Chapter 11: Daring to be Different

At the cusp of the third millennium, the men and women of Hutchinson Utilities sustained the momentum from the previous years. The technology advances born out of the Net Generation, otherwise referred to as "Generation Z", made HUC keen to try their hand at an assortment of innovative and daring ventures, all for the sake of betterment of HUC services and shielding customers from volatile rates. Likewise, programs that had proved to be a success, like the Energy Program, were not only continued, but were continuously tweaked to be more beneficial for Utilities' customers. While HUC did endure some trying times as they tried to move forward on some essential projects that proved to be controversial, they also were the recipient of numerous accolades throughout the years. Overall, HUC sought to balance the innovations in technology with elements of public utilities that were tried and true: maintaining local control and upholding an outstanding standard of community service. Former Arizona Congressman Mo Udall once remarked that America had the ability to flourish if future generations could harmoniously unite two elements, "change, the ability to adjust things to the special needs of our times; and stability, the good sense to carry forward the good values, which are just as good now as they were 200 years ago."[ccxxx]

The Final Transmission Piece

Hutchinson Utilities' electric transmission system had been growing steadily over the years due to the constant stream of growth experienced at some of HUC's largest industrial users, primarily 3M and HTI. At the tail end of the 1990s, HUC energized its most recent substation, located at HTI. Despite this addition, a mere 18 months passed before another substation was needed. Much of the electric infrastructure in Minnesota that was west of the Twin Cities had gone under little change since it was created in 1955. Due to age, the system was perilously close to collapsing, if given the right circumstances. To prevent any equipment breakdown it was determined that $19 million was needed to invest in the transmission system to bring it to proper working conditions; almost a third of those improvements involved Hutchinson. The first course of action was to commence condemnation proceedings for the purchase of land on which to build what would be called the McLeod Substation.[ccxxxi] About four miles south of Hutchinson, along County Road 25, and adjacent to Northern States Power's (NSP) major electricity line from South Dakota was to be the site for the new, vital substation. HUC purchased 13.57 acres from a Browntown-area farmer for $6,000 per acre. This site was the appointed location of a major power line facility that would reduce the transmission voltage from Xcel Energy's line from 230,000 volts to 115,000 volts. From there, the Utilities planned to build a transmission line that would connect the new substation to one built at 3M eight years prior. Electricity was then to be transported into 3M and continued onto the Hutchinson substation. From there, the Hutchinson substation was designed to reduce the voltage from 115,000 volts to 69,000 volts so that the power could be used between both plant locations.[ccxxxii] The 3M and Utilities' connection also served as a means to address certain deficiencies in the transmission service of the entire area. "This substation allows the tapping of the main line from South Dakota, through Granite Falls to Minneapolis," declared General Manager Kadrmas. It would provide a new link to the electrical grid that served a great portion of western Minnesota. Because of the acquisition of this substation and transmission line, the

possibility of a major blackout in the entire south central Minnesota area was alleviated. General Manager Kadrmas acknowledged how rife the benefits were when he made the comment that, "This is not only for the city of Hutchinson, but covers an area from Willmar to Glencoe and St. Cloud. We are just a player in it. Everybody has a little piece of the puzzle."[ccxxxiii] As a total, the Utilities was prepared to spend more than $5.7 million on the upgrades yet only had to shell out $1.7 million after the revelation that part of the agreement called for HUC to sell its stake in the substations and transmission lines that served the Elk River and Blaine Areas to Great River Energy for less than $5 million. Built in 2001, the McLeod Substation later became energized in the early months of 2002. Here marked the conclusion of another major project that lead to the completion of HUC's transmission system. As the Utilities was wrapping up one plan, HUC was mulling over the possibility of embarking on a ground-breaking endeavor, literally.

McLeod Substation

A Pipeline Dream

After 43 years of service, the City's contract with Northern Natural Gas Company (Northern) was set to expire on October 31, 2003. Dating back to 1960, when the Natural Gas division of HUC was born, Hutchinson had received natural gas from Northern Natural Gas Company. For more than 20 years, the Utilities followed a protocol that informed Northern how much gas they wanted for each day. If HUC used more gas than what was requested, the Utilities were charged an arbitrary fee.[ccxxxiv] This procedure changed forevermore following the deregulation of natural gas. Northern transitioned into solely being HUC's transportation provider instead of being a gas supplier. Essentially, HUC would purchase gas from a supplier of its own choice and would rent space from Northern to transport the purchased gas to Hutchinson. From there, the natural gas was used in turbines that generated electricity for Hutchinson and also to heat homes. As times changed, what was once considered a great working relationship evolved into a strained set of business transactions.

