with the 3M gas contract. John Webster has a meeting with 3M next week to discuss any issues with it.

GM Kumm asked about the joint meeting with City. We'll try to schedule a time in December or January. GM Kumm also mentioned the 'positive' press HUC was given for the upcoming tours and school visits promoting energy conservation.

Commissioner Cook asked if the purchasing agent position will stay a full time position with the new position of inventory control being established. Jan Sifferath expressed that more attention needs to be given to contracts for purchasing, and the position is changing in that more responsibilities will be given for backing up the business manager as needed. Commissioner Bordson noted that it's important to negotiate better prices for purchasing contracts.

Commissioner Cook also asked about the \$100,000 that is still sitting in the medical fund and the need to use it. GM Kumm reported that eventually it will be used and that we'll be holding a special meeting sometime to make a recommendation to the board as to what kind of medical insurance plan we will be recommending.

President Lenz referred to a motion made in December of 2005 that 5% increase was approved as city contribution: 3% by January 1, 2006 and 2% in October 2006 with the contingency of a formula being in place by June 2006. Secretary Wetterling asked where we were on these issues. GM Kumm commented that the input from the Committee on his formula was not the most popular way of doing it. He has, since then, proposed eight different ways to arrive at a formula, with one of them being the best

option. He feels basing formula on the dollar of kilowatts sales is the logical option.

Commissioner Cook feels a couple of more meetings, maybe one is all that's needed to develop formula. President Lenz is comfortable with the financials and would like to release the additional 2% of contributions. Secretary Wetterling made a motion to release the additional 2% of contributions. Vice President Walser seconded the motion and it passed unanimously. We will have a formula established before 2007.

Legal Update
None

Old Business
None

New Business
None

Commissioner Cook made a motion to adjourn the meeting a 5:53 p.m. Secretary Wetterling seconded the motion and it passed unanimously.

David Wetterling, Secretary

ATTEST _____
Craig Lenz, President

Regular Meeting

November 29, 2006

Members present: Vice President Don Walser; Secretary David Wetterling; Commissioner Steven Cook; Commissioner Dwight Bordson; General Manager Michael Kumm; Attorney Marc Sebora.

Member absent: President Craig Lenz

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

General Manager Kumm announced that Brenda Ewing had a conflict in her schedule and will not be present to discuss the combined HUC/City safety and health program, and that GM Kumm will discuss the Big Stone issue instead. Brenda will attend next month's meeting.

Secretary Wetterling made a motion to approve the minutes of the October 25, 2006 regular meeting. Commissioner Bordson seconded the motion and it passed unanimously.

Commissioner Bordson asked about the payment to Robinson Appraisal & Associate – Appraisal. This is regarding the pipeline. And he asked about the payment to Univar USA Inc – credit memo. We paid a deposit on containers and we sent the containers back, they credited the deposit. Commissioner Bordson made a motion to ratify the payment of bills in the amount of \$2,601,088.24 (detailed listing in payable book). Secretary Wetterling seconded the motion and it passed unanimously.

GM Kumm presented the financial statements/budget year-to-date. The percentages for the operating income and net income are where we projected them to be. We are asking to wait until next meeting to approve the 2007 budget. If there are any questions with the budget, they can be resolved before the next meeting, making the budget more accurate. Secretary Wetterling made a motion to approve financial statements/budget year to date. Commissioner Bordson seconded the motion and it passed unanimously.

Regarding the charge-offs, GM Kumm said we were using three companies and that's the reason for the large amount to be charged-off. We are now using one company and we're trying to clean it up. Nate Smutka, Accounts Supervisor, had a list of all the uncollectibles and said that after a 36-month hold at collections, we submit the list for charge-offs. Included in that list are accounts that have filed bankruptcy. GM Kumm mentioned that we keep the names in our system and if they move back in, they must pay off old accounts. Nate said we do collect a lot of money from people moving back into our services. Commissioner Cook and Secretary Wetterling commented on the large write-offs last year. GM Kumm mentioned that we only did one charge-off last year instead of doing it twice a year like we have done in the past. Discussion took place about the 36-month hold at collections, tracking that amount and taking that into

consideration when budgeting for charge-offs. Commissioner Cook made a motion to approve the charge offs (detailed listing on page 2640 of November general journal). Secretary Wetterling seconded the motion and it passed unanimously.

