

Chapter 9: Changes Beyond the Horizon—the 1980s

The volatility and adversity of the prior decade was followed by a more stable period. Barring a natural disaster that wreaked havoc in Hutchinson, peace transcended over the Utilities. While the Utilities did not have to contend with equipment problems or international oil woes, HUC did experience a multitude of turnovers. New relationships were born as others passed on. Plans were made while others did not come to fruition. Fresh projects were begun and other ventures matured. Spurts of growth were once again common occurrences that challenged management. Out of all these changes, what came to be seen as the most remarkable transformations were what happened within both divisions of HUC. In the past, all electricity had been generated from the Utilities' own facilities. As time passed and as energy agreements were made, more power was being purchased from other suppliers. All the while, a synchronization of government decrees transformed the natural gas industry. These events irrevocably altered the character of HUC's electric and gas divisions, forevermore.

Wheeling Charges Appear in the ITA

As the Utilities entered a new decade, relations between HUC and UPA returned to normalcy following the Curtiss-Wright unit debacle. When another recurrence of growth spurts hit the town, management turned to UPA for assistance in acquiring power. In honor of HUC's objective that called for an affordable and reliable supply of power, the Utilities joined a large interconnected system in 1965 because they believed it was in their best interest. An interconnection provided reduced costs for energy because it obviated the duplication of facilities and afforded participating parties the ability to schedule more advantageous power transactions. Therefore, in 1981 the Commissioners accepted an offer to purchase 10 megawatts of power from UPA; the power was generated from UPA's Coal Creek station, the largest lignite coal-fired plant in America, which was located in North Dakota.^{cxvii} This new deal was signed into reality when both entities signed an amended version of the ITA in 1982, lasting for five years.^{cxviii} There were two new provisions that appeared within the document. The first was that all preceding agreements between the two parties were terminated. More importantly, the latter condition was a costly expenditure that from here on out would be billed to the Utilities. Referred to as "wheeling charges", this said expense was waged by UPA to cover costs incurred when energy was transported from its transmission system to Hutchinson Utilities. Because an interconnection operation was an expensive affair, the cost burdens had to be divided among the involved parties, hence the creation of wheeling costs. The wheeling charge was supposed to equal UPA's costs of owning, operating, and maintaining its own system. Originally, the estimated charge was determined to be 5.00 mills per kilowatt hour (kWh). Even though there were investment opportunities that HUC could have pursued to eliminate the wheeling charges, management originally opted to forgo such options to instead paying the more affordable daily fees. At first, the Commission was content with the conditional addendum, yet as the years passed by, the wheeling charge manifested into a point of vexation for the Utilities.

Another ITA is Begun

Within a year of signing the ITA with United Power Association, the Utilities was looking to enter into a second interconnection with a different organization, known as Cooperative Power Association (CPA). Similar to UPA, CPA was an electric utility engaged in the business of generating and transmitting electric power throughout Minnesota. Once more, the Utilities was probing available resources, seeking to find projects that could help lower the current uneconomical costs of transmission. One calculated solution was to share the transmission assets of another company, such as CPA. Representatives from the engineering firm, Associated Consultants, explicated the advantages of creating an additional tie to CPA's north-south Big Swan 69 KV line. Prospective savings amounted to approximately \$240,000 of participation power and economy energy; the latter term essentially meant that energy available from one party's transmission system would be used to replace more costly energy in the other party's system.^{cxxviii} While an investment of \$1,000,000 would be obligatory to make this interconnection, a feasibility study revealed that the savings from this deal would result in a three year payback that included interest.^{cxxix} Future financial benefits could be realized soon thereafter. The line was owned by not only CPA, but Northern States Power (NSP) as well; the companies were affiliated since August 25, 1967, when the two parties signed an ITA. CPA's 69 kV transmission line extended south from its Big Swan 115/69 kV substation to connect to the Integrated Transmission System (ITS) facilities owned by NSP on the fringes of Winthrop, Minnesota.^{cxxx} Due to NSP's partial ownership of the line, the Utilities agreed to buy economy power from Northern after they learned of the savings that could be generated. Upon much discourse and discussion, the Commission board unanimously agreed to commence plans to construct a switching station. These stations are a particular type of substation where energy can be routed to different sources; they often contain items such as circuit breakers and other "automated mechanisms that switch or divide their output between different distribution lines when system faults occur or shut down transmission altogether in the event of a serious problem."^{cxxxi} On February 27, 1984 the ITA was signed by both HUC and CPA. Due to the nature of CPA and NSP's own transmission agreement, the Utilities also signed a Connection Agreement with NSP that bore witness to the new arrangement between HUC and CPA.^{cxxxii}

After preparations for the switching station were made and land easements were procured, the Commissioners administered the task to management to begin the bid process. Ads called for the furnishing and delivery of material and equipment for the switchyard, control house, and associated transmission line.^{cxxxiii} Bids from eight contractors/suppliers from four Midwestern states were opened during August of 1983. After receiving recommendations from Utilities' staff, the Commissioners awarded the bids to Emblom Brothers Construction of Sauk Centre for the construction of a 69 kV switchyard for \$260,785, a control house for \$115,490, and the transmission line for \$35,000. All three items were expected to take 122 days to be completed.^{cxxxiv} The interconnection could be found approximately one mile east of Hutchinson, where the Utilities' 69 kV transmission line would connect to CPA's Big Swan-Winthrop line. All the aforesaid equipment was to be at all times under the proprietorship of HUC.

Since HUC had three ties (one with UPA, another through NSP, and the last with CPA,) the Utilities was, according to General Manager Alexander, “sitting on a real good deal.”^{cxxxv} These connections enticed offers from larger companies when the Utilities engaged in energy negotiations, often times affording HUC opportunities in which they could realize substantial savings. In 1985, both gas and electric rates were decreased in large part because of HUC’s ownership of three tie lines.