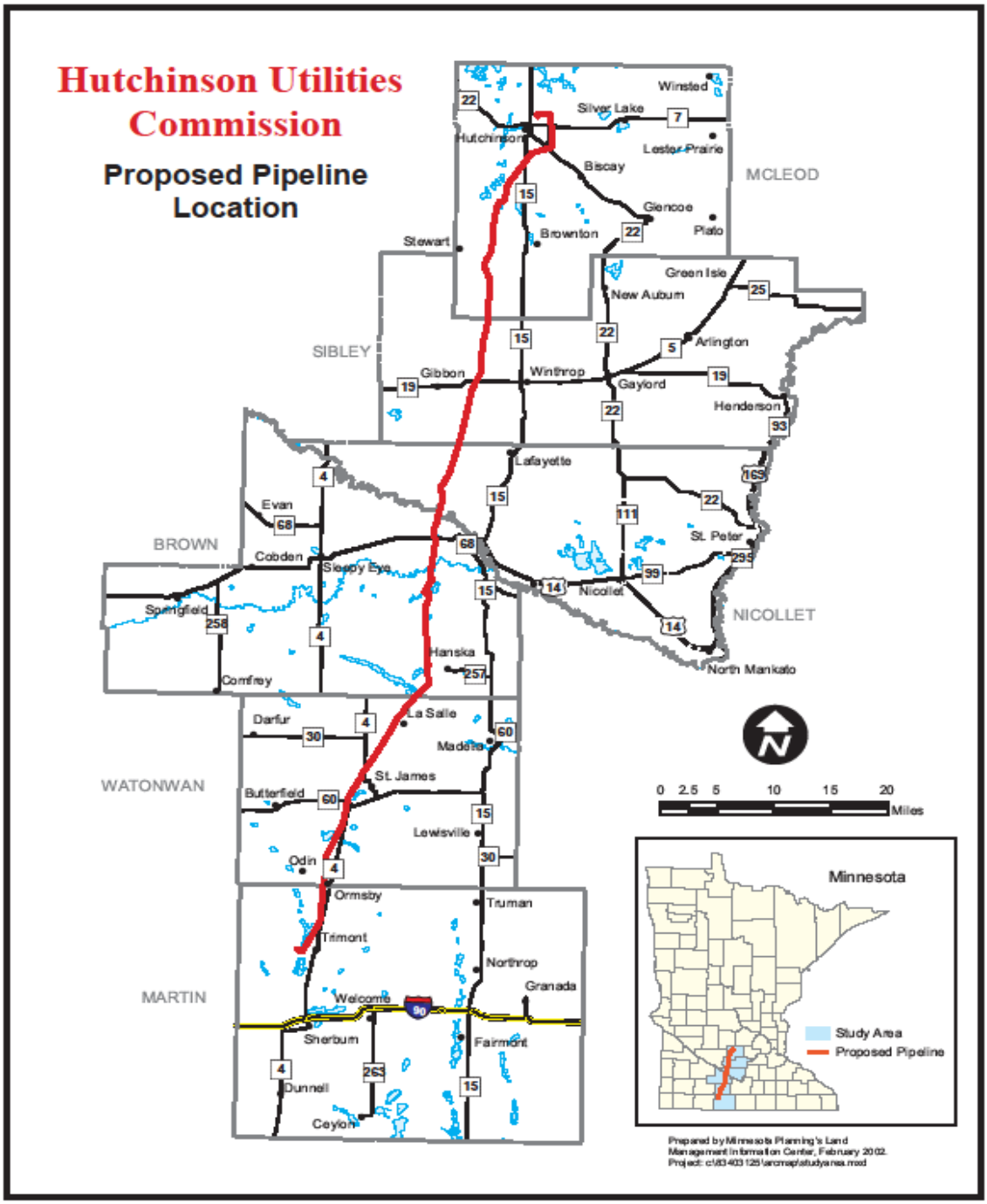
Exasperated, the Utilities had two primal grievances with the business arrangement designed by Northern Natural Gas. Through the years, the costs for gas transportation persisted to be waged by

