

7. The 1960s: A Time of Growth

Following the advent of creating a municipal gas department, Hutchinson had a pressing need for more energy. It was an unrelenting demand that was fueled by the continual growth of the community. The demand would not subside for the entire decade.

HUC Gets One More Unit

During the fall of 1961, the Utilities addressed concerns about the “drastically increased firm light and power requirements” of the town.^{lvi} Companies, especially Minnesota Mining & Manufacturing (3M), were installing more equipment that consequently required more power generation. To combat the growing energy needs, the Commission decided to increase the plant’s firm generating capacity; they needed to install another engine. The Commission made its first move with hiring their go-to engineering firm of Buell & Winter for the procurement of an engine as well as devising plans for the Electric Service Building. A representative of the firm presented three companies’ offers to the Hutchinson Utilities Commission. After some discussion, the Commissioners accepted Nordberg Manufacturing Company’s bid to provide a dual engine unit (meaning that it was equipped to generate with either gas or oil) with the net capacity of 4,500 kW. This generator had a capacity of more than twice of the plant’s two largest engines. While costs amounted to \$593,685, Utilities officials estimated that the addition of this new engine would eventually result in substantial savings for the plant.^{lvii} With this purchase, the Utilities needed to find a way to finance as well as to create a space for the new engine.

NO. /	14491	UNITED STATES OF AMERICA	\$400,000. ⁰⁰
STATE OF MINNESOTA			COUNTY OF MCLEOD
CITY OF HUTCHINSON			
HUTCHINSON UTILITIES COMMISSION			
MUNICIPAL ELECTRIC LIGHT PLANT REVENUE PLEDGE ORDER			
<p>This instrument is evidence that the Hutchinson Utilities Commission, City of Hutchinson, Minnesota, hereby promises to pay to <u>Nordberg Mfg. Co. Milwaukee WI</u> their successors or assigns, solely and only out of the net earnings of the Municipal Electric Light Plant of the City of Hutchinson, Minnesota, the sum of <u>\$400,000.</u> payable on or before July 1, 1965, with interest thereon at the rate of Three and Three-Quarters Per Cent (3¾%) per annum. Said net earnings and the improvements and extensions furnished under the contract hereinafter referred to are pledged to the payment hereof. Said net earnings may also be pledged to the payment of the other Revenue Pledge Orders issued to pay the cost of improvements to the Municipal Electric Light Plant of the City.</p> <p>This instrument is not a general obligation of said City and is not payable in any manner by taxation and under no circumstances shall said City be in any manner liable by reason of the failure of said net earnings to be sufficient for the payment of this instrument. This instrument is one of a series of similar instruments given in payment for construction and establishment of the Municipal Electric Light Plant of said City under contract dated <u>April 2, 1961</u>, is a part of said contract, and with the other similar instruments, is executed and delivered as evidence of the amount unpaid under said contract. The City of Hutchinson, Minnesota, reserves the right to prepay the amount represented hereby at any time prior to maturity hereof, with accrued interest to the date of such payment. Both principal and interest of this Pledge Order are payable at the Office of the Hutchinson Utility Commission in the City of Hutchinson, Minnesota.</p> <p>IN WITNESS WHEREOF, Hutchinson Utilities Commission, Hutchinson, Minnesota, has caused this instrument to be executed by the President of said Utilities Commission and attested by the Secretary of said Commission, with the seal of said City affixed as of this <u>6th</u> day of <u>April</u>, 1962</p>			
 (SEAL)		ATTEST:  R. J. Shepard PRESIDENT, HUTCHINSON UTILITIES COMMISSION HUTCHINSON, MINNESOTA	
		HUTCHINSON UTILITIES COMMISSION BY  SECRETARY, HUTCHINSON UTILITIES COMMISSION, HUTCHINSON MINNESOTA	
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Improvements and extensions to the Electric Plant were vital and neither could be done without proper funding, the aggregate sum totaled to \$975,000.^{lviii} The estimated amount was to pay for suppliers of equipment, the engines, supplies such as the engine and a cooling tower unit, construction of a new electric service building, and additional engineering services. After conducting their own research through surveying the municipal revenue financing market, conferring with local bank officials, and evaluating the market price for current borrowings of similar amounts, the Commission decided to employ the Carleton D. Beh Company, an Investment Securities Firm, to be fiscal agents for HUC. A large purchase such as this required funding outside of the Utilities' surplus net revenues. Instead, they needed to issue and sell electric revenue bonds, \$700,000 worth of revenue bonds to be exact. After advertising at a public sale, the bonds were sold to the most favorable bid, put forward by Paine, Webber, Jackson & Curtis of Minneapolis. Soon after, the building expansion commenced.