Conservation and Renewable Energies

A rhetoric of conservation resurfaced during the 1980s at the offices of the Utilities. While it had never strayed far from the minds of management, there was a new awareness of the need to safeguard energy resources; this consciousness was not the result of a directive given by any state/federal government body or a result of power outages, but rather it was a concern derived from the men and women of HUC. Utilities’ workers and Commissioners maintained this pursuit throughout the decade while it combed through different parts of conservation. Beginning in 1980, the Commission board instructed General Manager Alexander to work with the staff in creating an Energy Conservation Program that could be implemented permanently.^{cxxxvi} While no formal agenda would be fashioned until the next decade, many incidents took place in which the Utilities gave money or made other concerted conservation efforts, such as performing home or commercial energy audits.

To solidify their predilections of being a more energy-conscientious entity, the Utilities joined the Demonstration of Energy Efficient Developments (DEED), a spawn of its mother organization, American Public Power Association.^{cxxxvii} At the time of its inception, DEED was the sole research/grant and development program in the country that was funded by and for public utilities. Its core ambition was to invest in future, affordable technologies that would endorse energy “innovation and efficiency”.^{cxxxviii} Fortunately for HUC, a grant was received from DEED. Those funds were used to service commercial audits to businesses around Hutchinson. This spirit of conservation was shared between the Utilities and City employees when initial steps were taken to form a Community Energy Council.^{cxxxix}

It was clear to HUC that working in a collaborative manner with other organizations would result in a more fruitful outcome in terms of energy conservation. Knowledge of sustainable energy types had grown exponentially during the 1980s, which in turn made the information accessible to a broader audience. The Utilities tried to discern what forms of renewable energy were viable options for Hutchinson. Three of those choices were seriously considered by HUC: waste heat, cogeneration, and hydroelectricity. During a Commissioners’ meeting in 1981, a representative from Associated Consultants made a presentation about a possible joint venture between HUC, UPA, and 3M that would utilize the appositely dubbed, “waste heat”. Regarded as a waste by-product, hence the name, it was the heat produced by machines and electrical equipment. It was a simple idea: to mitigate the loss of produced energy by salvaging the wasted energy and converting it into clean power and useful steam. Alas, the economic benefits of the waste heat recovery method required expenses that were far too expensive. HUC could not justify the spending of monies because of the financial repercussions that could potentially affect Hutchinson rate payers.^{cxl} After the Utilities had dabbled in waste heat research,

the Commission board and 3M turned their focus to another type energy recovery system known as cogeneration. Cogeneration is analogous to waste heat in that it also seeks to recycle formerly squandered energy. The two concepts differ in that waste heat recovery recycles energy that the manufacturer is already emitting, thus no additional fossil fuels are used, while cogeneration runs on natural gas or another traditional fuel source.^{cxli} Yet, cogeneration can recapture the heat produced by generation equipment and simultaneously transforms the heat into more electricity and a functional use for heat and steam. One of the main pitfalls to cogeneration was that it would have required 3M to purchase the necessary equipment and assemble it on its property as well. While cogeneration was an appealing option for both parties, there would have been a duplication of facilities and the required maintenance would have been burdensome and time-consuming. Coupled with the expensive price tag, the Utilities refused to incur such a considerable and unnecessary expense that would have inevitably been passed onto HUC's customers.^{cxlii} Therefore, it was not a feasible option.^{cxliii} Even though the doors to these resources had been shut, the Utilities would remain wide-open to other conservation opportunities.

Throughout the decade, the Utilities was approached by three different hydroelectric companies. Hydropower is energy that is harnessed from moving water. While it is not only a more environmentally-friendly way to produce power, it also tends to be cheaper than traditional generating equipment running on fossil fuels. Hydrodynamics, Inc. was the first to make contact with the Utilities in the early 1980s. The company was in the process of erecting a hydroelectric plant at an existing dam in St. Cloud and was hopeful that HUC would accept their offer to buy some of the power.^{cxliv} It fell through. A few years later, a business based in San Francisco traversed the nation to purchase a 12 megawatt hydroelectric facility in Minnesota. HydroPool, Inc., hoped to sell some of its output by entering into a binding 17 year-long agreement (starting in 1987 and ending in 2004) with HUC.^{cxlv} Because of the prolific relationship that the Utilities already enjoyed with UPA (the newly amended ITA allowed for HUC to secure 10 MW of affordably priced energy), they opted to turn down HydroPool's offer. Then came along an offer the Utilities simply could not refuse. A corporation from Canada, Manitoba Hydro, was in the market to sell 15 megawatts of firm power from their Nelson River dam for a reasonable, almost cut-rate cost. Yet, because of the independent and autonomous status that the Utilities currently held, Manitoba Hydro would not deal directly with HUC. After a few years, HUC attained a new standing with UPA that in turn allowed the Commissioners to communicate with Manitoba personally. Due to great misfortune, the Commission's hopes were dashed when a delay in paperwork caused an abrupt end to HUC's involvement in the project (a more detailed account of this incident can be found below).

While most of these renewable energies were ultimately not chosen by HUC, this series of events were a grand demonstration of how Utilities' management and workers were meticulously evaluating a myriad of conservation options, seeking to find the most befitting opportunities for Hutchinson. Optimistic, the Utilities would continue investigating their options until more suitable ones were discovered in the '90s.