Northern in an indiscriminate fashion and HUC continued to have no control over those fees. In turn, these costs incurred by HUC had to be passed onto Hutchinson rate payers. Just to renew its contract with Northern, the Utilities was supposed to pay a $2 million reservation fee. What became even more upsetting was HUC's numerous attempts to work with Northern to upgrade its capacity and pipeline pressure because of the town's perpetual growth; they were all in vain. Unwilling to accommodate the Utilities' needs, Northern refused to provide the level of pipeline pressure that HUC necessitated for allowing its electricity-generating turbines to function more efficiently, especially unit #1. Without adequate space and pressure, the units were unable to operate at peak efficiency, which resulted in the cost of electricity rising.[ccxxxv] Furthermore, Northern was unable to accommodate HUC's increasing growth because Northern had sold off all extra capacity on its Willmar branch line. Such deficiencies could seriously impede the Utilities' future natural gas needs.[ccxxxvi] After compiling all of these shortcomings together, General Manager Karmas concluded that, "It's been a struggle for five years."[ccxxxvii] HUC was compelled to seek other options that would be less costly and provide more reliability, especially in light of the impending ending date of their contract with Northern at the end of 2008. An idea was conceived in 2000, by the Natural Gas Superintendent John Webster and General Manager Karmas, to deliver natural gas directly to Hutchinson independently, via a pipeline. Making their rumination known to the Commission board, the Commissioners responded by giving the proposal their full endorsement. To see if their idea could provide a fruitful outcome for Hutchinson rate payers, the men sought to procure the expertise of a pipeline firm.

After enlisting the help of Maverick Pipeline Consultants and Philip McLean of TransCanada Energy, it was revealed that there were various merits to Hutchinson building and possessing its own pipeline. Namely, the Utilities could build a pipeline for approximately the same amount as it would have cost to extend its contract with Northern. Currently, the price charged by Northern to HUC was between $2.4 and $2.7 million annually. In comparison, the estimated costs of HUC constructing its own pipeline were expected to be $2.5 million or less annually over the life of 20 year bonds that would fund the project. By building its own pipeline, the Utilities would also able to secure enough pipeline capacity to handle the city's expected growth for the next 60 to 80 years while providing the higher pressure needed for the gas-fired turbine electricity generators; the pipeline was to have a capacity of 60,000 MMBTUs of which 40,000 were initially reserved for Hutchinson's uses.[ccxxxviii] The excess capacity could then be sold to other municipals along the proposed route. It was projected that at least a third of the pipeline's annual costs could be covered by the municipals. Some potential clientele were New Ulm, Heartland Corn, and Fairfax.[ccxxxix] The plentiful benefits that could be reaped by the Utilities through possessing its own pipeline convinced the Commissioners to move forward in the preliminary stages of engineering and designing the pipeline.

A route was needed to be determined before the Utilities could begin the process of obtaining the necessary permits to move forward with the plans. Through using the services of Maverick Pipeline Consultants, a course for the pipeline was drawn. Hutchinson's pipeline would tap into a refined natural gas line that was operated by Northern Border Pipeline (a Canadian company); it was a major pipeline that extended from Calgary, Alberta, Canada down to the Windy City, Chicago. Spanning 93 miles, the

pipeline's connection would take place near Trimont, MN and continue through to Hanska before coming to Hutchinson, thus making a trek that traversed six counties. The pipe was to be buried about 54 inches deep while the pipeline itself was to have a diameter of either 16 or 12 inches.[ccxl] As a whole, the overall anticipated cost of the pipeline was $27 million and would be financed courtesy of tax exempt bonds that totaled $31,725,000.[ccxli] With the specifications figured out, the Utilities began their quest for permission from various federal and local entities for the construction of the pipeline.



One of the major regulatory obstacles that the Utilities had to clear came at the end of 2001 when they applied with the Minnesota Public Utilities Commission (MPUC) for a certificate of need to build the pipeline.[ccxlii] Without this compulsory certificate, the project was doomed to failure. It was extremely important for the Utilities to prove that there was a public need that warranted the creation of such an extensive pipeline. While MPUC was consumed with reviewing the Utilities' request, numerous other state departments were advocates of the project; an administrative law judge had even issued a ruling in October of 2002 that the proposed pipeline had satisfied the four main criteria for it to be issued a certificate of need. In addition, the Minnesota Department of Commerce, the Minnesota Historical Society, and the U.S. Fish and Wildlife Services had all reviewed the application and testified during MPUC's hearing process.[ccxliii] MPUC finally issued a certificate of need on November 26, 2002 following a three-and-a-half hour hearing where they listened to the indisputable facts that enunciated the necessity of a pipeline.