GM Kumm reported on the negative letter to the editor regarding the Big Stone II Project. The letter is not factual. MRES has prepared a response to that letter and after a second complaint was published, we will send response to the Leader's editor.

MRES has addressed all problems and GM Kumm remarked that this is the best project he has ever been a part of. HUC is the only municipal that had been invited to their table and that is something HUC is proud of.

Although wind energy is important it is not dispatchable – 30% of the time it works. We are the second or third largest customer of MRES. MRES has two memberships: S1 and P-Agreement. We're the only one that has the P-Agreement. ~~Commissioner Cook asked if we could purchase these contracts. GM Kumm reported that we already have them. In 2009 we could become a transmission owner of MISO. In 2007 we will analyze it again. After discussion Commissioner Cook feels he has a better understanding of the Big Stone II Project.~~ Changed to: *'Commissioner Cook asked if we received wind and hydro power from MRES. GM Kumm responded that we could buy wind but we are not in the right geographical region'. Eliminate the last sentence.* (See minutes from 12-22-06).

GM Kumm presented the contract with BP Marketing. This is an annual contract. John Webster commented that there are no changes in fees. Vice President Walser asked if we're using the purchasing program. The market goes up and down but we are staying true to the program. GM Kumm reported that the purchasing program is exceeding his expectations. Commissioner Cook asked if he could get an update on the model used. John will get that to him. Secretary Wetterling made a motion to approve the renewed contract with BP Marketing. Commissioner Cook seconded the motion and it passed unanimously.

GM Kumm presented the formula for contribution to the City. We used our audit as we needed to figure the growth into the fund. It's not an adder on the bill. It's part of the budget. In talking with the customer service department, we have limited room on the billing statement and to add it as a separate line item, the bill could end up being two pages long, making it confusing for our customers. Secretary Wetterling commented that it's important to have our customers understand the contributions HUC makes to the City, and he also expressed his concern with the formula if HUC does not have a good year financially. Commissioner Cook suggested putting an article in the Leader listing all the benefits we contribute to the City, and he expressed his satisfaction with using the audit from two years ago when calculating the contribution.

Attorney Sebor presented a resolution amending Article V, Section 2 of the HUC By-Laws to define the Commission's annual contribution to the City in lieu of taxes. It's City's resolution recognizing our formula. ~~City will adopt a resolution containing the~~

~~same transfer formula.~~ Changed to: *'City will be asked to adopt a similar resolution containing the same transfer formula.'* (See minutes 12-22-06). Secretary Wetterling made a motion to approve amendment to By-laws and exhibit "A" adopting formula for contribution to the City of Hutchinson. Commissioner Bordson seconded the motion and it passed unanimously.

GM Kumm reported that in researching HUC resolutions, there is no procedure established for identification or uniformity in numbering. Lin Madson presented a resolution adopting a procedure for re-numbering, for search purposes only. The contents of the resolutions will not be changed. A label will be attached to each resolution reading re-numbered for search purposes only. After discussion Commissioner Cook made a motion to approve resolution 1000 to renumber resolutions from 1936 to 2006 for search purposes only and to start numbering from 1001 as of January 2007 and forward. Secretary Wetterling seconded the motion and it passed unanimously.

Requisitions #002143 and #002144 were presented for approval. Steve Lancaster commented on the need to increase our wire inventory. Commissioner Cook made a motion to approve requisitions #002143 and #002144 to Border States Electric for conductor. Commissioner Bordson seconded the motion and it passed unanimously.