A Natural Disaster Strikes

Disaster struck the heart of Hutchinson when a tornado touched down, unexpectedly, on June 13, 1983. Even though a tornado watch had been issued at 4 P.M. on that Monday, there was no indication that the community was in a tornado's path since the storm came from an unusual direction. It began to tear through the town around 7:05 P.M. Hardest-hit was the southeast portion of Hutchinson. Within an hour, the all-clear was sounded. Various city departments, volunteers, and Utilities workers emerged from their safe havens and immediately commenced clean-up efforts. The trail that the twister left was one of wreckage: fallen trees, debris, and wind-swept cars were a common sight. Particularly weather-beaten was the McLeod County Fairgrounds, located adjacent to Fair Avenue, which was the scene of toppled walls and torn-off roofs strewn about the grounds. While thankfully no one was seriously injured, the twister wreaked havoc on the power lines that in turn triggered traffic problems.^{cxlvi} In addition, some main feeders were down while feeder lines to the southwest and southeast of the city were proclaimed by General Manager Alexander to be "torn up pretty bad." Even the power plant was a victim of the storm's wrath; a roof landed on the plant and was subsequently moved. A majority of the electrical damage was located north of the Fairgrounds. Moving swiftly, the 20 Utilities' workers labored around the clock to restore power and take care of downed lines regardless of some obstacles that they had to contend with, such as flat tires.^{cxlvii} Many of the men only had enough time to change clothes and grab a quick bite to eat before they were back at work. Electric crews were able to complete most of the work by the following evening in part because of assistance offers that poured in from various utilities, including Elk River, Glencoe, Marshall, Mankato, and McLeod Cooperative Power Association. General Manager Alexander applauded the camaraderie that existed between utilities when he exclaimed, "In a disaster like this, everyone is willing to drop their own work and come to give you a hand."^{cxlviii} When all was said and done, the tornado caused approximately \$1.3 million in damage to the community. Estimated costs for the Utilities' work was between \$8,000 to \$9,000, while the cost estimate for materials, such as wire, poles, and transformers were in the tens of thousands. Commendable was the efforts of the Utilities as well as all the other city workers and volunteers who helped in the storm's aftermath. Hutchinson continued to be battered by severe storms throughout the rest of summer that kept electric crews preoccupied as they successfully worked to shorten the duration of several power outages.



Protective Measures against the Weather

As summer ends, a cooler climate is ushered in by the changing of seasons. All through the mid-1980s, concerns about peoples' well-being grew across the northern part of the country when utility companies would shut off power to customers who did not have the funds to pay their bills (or simply

refused to pay) during wintertime, thus endangering their health. In response, a pervasive mandate was put into effect by the Minnesota Public Utilities Commission (MPUC), hereto called the Cold Weather Rule, which was to be abided by all utilities it regulated. From October 15 to April 15, residential customers are guarded against these wintertime shut-offs with a stipulation stating that residents are obligated to apply for an “inability to pay” status, which designs a payment plan with their utility supplier in mind. Municipal power suppliers and most electric cooperatives were not governed by MPUC; therefore they were not bound to abide by the new policy. Yet, many followed the rule upon a request received by Governor Rudy Perpich. HUC did not have to adopt this rule because it had already established its own weather rule at the time of its inception in 1936. The Utilities would watch when temperatures would fall and temporarily refrain from shutting off power or gas to customers in an attempt to have the affected persons pay their bill before the expiring date of the disconnect notice. Rate payers were encouraged to work out a budget that would guarantee the payment of utility bills. Customer service personnel were assigned the task to help set up payment plans and direct those individuals to obtain energy assistance funds from various government or philanthropic agencies.^{cxlix} Mirroring its wintry policy, the Utilities has a comparable rule that is applied during the summertime: if there is an advisory heat index issued, there are no power disconnects. Continuing to this day, the Cold Weather Rule/heat index advisory shields customers from the chilly throes of winter and the blistering heat of summer.

The Impact of Deregulation and Open Access

Another regulatory government body issued a ground-breaking rule that had nation-wide ramifications. The Federal Energy Regulatory Commission (FERC) announced that they planned to implement a new measure in 1986, hereto known as Order 436. Government oversight of all sorts of public utilities, particularly natural gas, had dated back to the 1930s and was seen as being a fundamental cornerstone on which the current utility infrastructure was built upon.^{cl} Interstate transactions of natural gas had come under the supervision of FERC while intrastate transactions became monitored by state public utility commissions (PUCs). As time passed, it became apparent that the heavy regulatory measures that FERC and PUCs instigated were flawed and had produced poor results; the federal jurisdiction had set natural gas price caps to safeguard consumers’ wallets. These price ceilings discouraged companies and entrepreneurs to seek and discover new supplies because there were no lucrative incentives available. All the while, transportation markets became monopolized by pipeline companies due to the lack of proper competition. What resulted was a distorted and inflated price charged for natural gas. These costs were then imposed on customers.

Starting in 1978, the government moved towards a path that would lessen the amount of government restrictions applied to private companies; this new direction was known as deregulation. Order 436 came in succession as the most sweeping measure that FERC had yet taken. Many politicians, economists, and utility representatives clamored for natural gas prices to be determined by the free reign of the marketplace instead of through restrictive and arbitrary price ceilings. These same persons championed the concept of government deregulation and intended to create a transformed natural gas marketplace founded in the belief of nondiscriminatory, open-access transportation. Assenting, FERC’s

Order 436 required interstate pipelines to transport gas for any supplier. “Open-access” was now assured to all providers while it abolished sole wholesalers of gas (i.e., pipeline companies). Hereafter, pipelines could now be used as “common carriers” by utilities of all shapes and sizes.^{cli} Local distribution utilities were able to bypass pipeline companies’ steep gas prices and purchase natural gas directly from the producers.^{clii} Following the first steps taken to deregulate the United States’ gas industry, production increased, proved reserves decreased, and gas usage proliferated.^{cliii} While the nature of natural gas oversight has changed over time, FERC continues to regulate interstate commerce while intrastate affairs are handled by PUCs. Order 436 unearthed a variety of options for HUC to pursue, all to the benefit of the Utilities’ consumers.