A single hurdle was left for the Utilities: the granting of a routing permit by the Environmental Quality Board (EQB). Upon evaluation of the proposed route and the submittal of an agricultural impact mitigation plan, EQB ruled on March 20, 2003 that the predetermined route was the best. In the midst of the planning, the Utilities experienced a major turnover in personnel; General Manager Kadrmas, who was fundamental to the pipeline preparations, resigned. Appointed to fill his vacancy short-term was the Utilities' business manager, Patrick Spethman. While the Utilities was garnering approval from the project from local and state agencies, other groups came forward voicing their discontentment with certain aspects of the pipeline.

Whilst the Utilities was awaiting approval from several state entities, management needed to start the bidding process for the provision of pipeline goods and materials. When the bids were received for the pipeline, the lowest bidder was Jomax Construction, a Kansas-based non-union contractor. The Commission decided to accept the construction company's bid. This provoked the members of Local 49 of the International Union of Operating Engineers to picket near the Utilities' main offices on Michigan Street. Given that the Utilities had acted in the best interest of their rate payers through hiring the lowest (i.e., cheapest) contractor, the picketing eventually ceased to exist. Members of the Union went to work on the pipeline, beginning in August of 2003 and continued through to its completion.[ccxliv] Even though the problem between the union and HUC dissipated rather quickly, difficulties between the Utilities and other groups/companies proved to be much more problematic.

As it became more apparent that the Utilities was going to have a functioning pipeline by November, Northern Natural Gas Company filed a petition with the Minnesota Public Utilities Commission to reconsider its decision to grant HUC a certificate of need. Though HUC was considered a small customer by Northern, they posed a substantial threat to the company; the potential loss in revenue that HUC paid, $2 million in transportation fees, was considered a trivial loss to Northern. Northern's objection to the pipeline was traced to the simple fact that supposedly minute municipals normally did not possess gas lines of such vast size.[ccxlv] It was a monumental event when a modest municipal, like Hutchinson, could bypass such a bigwig company like Northern. If HUC was successful, it could be a watershed for other utilities who desired to gain a more affordable supply of gas. John

Webster, the Director for Natural Gas, recollected that, "If we (HUC) could do it, then others could do it too."[ccxlvi] To Northern's consternation, MPUC reconfirmed HUC's certificate of need on February 6, 2003. Dissatisfied, Northern went before the Minnesota Court of Appeals to request a review of MPUC's handling of the case. The reasoning behind their petition was that the company estimated the cost of the pipeline to be $38 million, rather than the $27 million amount expected by Hutchinson Utilities. It was the fervent hope of Northern to have the certificate of need revoked and have their services retained by HUC. To Northern's dismay, the Court of Appeals handed down a ruling that affirmed the project's certificate of need over six months later. As part of its decision the Court cited the fact that Northern had failed to prove that there was a "more reasonable and prudent alternative" available to HUC. In closing, the Court recognized that the pipeline was financially appealing because of the high probability that HUC would serve natural gas to the communities of New Ulm and Fairfax (this became finalized in September of 2003 when HUC and New Ulm signed a long-tem firm transportation agreement in which HUC committed one third of the pipeline's capacity until the last day of March 2026, unless extended).[ccxlvii] Three times Northern tried to challenge the certificate of need, and on three separate occasions they failed to successfully argue that the pipeline was nonessential and exorbitant. While Northern questioned the pipeline's very existence, a group of property owners were more concerned about receiving fair compensation and having the land disturbed as little as possible.

Since the pipeline spanned 93 miles, inevitably, the route of the line had to course through many landowners' property. The Environmental Quality Board's routing permit to HUC specified that Hutchinson Utilities was to "accommodate landowners' requests and to minimize impacts." Utilities' personnel were conscientious when setting the route; they attempted to locate the pipeline on existing rights of way such as county roads while trying to minimize the number of field tiles that had to be crossed. Furthermore, EQB's permit required the Utilities to follow a list of 17 construction procedures that detailed the correct way to mitigate potential damage to a piece of property, especially the topsoil. Seeking compliance, the Utilities worked closely with the Department of Agriculture and enlisted the expertise of soil scientists.