Requisition #002264 was presented for approval. Steve Lancaster and Dave Hunstad reported that this conductor is for all of next years work orders and it's being ordered now because of the long lead times. Border States is a trusted supplier and they have a truck in Hutchinson daily. Secretary Wetterling made a motion to approve requisition #002264 to Border States Electric for conductor for 2007. Commissioner Bordson seconded the motion and it passed unanimously.

In cleaning up old policies, we came across another policy that needs to be rescinded as we have adopted a new policy for parallel generation. Commissioner Bordson made a motion to rescind parallel generation service agreement and rate schedule adopted March 18, 1981. Secretary Wetterling seconded the motion and it passed unanimously.

GM Kumm presented roadway lighting policy. In 2002, a motion was made to take over the fees for roadway lighting. Some confusion has ensued because there was no follow-through and no rate established. RW Beck had done an analysis of this and we now have everything established. Dave Hunstad commented that HUC has been working with the City to incorporate maintenance, operation and the transfer of money, into establishing this policy. GM Kumm reported that there had been a question of ownership in roadway lighting. City Engineer John Rodeberg was involved in establishing this policy and wanted to get it finished before he left the City. This policy now defines and settles every issue. The inventory of roadway lighting and signal lighting will be updated annually. As new lights are installed, we'll bill the City, with that amount being added to our annual contribution. This procedure brings us into compliance with our By-laws. We've already been doing this since 2002, now we're recognizing it. Vice President Walser noted a grammatical error in the policy and that

will be changed. Commissioner Cook made a motion to approve roadway lighting policy. Secretary Wetterling seconded the motion and it passed unanimously.

John Webster presented the advertisement for bids for Highway 7 project. When the Highway 7 reconstruction project resumes in the spring of 2007, we need to remove the steel gas line from California Street to School Road. Temporary plastic lines will need to be placed above ground while we remove the steel line. City will continue with their reconstruction project and then we'll come back and put the line back underground. We need to have someone do this work for us so we have to go out for bids. Secretary Wetterling made a motion to approve the advertisement for bids for Highway 7 project. Commissioner Bordson seconded the motion and it passed unanimously.

GM Kumm discussed changing the date and time of the December regular commission meeting to December 22, 2007 at 1:00 pm because of the Christmas holiday. Commissioner Cook made a motion to change the date and time of the December's regular commission meeting to December 22nd at 1:00 pm. Secretary Wetterling seconded the motion and it passed unanimously.

Division Reports

Electric – Steve Lancaster

- We've been generating off and on
- Boiler machinery inspection took place with good results
- Finishing up projects

Business – Jan Sifferath

- AJ Gallagher was here getting insurance renewals ready
- Narrowing down options for health & dental plans – special meeting for approving plan sometime in December
- Working on life insurance & long term disability

Gas – John Webster

- Finishing up condemnation hearings
- Attended MMUA meeting in Marshall – Natural Gas School Planning
- Finishing up with the GPS for pipeline
- Retiring services & installing new services
- Working with MNDOT updating manuals
- New employee starting within the next 2 weeks

GM Kumm announced that we are again helping our local McLeod County Food Shelf by offering a drawing for a turkey if an HUC customer brings in a non-perishable food item.

HUC will pay the \$3 registration fee for any HUC employee who wishes to attend the City/HUC employee holiday party on Friday, December 15, 2006.

Legal Update

None

Old Business

None

New Business

Commissioner Cook asked if we could change the commission meeting dates to the 1st or 3rd Wednesday of each month. GM Kumm commented that it would not affect the financials on the 1st and the bills are currently ratified at each meeting. This is something we will check into.

Commissioner Cook made a motion to adjourn the meeting at 4:47 p.m. Secretary Wetterling seconded the motion and it passed unanimously.

David Wetterling, Secretary

ATTEST _____
Craig Lenz, President

Special Meeting

December 14, 2006

Members present; Secretary David Wetterling; Commissioner Steven Cook; Commissioner Dwight Bordson; General Manager Michael Kumm

Members absent: President Craig Lenz; Vice President Don Walser; Attorney Marc Sebor

Secretary Wetterling called the meeting to order at 4:08 pm.