Open-access coupled with deregulation had a profound impact on Hutchinson Utilities’ consumers and one of its successful business agreements. As soon as deregulation was enforced, natural gas suppliers fought to remain price-competitive. Northern Natural Gas Company, HUC’s supplier, slashed their prices; those savings were passed along to the citizens of Hutchinson. Within one year, Utilities’ management staff stated that the average savings realized by each residential gas user was between \$20 and \$25. The expectation of the Commissioners was that natural gas costs would remain low, with the strong possibility that prices would continue to decline throughout the following years.^{cliv} While customers were thrilled that they were able to keep their wallets more full, the Commissioners were contemplating the dissolution of a successful 12 year-old agreement.^{clv} For more than a decade, HUC had peak-shaved for Circle Pines. However, the policy of open-access invalidated the necessity of the agreement.^{clvi} Principally, natural gas had become more affordable to purchase than generate and Circle Pines was free to choose whatever supplier was to their fancy. In June of 1987, the Commissioners passed Resolution 18 that declared the Utilities’ desire to withdraw from the agreement. HUC encountered some opposition from Northern Natural Gas Company, which prolonged the process, but Northern did release Hutchinson from the agreement in September of 1989.

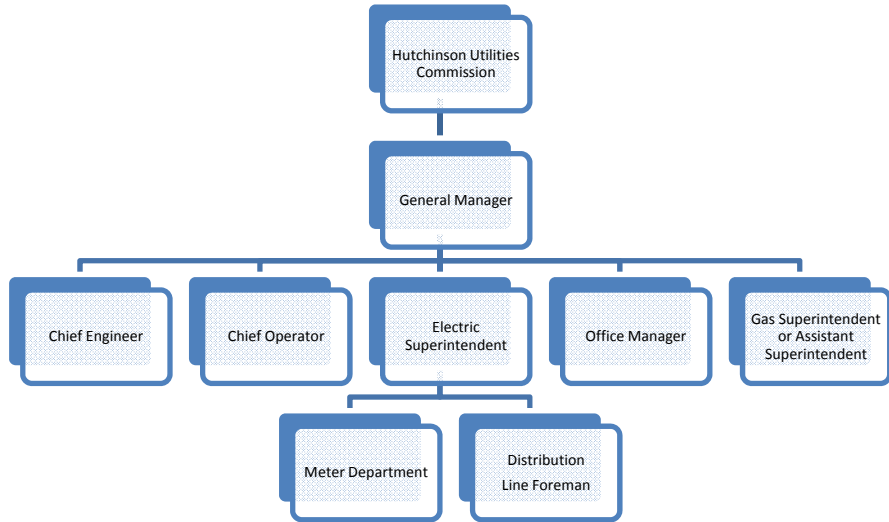
A Change in Structure

The 1980s was a testament to the growing concerns that businesses had regarding their levels of competence, adeptness, and effectiveness. Intrigued to know the Utilities’ level of efficiency, the Commissioners hired a consulting firm, Hay Management Corporation, to accurately gauge the assets, weaknesses, and overall organization of the company. HUC was given a glowing review of its staff’s organizational clarity and the ability of its staff and management to foster an atmosphere that encouraged openness among all employees. Hay reiterated the primary accountabilities of the Commission and General Manager: the Commission were representatives of the citizens and were ordained to ensure quality service to the community through the establishment of policies, articulating and setting goals, and appraising results while the General Manager coordinated day-to-day direction and operations. After the preliminary phases of the study were completed, the consultant from Hay most ardently stated that the organization of the Utilities needed to deviate from its past and embrace the possibilities of a fresh methodology to its structure. New interim General Manager Ruth Hakel was appointed the task to design a new organization structure for the Utilities. Hakel reconstructed the 45 employee positions in a more current and fluid Utilities’ organizational chart that was immediately

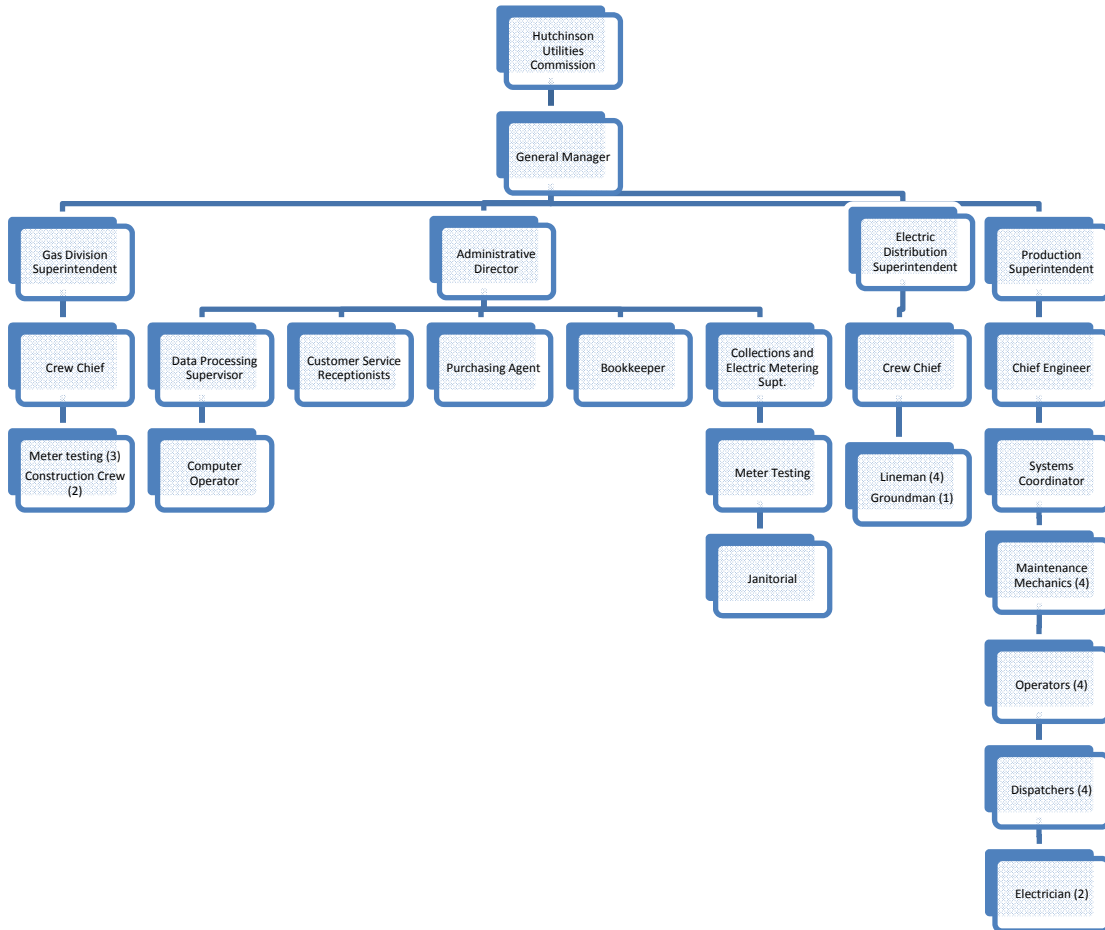
actualized upon approval from the Commission. Through the streamlining of job positions and re-designation of tasks, Hakel eliminated two superintendent/manager positions, and divided the formerly consolidated position of Superintendent of the gas and electric departments into two separate job posts. There are resemblances between the chart from 1986 and the current 2010 structure, even in spite of the Utilities' current employment roster, which totals 57 persons.