Money Matters

Financially speaking, the Utilities, especially the Electric Plant, were doing exceptionally well. Total assets surpassed \$3 million for the first time and the plant was currently debt-free. Yet, the Utilities was preparing to incur costs due to the purchase of the Nordberg engine. Posting an impressive record net income of \$200,601.16 for 1961, the Electric Plant saw a gain of almost \$87,000 from the previous year.^{lix} This said increase was by virtue of using natural gas part-time in two of the plant's diesel engines; the savings accrued were due to the fact that the cost of gas was approximately half of fuel oil. Proving its financial vitality to the community, Hutchinson's flourishing municipality continued making contributions to the City while other electric municipalities were floundering across the nation.

Reasserting the Efficacy of HUC

Despite its stellar record, the Utilities Commission and its purpose were questioned, not once, but twice by city officials. The first instance took place in 1962 at a City Council meeting. In response, the Commissioners asserted that the Utilities Commission was purposely made a strong, separate unit of government upon evaluation of Hutchinson's amended Home Rule Charter (adopted on June 1, 1913, and later amended in both 1936 and April 26, 1955) and that it should remain so. To keep the Utilities from being entangled in town politics, the City Council was only bequeathed two powers in regards to the Commission: appointing the Commissioners to six-year terms and to veto suggested rate changes by a 4/5 vote.^{lx} According to provisions found in Chapter 17 of Hutchinson's Home Rule Charter, the Commission was granted, "full, absolute and exclusive control of and power over the City light and power plant...and authority to extend, add to, change and modify the light and power system and do any and all things deemed necessary and proper for the operation of the plant." Upon hearing the Commissioners' arguments, the City Council members conceded to HUC's wishes and upheld the original powers bestowed to the Council (i.e., did not extend their authority). The other occurrence happened later in 1965. Hutchinson's Charter Commission was considering revising certain provisions, including those that established and regulated the Utilities Commission. Honoring requests of the Charter members, the Commissioners created a list of recommendations. The main concern of the Utilities was to ensure that it was empowered to act "intelligently and efficiently" while overseeing the receiving and

distribution of electrical energy and natural gas, since both industries involved substantial expenditures that oftentimes needed to be made on short notice. Hence, they wanted to maintain that there would only be three members who served long terms; this was to provide Commissioners enough time to do “on-the-job-training” and to familiarize themselves with problems of running a municipal business. Also, the freedom of conduct for the Commission was imperative to the successful operation of the Plant. Their last recommendation was in regards to preserving the voluntary obligation of the Commission to contribute available funds to the City; reasons for this was that HUC wanted to continue in its policy of efficient operation, which meant that monies had to be spent to conduct up-to-date maintenance without monetary restrictions. Heeding HUC’s recommendation, the Charter Commission’s further questions in regards to the running of the Utilities were silenced.