A grass roots organization, dubbed Sib-Ren-Fair, grew amid frustrations and dissatisfaction with the suggested compensation amount that the Utilities offered. Beginning in the spring of 2003, Utilities' personnel had set out to acquire property easements from all affected property owners prior to the commencement of construction season. While HUC would own the easement, property owners could still farm the land; property owners were only restricted from building within the easements. Affidavits were distributed to each affected property owner. In return for a permanent 50-foot easement across one's land, HUC offered a compensation amount based on an "easement value calculation" that determined the value of acreage according to the type of crop planted; after having three appraisals conducted, the Utilities came up with the average value of what land was worth as well as a compensation amount for any potential crop damages/losses. Since HUC is a municipal utility, they had to treat everyone the same; this meant that the Utilities could not offer subjective amounts without justification. Once the affidavits were received, property owners had 90 days to make their decision if they wanted to surrender ownership over the designated easement area. One month before pipeline

construction was to begin, approximately only half of the required easements had been secured out of a total of 241 tracts of land; the Utilities had to turn to a different measure that would ensure that the easements could be secured in a timely manner. Undeterred, the Utilities petitioned to condemn the property (otherwise known as the right of eminent domain).[ccxlviii] The process of eminent domain allows a municipality to condemn private property for public use without the owner's consent, as long as the owner is compensated. Yet, in their quest for condemnations, a group comprised of 70 property owners, Sib-Ren-Fair, questioned HUC's compensation calculation and contested issues involving their rights as land owners. One farmer lamented, "This gas line will go through my property. It's going to happen…I can't get gas from it, and it takes a number of years to restore the soil structure and recover from the compaction of heavy equipment."[ccxlix] Others expressed their apprehension that the order of condemnation would abolish the landowners' rights to their land. Phil McLean, pipeline project manager, tried to allay their fears by stating, "We take no deed, no title to anything. We're not interested in the entire farm…This is just an easement, a right to be there."[ccl] Basically, land could still be used for agricultural purposes.

As soon as easements were obtained, pipeline was being laid. By the middle of August, the pipeline had reached the boundaries of Hutchinson. At the end of September, an average of nearly 7,000 feet of pipeline was buried a day; the dry summer and its lack of derailing weather events contributed to the construction period progressing unimpeded. It was imperative that the pipeline was functional prior to the expiration of HUC's contract with Northern. Otherwise, the Utilities would have had to acquire capacity from either Northern or another transmission operator that would have resulted in additional costs for the city's rate payers. Due to future events, HUC was unable to have the pipeline operable before the contract's termination transpired on October 31. In spite of this, personnel continued working in haste.

Men at work on the pipeline.

Just as construction was about to be finished and after gas had already entered the pipeline, the Minnesota Environmental Quality Board suspended HUC's pipeline's routing permit in the middle of December. In addition to the suspension, there was an order to postpone any further pipeline work. The EQB contended that HUC had not followed the stipulations outlined by the routing permit, especially in regards to an alleged violation of the agricultural land mitigation plan that resulted in the supposed failure to repair drain tiles. Furthermore, the Board adduced that HUC was negligent in

keeping the topsoil separate from subsoil clays while restoring fields crossed by the pipeline. In order to make amends for the violations, EQB required the Utilities to pay $25,000 for the ongoing investigation, pay farmers for possible future crop losses caused by the alleged soil mixing and compaction, and submit notes and logs made by soil scientists and inspectors.[ccli] Dumbfounded, the Commission board was surprised by the improper and misguided actions of the Environmental Board. Instead of providing a hearing and presenting evidence that proved the Utilities had behaved improperly, they simply suspended the permit without any factual support; HUC's right to due process was never vindicated.[cclii] Ultimately, the Utilities believed that EQB's actions were not enforceable, yet they complied with the Board's requests. After receiving some of the requested documents, including county inspector notes, the Environmental Board was informed that no violations had ever been issued concerning the pipeline. Even though HUC received a favorable verdict, the Board agreed to resolve any alleged violations of the permit through paying $150,000 to the Minnesota Department of Agriculture for any future soil decompaction work that was requested by landowners who had not yet settled claims with HUC. As a result, EQB reinstated the routing permit on February 19, 2004. Just months after the permit was restored and gas was flowing freely through the pipeline, another state entity attempted to exert its authority over HUC.