On the next page there are two organizational charts that are separated by 18 years. The first dates back to 1968; the latter table is Hakel's creation. An analysis of the charts through comparing and contrasting the diagrams reveals how much the internal structure of the Utilities altered in less than two decades.

Organization Structure of the Hutchinson Utilities during the autumn of 1968.



Organization Structure of the Hutchinson Utilities during the winter of 1986.



HUC Considers Becoming Equalized

From the beginning of the decade and for the following six years, the Utilities was courted by United Power Association to enter as a more preferential member in one of its Integrated Transmission Agreements (ITA). An ITA is a legal agreement that is signed by interested parties and establishes the framework for the planning and use of electric systems; members divvy up the maintenance, operating, and maintenance costs based on the extent to how much each party utilizes the system while the construction or selling of facilities are to proportionally reflect a participant's demand on the system. Planning joint systems commanded a significant time commitment from utilities and required a vast amount of coordination and cooperation between the partakers. The Commissioners pondered the rationales of why Hutchinson Utilities, an autonomous municipal utility, would join a power agency. Ultimately, they had settled on the notion to retain their freedom and instead accepted the status as a non-equalized member in the amended Integrated Transmission Agreement of 1982. Up to this juncture in time, the Utilities was capable of adequately nourishing the city's power needs through local production and the supply of 10 megawatts of energy, courtesy of UPA. For the time being, HUC was pleased with this arrangement.

United Power Association's proposition became more tempting in the minds of Utilities' personnel as time passed by. As the possibilities of being a fully equalized member in the ITA were disclosed, HUC became thrilled by the potential prospects that were open to them, along with the possible realization of massive savings through eliminating wheeling costs. The Utilities became exasperated after years of paying the exorbitant wheeling charges billed to them by UPA. Another attractive feature to becoming equalized was that they would have an amplified voice in determining future policies and planning imminent improvements to the transmission system. In addition, the ITA was able to provide greater reliability of transmission service with the reduction of possible interruptions while improving the overall quality of power. Making the 100 percent equity investment also held these other attractive traits: complete use of UPA's transmission system with the ability to purchase wholesale power from other utilities and having the opportunity to sell excess HUC capacity to others connected to UPA's transmission system.^{clvii}

Further fueling their desire to seek a new arrangement with UPA was the Commission's growing interest in certain environmental projects, particularly the vastly appealing hydroelectric dam in Canada, named Manitoba Hydro; entering as a more prominent member in the ITA would afford the Utilities leverage if they were in the market to buy wholesale power from companies like Manitoba. Utilities' management was informed that in order for HUC to have the ability to work with larger energy suppliers, such as Manitoba Hydro, they would have to become an affiliate of some power organization. Essentially, that meant spending a considerable sum of money to attain a more eminent role within an energy entity. Coincidentally, UPA was already preparing to consummate an agreement with Manitoba Hydro.

The Allure of Manitoba Hydro

One of the most enticing business undertakings was to purchase electricity from a dam along the Nelson River in Canada, 800 miles north of Winnipeg, through the United Power Association. The proposed generating capacity of the project was determined to be 1,100 megawatts, with 850 megawatts reserved for use in Minnesota. In addition, five other upper Midwest utilities had signed a memorandum of understanding in which they pledged to purchase hydro power from Manitoba Hydro. Beginning in 1996 and ending in 2016, these utilities would be able to buy energy at a fraction of the actual energy cost. HUC was informed by UPA that purchasing power was a bargain compared to erecting power plants or buying energy from other sources.^{clviii} Tony Rude, Vice President of UPA, informed HUC that they had a real shot at being able to negotiate for a better power supply contract if they became equalized in the ITA; 15 megawatts (MW) of cheap and environmental power was available courtesy of Manitoba Hydro. The offer put forth by the Canadian company was too sweet for the Utilities to pass up. Due to misfortune, even though HUC had verbally committed to purchasing the 15 MW and set out to sign all the necessary documents and affidavits, the agreement did not come to completion because the required papers were handed in belatedly, by a single day.