Giving Back

Keeping with the Utilities’ mantra to serve the economical needs of the community, the Commissioners carried out two monumental deeds within a year of each other. In the early months of winter, the Utilities Commission requested to lower the electric rates for the first time in 1965. Superintendent Ralph Young stated that the rates would fall to what they were in 1948. Utilities customers were to see savings averaging 4.5 percent.^{lxi} This act demonstrated the Utilities’ lack of concern for profits and rather their interest in perpetuating the affordability of their services to customers. The other event occurred during the beginning of the new year, 1966, in which the annual contributions that the Utilities had made to the City totaled \$1,006,137 after the presentation of a \$10,000 check. After 29 years the Commission had doled out at least \$10,000, in yearly fashion, with the exception of 1944.^{lxii} These contributions remained voluntary obligations that were accorded to the funds of the City.

EFFECTIVE 4-1-65	
HUTCHINSON UTILITIES Municipal Electric Division	
RATE SCHEDULE	
10% Penalty if not Paid by the 10th of the Month	
RESIDENTIAL RATE	
	NET
First 40 KWH per month.....	5.5¢ per KWH
Next 60 KWH per month.....	3.5¢ per KWH
Next 250 KWH per month.....	2¢ per KWH
Over 350 KWH per month.....	1.5¢ per KWH
MINIMUM NET BILL, per month.....	\$1.00
ELECTRIC HEATING RATE	
First 700 KWH at Residential Light Rate	
Excess at .013 per KWH	
WATER HEATING RATE	
All KWH per month.....	.0145¢ per KWH
MINIMUM NET BILL, per month.....	\$1.00
COMMERCIAL HEATING RATE	
	NET
First 200 KWH per month.....	4¢ per KWH
Over 200 KWH per month.....	3¢ per KWH
MINIMUM NET CHARGE:	
\$.50 per KWH of connected load.	
MINIMUM NET BILL, per month.....	\$2.50
COMMERCIAL LIGHTING RATE	
	NET
First 50 KWH per month.....	8¢ per KWH
Next 100 KWH per month.....	5.5¢ per KWH
Next 350 KWH per month.....	4.5¢ per KWH
Next 1000 KWH per month.....	3¢ per KWH
Next 1000 KWH per month.....	2¢ per KWH
Next 2500 KWH per month.....	1.5¢ per KWH
Over 5000 KWH per month.....	1¢ per KWH
The average price per KWH under this rate shall not be less than 2¢ net per KWH.	
MINIMUM NET BILL, per month.....	\$1.00
POWER RATE	
	NET
First 200 KWH per month.....	6¢ per KWH
Next 300 KWH per month.....	5¢ per KWH
Next 500 KWH per month.....	4¢ per KWH
Next 1000 KWH per month.....	3.5¢ per KWH
Next 8000 KWH per month.....	3¢ per KWH
Over 10000 KWH per month.....	2¢ per KWH
MINIMUM NET CHARGE PER H.P.	
1.00 per month for first horsepower	
.50 per month for over horsepower	
The average price per KWH under this rate shall not be less than 2¢ net per KWH.	
MINIMUM NET BILL, per month.....	\$1.00

HUC Becomes Interconnected

As the community continued to grow, the Commission sought to alleviate any strains on the supply of electricity. They found their answer in forming a relationship with a company known as the Rural Cooperative Power Association (RCPA was later absorbed into the United Power Association, which today is known as Great River Energy) during the trying times of the mid-1960s. RCPA approached HUC to see if they would like to connect to its large transmission system, which would enable Hutchinson to share in the economies of an integrated electric network. Electric transmission is a system through which electricity is transported over long distances to consumers. This arrangement is commonly referred to as an “interconnection” among two or more parties. A transmission system connects the power flow of lines through a power grid of interconnected transmission lines. As the demand for power increased, the power that Hutchinson customers would receive would come from any number of RCPA’s power plants or stations. Both parties signed an Interchange Agreement that determined which party was to be responsible for the maintenance and/or operation of any shared equipment. It announced that both parties intended to collaborate to actualize the main objectives of the Utilities’ mission: “greater efficiency, increased service reliability and the reduction of power costs.”^{lxiii} The Commissioners agreed to the stipulations that they would not interconnect nor buy electricity from anyone else.^{lxiv} This was the beginning of a long and fruitful accord between the two parties that is still in existence today. Less than three years later, 1968, the Utilities and RCPA added a supplement to their original agreement in which the Commissioners assented to construct a 69 kV loop and add a substation to improve the operation of their interconnected systems.