Jan Sifferath presented the health insurance proposal. After looking at many plans, we have narrowed it down to three. Our current plan which is the self-funded plan is no longer an option. We are too small.

Meetings have been held with staff, and the union has had meetings also. We all agreed on option IV – a fully insured plan. Our increase would be 5.8% instead of 34.5% which is what it would be if we stayed self-insured.

Our recommendation is to approve option IV – a fully insured plan. After discussion, Commissioner Bordson made a motion to approve health insurance option IV fully insured plan. Commissioner Cook seconded the motion and it passed unanimously.

The fully insured plan would be separated into two departments, remaining identical in coverage: union and non-union.

Discussion took place regarding resolving the deficit. It'll take some time before all the claims are in to know what the total deficit will be. Paying off the deficit will have an impact on retirees, non-union (staff), and members of IBEW. By the summer of 2007, we should know what the total deficit is, then we can start working on a formula, and come up with a payment scheme as to how much each group will be responsible for.

Commissioner Bordson made a motion to adjourn the meeting at 4:25 p.m. Commissioner Cook seconded the motion and it passed unanimously.

David Wetterling, Secretary

ATTEST _____
Dwight Bordson, Commissioner

Regular Meeting

December 22, 2006

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

President Lenz called the meeting to order at 1:00 pm.

Commissioner Cook requested changes in the minutes of the November 29, 2006 regular meeting. Changes are on the second page:

- paragraph four, fifth and sixth sentences, change to: 'Commissioner Cook asked if we received wind and hydro power from MRES. GM Kumm responded that we could buy wind but we are not in the right geographical region'. Eliminate the sentence: "After discussion Commissioner Cook feels he has a better understanding of the Big Stone II Project".
- paragraph seven, third sentence, change to: 'City will be asked to adopt a similar resolution containing the same transfer formula.'

Vice President Walser made a motion to approve the minutes of the November 29, 2006 regular meeting noting the requested changes. Secretary Wetterling seconded the motion and it passed unanimously.

Secretary Wetterling made a motion to approve the minutes of the December 14, 2006 special meeting. Commissioner Bordson seconded the motion and it passed unanimously.

Commissioner Bordson asked about the payment to City of Hutchinson – IT Support. Jan Sifferath explained this is a quarterly charge and it pays for Jackie Penke's salary. He also asked about the payment to David, Kristi, Mark Ahlquist – Easement. GM Kumm said this is part of the natural gas pipeline easement payment and that there are only three parcels left to take care of. And he asked about the payment to Slurpy's Backhoe Service – Land Leveling. John Webster explained this is for leveling the land after the natural gas pipeline was installed.

Secretary Wetterling asked about the payment to Crow River Landscaping – Sod. Dave Hunstad reported that we hired them to repair/seed customers back yards after we had done digging to install underground service.

Commissioner Cook asked about the payment to Process & Technology Solution – Programming Services. Jan said this is for our WINSTS and purchasing software. He also asked Jan what class she was taking regarding the payment to DeVry Inc. Jan explained the class is for Human Resource Management and she hopes to graduate a year from now.

Vice President Walser asked about the payment to Celeritas Works LLC – CAER Updates. John explained this is for emergency response training on the natural gas side. He also asked about the payment to Apex Environmental Inc – Site Assessment Report Prep. Steve Lancaster explained this is for underground testing where our underground fuel tanks used to be.

President Lenz asked about the CIP funds. Approximately \$27,000 is what's left over from the program. It will be used at plant #1 to retrofit lighting to make it more energy efficient. It was reported that no more money is going out to customers.

Secretary Wetterling made a motion to ratify the payment of bills in the amount of \$2,702,149.43 (detailed listing in payable book). Commissioner Cook seconded the motion and it passed unanimously.

GM Kumm presented the financial statements/budget year-to-date. The cash flow is doing extremely well. The benchmarks are very close to what was budgeted. Secretary Wetterling made a motion to approve financial statements/budget year-to-date. Vice President Walser seconded the motion and it passed unanimously.