A modern-day picture of the Manitoba Hydroelectric dam.
This photo is courtesy of flickr.com.

The Utilities Try to Become a Big-Wig in the ITA

The ITA that the Utilities was looking to join was the integrated system of United Power Association and Southern Minnesota Municipal Power Agency (formerly United Minnesota Municipal Power Agency; SMMPA provided bulk power generation and transmission services to a number of

municipal utilities). To attain a 100 percent equalized membership, HUC needed to pay an estimated sum of \$4,100,000 to UPA for a 69 kV capacitor bank, five spans of the “HN” 69 kV line near Hutchinson, 14.3 miles of the Elk River-Bunker Lake 230 kV line, the Dickinson 230/69 kV substation, and a 24 mile section of the Blaine-Rush City 230 kV line. UPA then confirmed that they would repurchase all or part of the facilities sold to HUC if the Utilities thought it imperative to construct new ITA facilities in the future.

While eager to embark on a new, more fruitful relationship with United Power Association, the Utilities needed to confirm that becoming equalized in the ITA was a pragmatic business venture; the Commissioners had a profound concern about the bottom line and possible savings that could be transferred to consumers. If HUC decided to pursue no course of action, a representative from UPA issued this dire admonition: wheeling costs were projected to escalate at about 4 percent per year. He figured that during a span of 10 years, from 1986 through 1995, the wheeling charges would amount to a staggering \$9,905,000.^{clix} After carefully considering and weighing the advantages against the disadvantages of equalization, the Commission board acted prudently when they moved to partake in the ITA as a newly-minted equalized member through accepting the proposed contract.^{clx} Hoping to move plans along swiftly, all parties agreed to set HUC’s adoption date of the ITA for May 1, 1987, while the purchase of \$4,106,736 worth of facilities needed to take place prior to December 31, 1989.

ITA Difficulties

Hutchinson Utilities’ quest to buy into the ITA was not without its obstacles; at times some were seemingly insurmountable impediments. The main hindrance in their equalization pursuit was due to the confines of a state statute regarding municipal utilities. At a Utilities’ meeting, the Commissioners were informed that entering into the ITA required a “broader scope of authority” than what the Board was currently charged with, according to Hutchinson’s City Charter. Two of the duties that the Commission needed to carry out were the ability to contract within and outside of the state for the transmission of power and the authority to purchase ITA facilities. According to state law, these undertakings were authorized for utilities unless the law was overridden by a city’s charter; Hutchinson’s Charter placed geographical and authoritative limitations on HUC. In an attempt to gain the Charter Commission’s permission, the Commission only requested the authority needed for negotiation purposes and did not request the further blanket responsibilities offered by the state statute.^{clxi} Hutchinson’s City Council did acquiesce, after a short deferment, to HUC’s requests by granting a limited extension to the authority of the Commission. Making their reluctance known, the Council members stated that they had been loath to increase the Commission’s authority because they were afraid that the Utilities Commission would misinterpret the boundaries of their newly-rewarded powers. The Utilities’ attorney assured that such a scenario would never take place and restated that the basis for the enhanced authority of HUC was to increase the Utilities’ capacity to negotiate agreements that affirmed an economical supply of energy. With the City Council’s approval, the Utilities went on to sign the ITA on November 24, 1986.

While the Utilities was trying to persuade council persons to increase the Commission's powers, HUC's employees were working in tandem to find the necessary monetary funds for the buy-in. It had been decided that to be equalized, HUC needed to purchase part of the Dickinson substation, west of Delano, Minnesota. In the end, management converged on the idea that the best financial route to take was to issue \$4 million worth of bonds because it was the most expeditious way to finance the buy-in. This decision was challenged by the City Council at a joint meeting; the council called to question the Utilities ability to repay the bonds without adversely affecting consumer rates. Commissioner Bud Daggett responded to their doubts by informing the members that the Utilities had cash revenue aplenty to repay the bond, aside from the savings that were to be collected following the eradication of transmission costs.^{clxii} A representative from Associated Consultants asked for the City Council to be judicious when they were looking at the big picture. He rationalized, "The longterm (*sic*) benefits of the ITA have to be considered rather than just the bond issue."^{clxiii} Fortunately for HUC, the Council members did and conceded the Commissioners' request to move forward with seeking offers for the bonds. On November 24, 1986, the Utilities passed a resolution to sell \$3,902,000 worth of Electric Utility Revenue Bonds. By the middle of December, the approved bid for the bonds was awarded to the lowest bidder, Clayton Brown and Associates Inc., a Chicago company.

The adoption date for the ITA, May 1, 1987, was looming near. What was thought to be the final barriers to the Utilities' equalization pursuit was the garnering of approval from the Rural Electrification Association and Southern Minnesota Municipal Power Association. A waiting game commenced. After six weeks of silence, the Utilities decided to enlist the help of former REA director and Hutchinson native, Ancher Nelsen, to hasten the process. The Utilities had already agreed to purchase a percentage of the transmission system in exchange for the forgiveness of wheeling charges. Yet, REA held some liens against a tract of UPA's property that HUC was looking to purchase; hence, the requisition of land and equipment had to be approved by REA. Even though a copy of the purchase agreement was sent to its offices in Washington, D.C. in the beginning of February, the Utilities had not heard a single morsel of information from the association. In the meantime, the Utilities were still being charged wheeling fees, which were estimated at costing HUC an average of \$1,500 a day.^{clxiv} Following almost 10 weeks of dormancy, the Utilities finally received the REA's approval, in large part because of Mr. Nelsen's involvement. Just as the Commissioners received consent from REA, approval from SMMPA hit a minor snag. Concerned about the agreement terminology, SMMPA was withholding approval until there was a clarification on the percentage of HUC versus SMMPA transmission ownership.^{clxv} Upon conferring with UPA, SMMPA agreed to have the Utilities join the ITA as a third member. After clearing all of the legal hurdles, the Utilities believed that no other event could delay the ITA process; it seemed inevitable that Hutchinson would be equalized by the end of May.