Growth in Hutchinson

Adding the Nordberg unit to the growing fleet of engines was not enough to satisfy the town’s thirsts for electricity in 1966. A surge in the community’s population coupled with the increased demand required by commercial businesses, such as the Minnesota Mining & Manufacturing Company and the newly created Hutchinson Industrial Corporation (now known as Hutchinson Technology Incorporated or HTI), commanded the Utilities’ attention. The Electrical Department’s first course of action was to order transformers and switchgear equipment to raise the plant’s distribution to 13,800 volts; E. A. Pedersen Company would furnish the work and materials for \$111,400. After retaining use of one of the original and old McIntosh-Seymour engines for three decades, the Commission decided that it was time to retire unit #3 as well as the oldest Nordberg engine. Another two electrical generating units were needed. Once again, the Utilities was looking to purchase engines that possessed a dual fuel capacity via the public bidding process.^{lxv} Afterwards, the Commissioners agreed to purchase two 4,000 kW Worthington generating units to be placed in the other units’ stead. These large purchases required another plant expansion (the last one had just occurred in 1962) and were to be funded partly from the Commission’s half million dollar reserve fund as well as from revenue bonds; no tax levy was required.

Ramifications of War

All of these plans were tested when Communism fanned throughout the world and manifested itself in North Vietnam. While the military conflict began in 1955 and the United States did not get

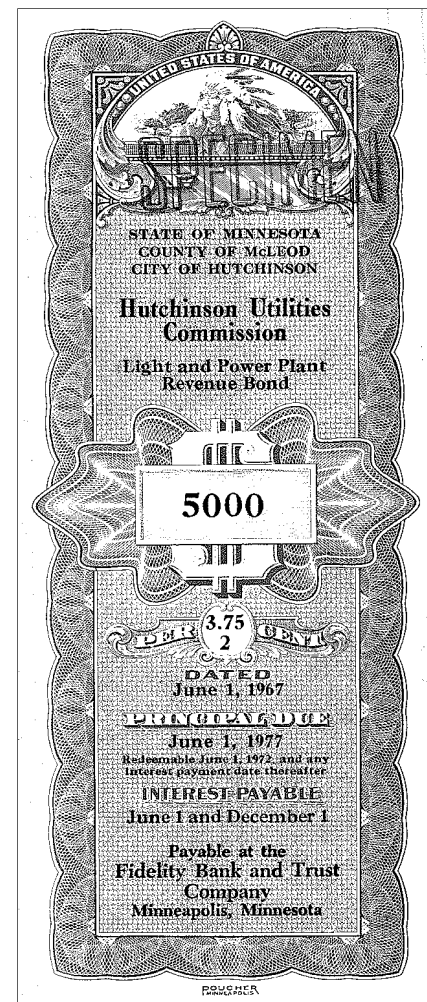
involved until the early 1960s, the war did not directly affect the daily routines of the Utilities until the end of 1966. It was brought to the Commissioners' attention at a monthly meeting that they were facing a potentially severe shortage of equipment. To their detriment, much of the material and equipment needed for the diesel engine generators, electrical installation, and wiring for the switch gear equipment and plant was in extremely short supply; so much so that the expected delivery dates were at least 38 to 42 weeks behind schedule. Furthermore, it was pointed out that all the planning and engineering would not be completed until March of 1967. It became possible that the supply of materials could become frozen due to escalating war efforts; this would in turn prolong and jeopardize the timeline of obtaining plans, calling for bids, and actual completion of the energy expansion project.^{lxvi} Declaring a state of emergency, the Utilities Commission announced that they were forgoing the proper bidding process and instead were moving hastily because of impending time restrictions that were caused by the Vietnam War. Consequently, they hired E.A. Pedersen Company to furnish the labor, material, and equipment necessary to complete the installation of the diesel engine generators, electrical installation, and wiring. Plans were immediately put into action to start on improvements to the Power Plant.