In the summer of 2004, the Minnesota Public Utilities Commission passed a decision in which they declared that it had jurisdiction over Hutchinson Utilities because of the pipeline; this was the same regulating body that had issued the pipeline's original certificate of need. The rationale behind MPUC's sudden change of heart was in response to Hutchinson's contract with the City of New Ulm, which had a connection to the pipeline.[ccliii] According to the state's intrastate pipeline law, Minnesota statute 216B.045, required pipeline-owning utilities to file agreements for MPUC review and approval of modification, through maintaining open access to the pipeline for all potential subscribers, and being subject to MPUC's determination of a "just and reasonable rate."[ccliv] After conferring with its legal counsel, the Utilities believed that MPUC had clearly violated Minnesota statues that exempted municipally-owned gas and electric companies from its jurisdiction. Knowing that this action had widespread implications for municipals all throughout the state, the Utilities turned to the Minnesota Municipal Utilities Association (MMUA) and the League of Minnesota Cities to see if they were interested in supporting a HUC petition. They were. MMUA and Hutchinson filed an appeal in which they asserted that municipal utilities already answered to their own utility commission, city council, and most importantly, rate payers. Additional regulation by MPUC would just be a hindrance to the planning of other potential large energy pipeline projects. In response, the state's Commission Board argued that because the pipeline extended beyond the borders of Hutchinson, HUC had to be subjected to its regulation. Once again, the Utilities believed this reasoning was ill-founded because the state Legislature had consistently granted municipal utilities broadened authority, even outside physical city limitations, when conducting certain affairs.[cclv] It took over 15 months for the Minnesota Court of Appeals to issue a ruling. Pronouncing that state law did not give the Public Utilities Commission jurisdiction over HUC, the Court ruled in Hutchinson's favor. As part of its decision, the Court stated that the Legislature had specifically excluded municipal gas and electric companies from the "regulatory scheme unless the statute expressly provides." Since current law did not explicitly express this type of

regulation, the Court ruled that the state agency had exceeded its authority. Most importantly, the judges stated that MPUC's jurisdiction was rendered useless because city-owned utilities are already effectively regulated by their residents; the same could be applied to New Ulm's city-owned utility. General Manager Mike Kumm (he assumed the position in 2004) expressed relief when he stated, "The Legislature has recognized there is no need for that (state regulation) since residents of a municipality have the power to regulate its commission through local control."[cclvi]

Six years after it was proposed and more than two years after it was completed, the last legal entanglement pertaining to the pipeline was resolved. The Utilities' Commissioners voted to ratify an agreement that settled the remaining condemnation cases on 69 parcels of property represented by Sib-Ren-Fair for a total pay-out of $1.16 million to the group. To further placate the land owners, the Utilities accepted an increased level of responsibility to fix the compacted soil, repair damaged field tiles, and pay for future crop losses until October 1, 2013.[cclvii] With only a handful of property owners left (those who were not represented by Sib-Ren-Fair), the Utilities was able to have all the legal matters settled by the end of 2006.

In hindsight, despite all the hardships that the Utilities endured because of this project, the pipeline has provided a surplus of dividends for the community. From curtailing the future affects of volatile natural gas market price increases to maintaining affordable rates, the pipeline has made it possible for the Utilities to refrain from charging its customers a fuel cost adjustment on numerous occasions. Considering transportation costs alone, possessing the pipeline has resulted in an 8 percent savings for Utilities' rate payers; transportation costs are fixed and are currently half of Northern's. The city built the pipeline with the goal of saving taxpayers nearly $150 million over 40 years in natural gas transportation costs.[cclviii] These savings will only continue as the years progress while Northern will continue to increase its rates.[cclix] Because HUC gained control over costs, the rates will go down after the bonds are paid for in completion. After that, rate payers will only have to pay for the commodity itself, plus the pipeline operation and maintenance costs, which are minimal. In the two years since the pipeline had become operational, the Utilities had already spared its customers from Northern Natural Gas Company's request for two rate increases, amounting to 20 percent. Another enduring benefit is that HUC will have a continual source of revenue through 2023 while it transports gas for New Ulm. Due to its sheer existence, the pipeline has encouraged the creation of other ethanol plants; a plant was developed by New Vision Co-op along State Highway 60.

All of the original antagonists' protestations have been silenced. It is irrefutable that the pipeline has and will continue to be financially advantageous to not only the rate payers of Hutchinson, but to the area of south central Minnesota in an immeasurable way. Most notably, as other utilities' rates were rising in the mid-2000s, HUC attained the lowest gas rates in Minnesota when compared to investor-owned utilities. The derivation of this achievement was Hutchinson's possession of a pipeline.