From when the ITA was originally signed, up to the time that Hutchinson Utilities' President Bud Daggett was authorized to endorse the final supplemental agreement in early May, almost six months had passed. After all the papers were signed, UPA attempted to transfer possession of transmission equipment (Dickinson substation, 69 and 230 kV lines) to HUC, which was supposed to make the Utilities equalized. There was one thing that was amiss: UPA was not the sole owner of the items and or land

that was sold. Instead, a portion of the transmission apparatus was under the direction of prior agreements made with Northern States Power and Cooperative Power. This transgression did not go unnoticed by NSP and CP. Both companies refused to turn over total ownership of the equipment without first settling the matter with UPA, although HUC was allowed to upkeep the maintenance of the Dickinson facilities. While UPA was preoccupied with finding a solution to this quandary, they sought to find a way to delay the ITA equalization deadline. Resorting to having supplemental documents drawn up, UPA authored amendments that extended the time frame that they had to meet conditions with HUC, which would lead to the successful adoption of the ITA. Subsequent extensions were produced by UPA and signed by HUC, but neither resolution nor equalization was in sight after a year.

Changes to the Commission

After decades of having three members successfully comprise the Hutchinson Utilities Commission, the Commission's efficacy was called into question by some citizens during the autumn months of 1987. Its small stature was viewed troublesome. Somewhat unexpectedly, the City Charter Commission proposed a provision that called for the enlargement of the commission, from three to five persons; the suggested revision was to be put to a vote on the city's ballot. Council members and a Commissioner believed that this was an appropriate response to the growing complexity of utility organizations across the nation. President Bud Daggett conveyed his support for increasing the board when he reasoned that, "Usually a consensus of opinion between more people is better than a consensus of opinion between two people."^{clxvi} This was a departure from the Commission's past of asserting, sometimes vehemently, to retain only three members on the Commission board. News of this motion either left citizens perplexed or rankled, because no feelings of dissatisfaction about the Commission were formerly expressed to the public.^{clxvii} In spite of the prevailing bewilderment among many people, the revision passed. On the historical day of November 1, 1987 the City Charter was amended to expand the Commission to five members. Each Commissioner's tenure would last five years and no Commissioner could serve more than two successive terms. The City Charter preserved the Commission's, "full, absolute and exclusive control of and power over the City Light and Power Plant and the Natural Gas Distribution System."^{clxviii} Two new members were promptly appointed and approved by the City Council. Almost immediately following the induction of Commissioners, HUC was approached by members of the City Council to consider raising contributions to the City. Freshly modified, the City Charter still specified that the Utilities Commission held the power to set the amount of financial contributions to Hutchinson. Even though this provision existed, the Commissioners unequivocally reminded the Council members that the objective of the Utilities was not to provide revenue for the City, but to instead furnish economical and reliable power to its customers.^{clxix} After toiling over the appeal during the following months, the Commissioners complied when they passed a motion to raise the current payment to the city from \$300,000 to \$450,000 in 1989, followed by another increase of \$100,000 for 1990.^{clxx}

Energy Usage Boom in Hutchinson

For a better part of the century, Hutchinson had continued to experience changeability in the number of its citizens, but never had the community witnessed such a population boom as they did during the mid to late 1980s. Echoing this explosion in populace was a swell in customers' usage of energy. Try as they may, the Utilities could not accurately forecast the city's loads due to the success of local businesses that in turn attracted more people to move to town. HUC had to continually make modifications to its plans for improving the distribution service to better accommodate the load growth of its customers. Between 1982 and 1986, the load of the total city's electrical customers grew at a rate averaging between 1 percent and 3 percent. After a modest, yet stable five years of growth, the summer load of 1987 increased unexpectedly by a remarkable 9.6 percent. A year later, that number jumped up another 5.5 percent. Nevertheless, residential customers did not even constitute the majority of electrical usage; 3M and HTI accounted for 54.9 percent of the total energy demand. Engineers at Associated Consultants (AC) were promptly hired to conduct studies of HUC's distribution system. After all the percentages and usage numbers were compiled, AC found that the total installed capacity of the current Interconnections transformer was 45.4 MVA; they had not expected the city's demand to reach the aforementioned MVA figure until the summer of 1992. If the loads continued to grow as they did during the past two summers, the city would reach a demand exceeding the currently installed interconnection capacity in 1989.^{clxxi} Upon being enlightened by AC about its forecasted future, the Utilities Commission directed their schedule of improvements to be accelerated. One of management's first actions was to purchase an additional transformer for the downtown Plant (Plant 1) that would help increase its overall capacity. Other recommendations that the Utilities eventually actuated included the purchase of another circuit breaker, creation of a trunk line, adding additional feeders, constructing another 13.8 kV loop line, and planning for a third satellite substation.

3M was and still reigns as the Utilities' largest customer. Due to this indisputable fact, Utilities' personnel approached 3M to see if they were interested in placing a substation onto the company's property. With a life expectancy of 30 years, the substation was to provide 3M with 100 percent reliability of electrical service, while also having the capabilities to accommodate any further growth in the community. They were.^{clxxii} Bids soon went out for a 15 kV metal-clad switchgear assembly for the 3M substation. Keystone Electrical Manufacturing Company of Des Moines, Iowa submitted the most favorable bid for the supply of a 15 kV switchgear, battery, and charger, all for \$206,547.^{clxxiii} More bid specifications were published on the following items: substation conductor, system control and data acquisition system (SCADA), construction of a 115 kV transmission line, and furnishing and delivery of substation steel structures. Actual construction and excavation work was scheduled to begin during the fall of 1989 with a completion date set for July 1, 1990.