Bidding for Additions to the Infrastructure

Continuing the cycle of plant expansion, the Commissioners looked to the Carleton D. Beh Company to act as their fiscal agents and prepare the sale of another \$700,000 bond issue. Within a few weeks, a 'Notice of Sale' was advertised in many publications, including the local newspaper. Administering public, or open, bidding processes was vital to the profit margins of the Utilities because it fostered a spirit of competition among the potential bidders that usually resulted in prices being slashed. Lower bids directly resulted in savings for Hutchinson Utilities' customers. For this occasion, the most economical bid that was proffered came from Worthington Corporation. Upon receiving the base price and estimates for the building expansion project, the charges totaled \$1,360,000. The construction and expansion consisted of the installation of two 4,000 kW Worthington dual-fuel engines, provision of engine foundations and building alterations, installation of transformers, distribution panel boards, and control wiring, interconnection between generators and switchgear, and other "incidental" costs. Hereinafter, the engines soon arrived and work commenced on the plant expansion project.

Filling a Leadership Void

During these trying, albeit exciting times, something was absent from HUC. A revelation was revealed at a Commissioners'



A specimen of a Revenue Bond from 1967.

monthly meeting; the men realized that the Utilities currently did not have a sole individual to lead the two divisions. Someone was needed to oversee all of the business activities while remaining subject to the supervision of the Commission. After the creation of the Gas Division, vested powers were divided between two men running the two separate divisions (prior to having municipal gas, the Electric Plant was run by a superintendent). R.E. Young, the Electrical Superintendent, was formally appointed to be the very first General Manager of the Hutchinson Municipal Utilities.^{lxvii} The tradition of having a general manager has continued through to this very day.

A Proposal from the State

Throughout the latter part of the decade and well into the next, the Utilities was repeatedly confronted with the issue of rate increases by a state entity, especially for natural gas. One such matter happened in the spring of 1969, when a proposition, by the name of Capital House File #1681 and Senate File #1478, suggested that the state was to be able to regulate the powers and operations of public utilities, including the setting of rates of Minnesota Utilities.^{lxviii} Holding steadfast to its customers' wants and needs, the Utilities Commission staunchly opposed the files' passage because they saw it as a potentially devastating blow to the welfare of the citizens of Hutchinson. By the rules set in Hutchinson's Home Rule Charter, in which the Commission was granted ownership of both the Electrical and Gas Distribution systems of Hutchinson, this new law would have relieved the Commissioners of their appointed duties, namely to operate the two departments in the best interest of the city's citizens and to set reasonable and affordable rates. Fortunately, the files were defeated and local utilities across the state carried on in their self-governing ways.