No More Overhead Lines

Power outages are disturbances that are as old as utilities themselves. There are a myriad of happenstances that cause outages, among them being Mother Nature, animals, car accidents, and equipment failure. These factors are aggravated when power lines are strung above ground. Needing to alleviate this seemingly perpetual problem, the Utilities executed a city-wide solution. Beginning in the late 1980s, the Electric department started to replace the overhead wires when a cheap commodity, underground conductors (wire), became available. The great conversion project started to pick up speed in the late 1990s/early 2000s when it became increasingly apparent that the existing overhead lines were in dire need of being upgraded or replaced; much of Hutchinson's electrical grid dated to the plant's inception in 1936. Even though the work was challenging, expensive, and time-consuming, the project would immensely improve the Utilities' reliability as well as increase the capacity of the electric system by allowing a higher voltage to be used. Back in 1936, most residences had 60 amp services; in 2003 most new homes were built with a 200 amp service.[cclx] With such a stark disparity in voltage, Utilities' personnel needed to rectify the situation through burying the proper type of wire. As more line was buried, savings climbed because electric crews did not have to go out and restring downed lines. While outages could still occur, the frequency of these incidents would taper. Aesthetically, the conversion would also help to beautify the community by clearing wires from the sky. Amidst all of these wonderful benefits to the project, there were a few downfalls. The large price tag was a cause for concern for some individuals. More importantly, in the event of an outage, there was a possibility that finding the location of the fault could become more difficult and prolonged. These supposed pitfalls were outweighed by the plentiful benefits that were acknowledged as more wire was buried below. In 2008 an analysis was performed using the Minnesota Municipal Utilities Association's ReliaTrak software, which showed that the Hutchinson Utilities was "substantially" more reliable that the most reliable investor-owned utility in the state. The conversion project will attain a 100 percent completion rate by 2013.[cclxi]

To better track reliability, the American Public Power Association (APPA) took the initiative to develop software for its members that could evaluate how well public power systems were providing service to their end-use customers. In order for this piece of technology to work, a utility had to obtain software that detected key performance measures, known by the acronyms: SAIDI, SAIFI, and CAIDI. Each of these items measured the number of outages a utility had, how many minutes/hours each outage lasted, and the average amount of times that a customer was interrupted during a specific time period; it could even report on the reason(s) for outages. Once the data was captured, the statistics were compared to other utilities' performances.[cclxii] These statistics were able to measure and detect the outages of a power utility's customers. HUC actually assisted APPA through testing the three measures and offering suggestions to augment the program. Once the process was complete, the Utilities Commission purchased the software in 2006. From here on out, HUC possessed a record keeping system that could aid personnel in tracking outages each year and to know what areas would require an upgrade or replacement.[cclxiii] Since the SAIDI/SAIFI/CAIDI benchmarks began, the Utilities' system is three times more reliable than Xcel while it can repair and restore power outages 10 times

quicker than its large investor-owned company counterpart.[cclxiv] It has remained the goal of the Utilities to either meet or exceed the benchmarks published by APPA.

A Transfer of Sorts

Following a cut in city funding during the spring of 2003, employees of the City of Hutchinson made an appeal to HUC to help make financial ends meet. The Commission board passed a motion to approve the transfer of responsibility for roadway lighting from the City to the Utilities. Essentially, this meant that HUC would provide the necessary maintenance and upkeep while the City would retain ownership of the street and signal lighting. Hutchinson could have hired a contractor to provide the same services for a much steeper price; hence this action benefited the taxpayers of the City. A rate study was conducted in 2005 that estimated the total annual cost for the street lighting system was $119,904. Seven years later, that amount had risen to $146,859.04. At the beginning, the cost of street lighting and electricity were billed to the City, yet those were kicked back to HUC when the state cut Local Government Aid to cities later that year. Soon, a new system for billing was in place. The Utilities still charged the City for the roadway lighting and maintenance costs, but transferred a similar amount of revenue to the City to offset the money owed.

Year after year, the governing entities of the City and the Utilities convened to discuss and negotiate the amount of monies that would be transferred from HUC to the General Funds of the City. For 62 years, these meetings had been an annual (sometimes biannual) tradition in which they determined the correct payment amount after considering the needs of each company. Following these discussions, a cash contribution was made from both the Electric and Gas Divisions of HUC. Tired of agreeing on a sum that erratically changed with the passage of time, both governing entities agreed that a planning tool was needed to help each party financially strategize for the future. It was also important to have fair, stable, and predictable transfers between HUC and the City so that future utility governing board members were provided with consistent numbers that were necessary for well-planned financial operations. The Commissioners' preference was to base those payments off of HUC's gross electric and natural gas operating revenue by 2.75 percent. Both parties agreed to that new payment method entitled, Payment In Lieu of Taxes (PILOT) in the autumn of 2006. Whereas, the contribution of monies will continue indefinitely the formula may be subjected to change. Courtesy of the American Public Power Association, studies of payments and other contributions to local governments invalidated some claims that, "Investor-owned utilities provide a benefit to their communities by paying taxes that the publicly owned utilities do not." Actually, the median contributions by publicly owned utilities in 2002 were 18 percent higher than that of the investor-owned utilities: 5.8 percent versus 4.9 percent of annual electric operating revenues.[cclxv] To date, the Utilities has endowed $25,482,528.21 to the City of Hutchinson.