Back at Work on the ITA

Ever since the Dickinson substation had been placed under the partial ownership of HUC, bequeathed by the ITA, it had become nothing but an incommensurable money pit that was second-rate to another substation long desired by Utilities' management. Under false pretensions, HUC had been misled into purchasing part of the Dickinson facilities to satisfy the requisites of the ITA; it had proved to

be a financial burden due to its extravagant maintenance costs. Originally management was under the impression that yearly maintenance costs would have been in the neighborhood of \$40,000 annually. Instead, HUC had been required to pay an estimated \$150,000 for maintenance.^{clxxiv} Furthermore, the substation and its present line into Hutchinson did not even have sufficient capacity for HUC's entire load.^{clxxv} Part of the purpose of the ITA had been to expand the town's existing transmission system. The system, which had not been updated since the late 1950s, was nearing the point of maximum capacity.^{clxxvi} At the end of the decade, the total generating capability of HUC's plant was 54,805 megawatts.^{clxxvii} Dickinson's dismal performance was unable to buttress HUC's transmission structure.

While the Utilities had been pressured into buying this set of ITA facilities, management had always expressed interest in building a facility that would satisfy the requirements for ITA equalization, called the Bell substation. A point of contention between UPA and HUC had been that the Commission board had an expectation that the Bell substation would eventually be built as a part of the ITA.^{clxxviii} After enduring months of partial-ownership of the subpar Dickinson substation, the Utilities demanded outright ownership of the future Bell substation. Ever since the Utilities had entertained the thought of becoming an equalized member, management had wanted ownership of this proposed facility. Bell substation was supposed to alleviate any under-voltages and/or overloads upon the loss of some of the ITA transformers, such as one called Big Swan, while furnishing an expanded capacity to Hutchinson's transmission system.^{clxxix} For some unbeknownst reason to HUC, UPA's stance on the project was one of postponement and delay; UPA continually cited various reasons to refrain from building the substation. Eventually, UPA strongly indicated that plans for the Bell station had been abandoned. As HUC's frustrations mounted, UPA presented a 'Fourth Amendment Agreement to the ITA' to the Commissioners in December of 1988. Instead of signing yet another amendment, the Commissioners were provoked into action when they made their dissatisfaction known in a letter they sent to UPA. It affirmed HUC's intent to rescind the sales agreement and demanded for the rapid return of monies paid by the Utilities.^{clxxx} New General Manager Clarence Kadrmas declared that HUC had never received title to the Dickinson property even though the Utilities did possess a purchase agreement. Money and properties were returned to their rightful owners after UPA returned HUC's financial investment and when HUC turned the Dickinson substation back over to UPA. On May 5, 1989 the UPA Board of Directors rescinded all resolutions that had been associated with the ITA.

Even though the equalization process had been riddled with unforeseen predicaments, HUC went on the record to state that they had enjoyed a long relationship with UPA that, "we feel has been beneficial to both parties." Over 24 years had passed since the first ITA was signed with UPA and for more than two decades the Utilities had been receiving economical and reliable power from UPA. Refusing to let the rescission process kill its hope for a new agreement, the Utilities listened intently when they were approached, again, to partake as a third member in an ITA with UPA and SMMPA in the latter part of 1989. This time around, UPA was willing to make Hutchinson's dream of the Bell substation become a reality. Unable to resist the benefits, such as no more wheeling fees, HUC saw the ITA as a concord that would lead to the betterment of Utilities' services and facilities. The two parties were able to agree to a new equalization formula and sale of facilities. So, on October 11, 1989 the

Commission board passed, unanimously, a motion to obtain a bill of sale from UPA for approximately \$4,100,000 and to execute a supplemental agreement to trade property dollar for dollar with UPA when the Bell station was built.^{clxxxix} HUC's initial investment responsibility was satisfied by its purchase from UPA of the mutually agreed upon facilities: a Hutch capacitor bank, HN 69 kV line structure, Blaine 230/69 kV substation facilities, 14.3 miles of "PE" 230 kV line, 24 miles of "PR" 230 kV line, and land easements upon which the electric transmission lines were located.^{clxxxii} All three parties signed the closing papers on December 27, 1989, making the ITA a fully legal agreement that tethered the three participants together. Within a year, Hutchinson was the designated construction manager for the building of Bell substation while UPA was to design the plan and equipment specifications; construction began in 1992.

While years in the making, the ITA had turned out to be a watershed for the Utilities. Its negotiation powers were greatly expanded while prices for HUC's customers fell. However, HUC was no longer an autonomous entity.

HUC's Note-worthy and Economical Rates

At the close of these 10 years, the Utilities had succeeded in upholding one of its main objectives by supplying the most affordable electricity to its customers. The Minnesota Municipal Utilities Association (MMUA), a non-profit representative of municipally owned and operated electric and gas utilities, had a mission to "collect and disseminate information regarding municipally owned utilities."^{clxxxiii} One of those pertinent pieces of information was in regards to rates charged by utilities. MMUA presented its findings after surveying numerous municipal utilities across the state. It was irrefutable; Hutchinson's rates were the lowest when compared to other utilities in the same zone.^{clxxxiv} A combination of favorable circumstances such as, energy conservation, a surplus of electricity, and serving two 24-hour industrial users (3M and HTI) helped propel HUC to claim MMUA's coveted distinction.

The Utilities had navigated through uncharted paths over the past decade that altered its degree of autonomy. Hoping that they could tread another series of courses in the new decade, the men and women of the Utilities charged into the year of 1990 with magnificent plans. While uncertain of what the future held, HUC was assured that they would be accompanied by their constant companion, growth.