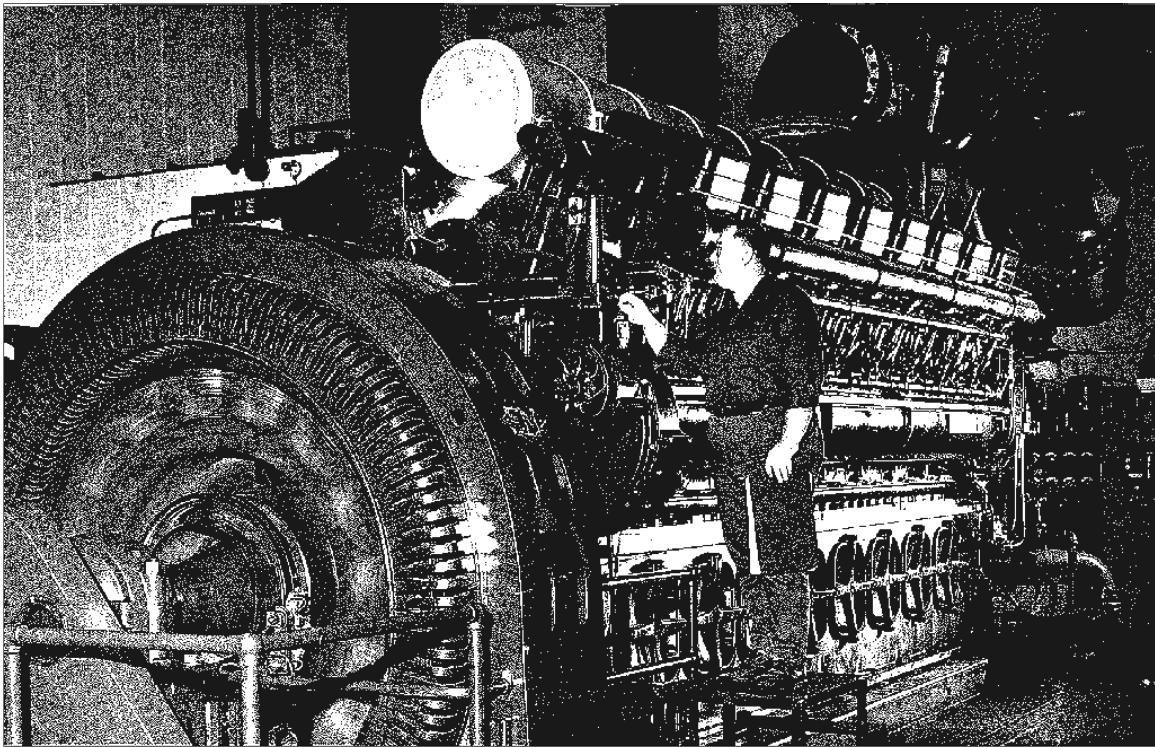
The Perpetual Demand for Energy

In spite all of the Commission's moves to quell the energy scarcity, the mounting electrical needs of the town could not be stopped. Seeming like a competitive sport, the community would grow and the Utilities had to counter with a play that resulted in the increase of distribution. A headline in the Hutchinson Leader declared that McLeod County had an 11.3 percent population gain since 1960; it was only 1968.^{lxix} The growing demands were most aptly demonstrated when Hutchinson's local high school energy needs increased. As the school's demand multiplied, HUC had to respond with a three-fold voltage increase, from 4,160 to 13,800; consequently, the Utilities responded by obtaining another transformer to support the school's growth.^{lxx} Through discussions with the Rural Cooperative Power Association of Elk River, they agreed to construct a transmission line (69 kV) that would furnish additional electrical service. This line was going to connect RCPA to Hutchinson and Litchfield as part of a \$2 million project of constructing new transmission facilities during 1968.^{lxxi}

Another round of growth tested the Utilities' services when Minnesota Mining & Manufacturing made two requests in the winter of 1968 to 1969; first was for a 3,100 kW increase in load at their plant in Hutchinson. The latter was that they were planning to increase their demand by 1970 from 6,200 to 12,000 kW.^{lxxii} Because of this the acceleration of construction plans by 3M, among other large power consumers, HUC determined that it needed to survey the community to get a more accurate picture of the anticipated levels of generating capacity. When the results were tallied, it was discovered that there

was an abnormally high load growth. In reaction to the survey's outcome, the Commission realized that they needed to procure the proper equipment to handle the power demand; otherwise they risked a power outage by the following summer if any major generation equipment failed.

Through each tactical maneuver, the Utilities always addressed the energy concerns in the best possible manner. Yet, a much more substantial purchase was needed to adequately satisfy the mounting needs of Hutchinson's businesses and citizens. With the dawn of the new decade, the most spectacular of the Utilities' plans was about to unfold.



An employee hard at work on one of the Plant's units.