Brenda Ewing, Human Resource Manager, presented the combined HUC/City safety and health program. This has been adopted by the City Council at its November City Council Meeting and now needs to be approved by HUC. Attorney Seborá will incorporate a contractual safety compliance agreement into the program in order to meet all of OSHA's requirements, if we hire contractors to do work on our projects. After discussion, Commissioner Cook made a motion to approve the combined HUC/City Safety and Health Program. Commissioner Bordson seconded the motion and it passed unanimously.

The 2007 budget was presented for approval. Secretary Wetterling made a motion to approve the 2007 budget. Commissioner Bordson seconded the motion and is passed unanimously.

GM Kumm reported on the financial and operational benchmarks. Dave Hunstad and Dan Lang helped write reliability measures so MMUA could develop the software for APPA. The software reports outages greater than one minute (not planned outages).

SAIDI = System Average Interruption Duration Index
(Average interruption duration for customers served during a specific time period.)

CAIDI = Customer Average Interruption Duration Index
(Average length of an interruption, weighted by the number of customers affected, for customers interrupted during a specific time period.)

SAIFI = System Average Interruption Frequency Index
(Average number of times that a customer is interrupted during a specific time period.)

President Lenz asked if it can report on the reasons for the outages. Dave said it can. Commissioner Cook asked if there are measures in place to correct the problems for the outages. Dave reported that this software monitors outages and collects data which tells us where improvements need to be made.

Commissioner Cook asked about the return on net assets. GM Kumm reported that this benchmark reflects if rates need to be adjusted. The current ratio shows we are building cash. The debt to total assets shows us the trend is going in the correct direction. The times interest earned measures the payment of interest on our debt. The total net income is going up and possibly the rate stabilization fund will be full. If we can keep the power cost adjustment clause and the fuel cost adjustment clause at zero, we might be able to eliminate the fund.

John Webster presented the time diversity model for purchasing natural gas. He reported we want to levelize the price, not necessarily beat it and he is very pleased with how well the model is working. GM Kumm reported that we do have storage on the pipeline and if gas is cheap enough, we can buy extra and store it or sell it off for a profit. President Lenz asked how much can be stored. John explained that 27,000 Dth can be stored at the interconnect pipe with Northern Border. If BP makes gas and stores it on our pipe, we get 50% when it's sold. This is in the new marketing contract.

Requisition #002223 was presented for approval. This is 15 padmounted transformers for inventory for projects in 2007. Commissioner Cook made a motion to approve requisition #002223 to B & B Transformer, Inc. for 15 padmounted transformers. Commissioner Bordson seconded the motion and it passed unanimously.

John Webster presented the 3M Firm Natural Gas Contract for approval. HUC has been working on this with 3M for many months. Commissioner Cook asked what was in place before this contract. We just had an agreement to keep it as is, even though there was no written contract in place. Once this is approved by the Commission board it will be forwarded to 3M. They will sign it, then it'll come back to the Commission for our signature. Vice President Walser made a motion to approve the 3M firm natural gas contract. Secretary Wetterling seconded the motion and it passed unanimously.

President Lenz asked how long the contract is for. John explained it's good for one year and they had talked about an automatic extension, but because it took so long to arrive at this contract, we didn't want to experience the same length of time to add language. President Lenz asked that next time we consider a roll-over/extension clause as well as an escape clause.

At the last commission meeting, Commissioner Cook mentioned that he has conflicts with the date of our regular commissioner's meeting. GM Kumm looked into whether or not there are any implications with the financials if we changed the meeting to the first Wednesday of the month; there are not. The payment of bills are ratified at the meetings. President Lenz asked if there would be a problem with the election of officers if we changed the date. That is not a problem either. John Webster explained that the

bid opening for 'Installation and Retirement of Natural Gas Distribution Lines' is scheduled for January 3, 2007 with approval going before the board at it's regularly scheduled meeting on January 31, 2007. If there's no meeting in January, it will interfere with the progress of the work on the Highway 7 project. Commissioner Cook made a motion to change the regular monthly commission meetings to the first Wednesday of the month at 3:00 p.m. starting with the March meeting, with no meeting in February. Commissioner Bordson seconded the motion and it passed unanimously.

Division reports

Gas – John Webster

- Requisition #002317 presented for approval. Relocate line, remove plastic pipe and install steel pipe instead of using temporary plastic pipe on top of ground while reconstructing Highway 7. Secretary Wetterling made a motion to approve requisition #002317 to Chicago Tube & Iron for 1,920' of steel pipe. Commissioner Bordson seconded the motion and it passed unanimously.
- Installed relief valves on the pipeline in Trimont, MN

Business – Jan Sifferath

- Auditors will be here the last week in January.
- Asked for authorization to allow GM Kumm to sign contract with A.J. Galagher for the business insurance, when the paperwork arrives. A motion was made by Commissioner Cook authorizing GM Kumm to sign the business insurance forms. Secretary Wetterling seconded the motion and it passed unanimously.
- President Lenz asked about the cost our auditors charge. Jan said it's similar to last year – less than \$15,000. Commissioner Cook asked if using the City's firm would be cheaper. President Lenz asked if we had gone out for bids. GM Kumm reported that we did not go out for bids. President Lenz suggested going out for bids next year and that a fresh pair of eyes sometimes is needed.

Electric – Steve Lancaster

- The lineman who was hired and in his 6-month probation period, has been let go, we have that position open again.

President Lenz and Vice President Walser have completed GM Kumm's yearly review. President Lenz mentioned that he's spent a great deal of time with Kumm and Lenz feels Kumm has done an exceptionally good job. It's been a real eye opener to see how much Kumm has accomplished since his arrival to HUC. A copy of the performance review was presented to the Commissioners for their signatures.

GM Kumm said any credit should be given to the directors and the employees for making it so easy for him to accomplish the tasks.

Commissioner Cook asked how Kumm's raise is related to the HUC compensation plan.

President Lenz explained that the review for the general manager deviates from the current compensation plan. Vice President Walser added that published wage information from other cities was taken into consideration when evaluating the general managers' salary. Commissioner Cook asked if compared to the employees increase using the current compensation plan, would GM Kumm get more of an increase. President Lenz explained that he would not. Commissioner Cook asked if it's always been the President and Vice President who have done the reviews. Could more members be included even if it meant calling a closed/private meeting. Secretary Wetterling made a motion to approve the proposed salary increase. Commissioner Bordson seconded the motion and it passed unanimously. Commissioner Cook has some questions on the performance review.

Legal Update:

Attorney Seborra reported that City Council approved the formula for the transfer of funds.

Old Business

None

New Business

- Agenda for Joint Meeting on January 9, 2007:
GM Kumm said Commissioner Cook sent an e-mail adding eight more items to the agenda. Commissioner Cook said he ran it by Gary Plotz and they thought it would be good information for the other council members. GM Kumm asked what he wanted discussed. Commissioner Cook explained just an update on the items would be informative. Commissioner Cook made a motion to approve the agenda for the joint meeting. Commissioner Bordson seconded the motion and it passed unanimously.
- Commissioner Cook wants a better understanding of the approved health insurance plan. He feels it should be the same for both plans and asks for feedback from the other commissioners. Commissioner Cook feels that 20% of the total monthly premiums should be paid by all employees, not just the union employees. Vice President Walser explained that there are two categories of employees and we shouldn't expect the benefits to be the same, since expectations of staff are substantially different than that of the members in the bargaining unit. Commissioner Cook made a motion for non-union employees to pay 20% of the total monthly premiums and amend the approved contract. Motion dies for lack of a second.

Secretary Wetterling made a motion to adjourn the meeting at 3:18 p.m. Commissioner Bordson seconded the motion and it passed unanimously.

Secretary,

ATTEST _____
President,