Conservation in Action

The 1991 law that mandated a certain percentage of revenue sales had to go towards local conservation ventures in order to curb energy usage was still in effect in the new millennium. While the idea remained the same, the execution requirements changed. Beginning in 2002, the state's Department of Commerce dictated that all municipal electric and gas utilities and rural electric cooperative distribution co-ops had to set aside money equal to 1.5 percent of electricity revenues and .5 percent of natural gas revenues for conservation purposes with .2 percent of the monies set aside specifically for low-income customers. A year later, legislation commanded utilities to report on how the monies were used. This information was tracked through a utility's Conservation Improvement Program (CIP); each utility had to develop its own conservation plan that offered a variety of programs to assist residential and business customers become more energy efficient. Every utility was charged with a mission to promote awareness of energy efficient technologies, help rate payers reduce energy costs, diminish emissions, and conserve resources. All plans were subject to the Department of Commerce's approval. Some of the typical programs for residential and commercial customers included energy audits, weatherization suggestions, and rebate offers.[cclxvi] After coupling these demands with the Utilities' large volume of business, management deemed it sensible to create a full-time position to oversee HUC's CIP.[cclxvii]

Over the years, the focus of the Conservation Improvement Program alternated; funds were divvied up between residential, commercial, industrial, low income, administrative, and marketing purposes. Whether it was retro light fitting (energy-efficient lighting improvements), providing weatherization assistance, energy load profiles, or coordinating the Energy Star Appliance rebates program, the emphasis of the program changed in accordance to which type of customer it was aiding. For a duration, the Utilities' CIP directed its attention to city buildings that needed an upgrade; in 2003 $19,500 of the Energy Conservation Funds went to the Hutchinson Fire Department, while $18,000 was granted to the Recreation Center, and $2,000 was handed out to the Police Department. In all, the Civic Arena, HATS Board, Hutchinson Area Hospital, Hutchinson Library, Fire and Police Departments, and the Hutchinson Recreation Center have received energy funds from the Utilities. However, five years later, the program's emphasis diverged to the HUC's larger customers. Long neglected, the CIP finally turned its focus to the industrial sector of the Utilities' customer base. Energy Conservation Administrator Jon Guthmiller articulated the program's new stance by explaining that, "Industrial customers generate much more electric revenue and we want to turn that back over. We haven't done anything with the industrial sector (in the past)."[cclxviii] Each year, the CIP has carefully evaluated how its funds can be utilized to its greatest potential; currently, the total required CIP spending for the 2010 year is $502,212.00. What was certain is that a program that had begun in the mid-'90s had continually left rate payers clamoring for more.

Started in 1994, Hutchinson Utilities began to issue energy conservation grants to its customers on a first come/ first serve basis. More than 12 years later, the project was tweaked but still followed the same formula. For the rate payer's taking were rebates, in the amount of a maximum $500, to

homeowners for performing energy conservation and weatherization improvements to their houses that resulted in many rate payers investing in Energy Star appliances. In 2006 the Utilities opted to extend rebates to their commercial users for the first time, except the rebates were offered at a limit of $2,000. In order to be eligible, the commercial customer had to make improvements to their lighting, natural gas furnaces, gas boilers, air conditioners, gas water heaters, heat pumps, and/or motors. After the public was informed of the energy rebates, the funds were spoken for in a matter of weeks. It became apparent that the Utilities needed to lower the amount of rebate money for each potential recipient so that the funds could be available to more rate payers. Therefore, residential rebates were tailored in order to give both a better ratio of incentive to product cost and to create a higher return of energy savings per dollar spent on the energy measure by each customer. Upon doing so, the Conservation Program has continued to experience success each year through the granting of monies that provide an excellent incentive to each Utilities' customer.

As mentioned above, part of the CIP funding is designated for low income customers. To achieve compliance with this directive, the Utilities sought a partnership with the local Heartland Community Action Agency to provide services under the Department of Energy's "Weatherization Assistance Program" and "Energy Star Appliances". The abiding ambition has been to lessen the home energy consumption of eligible households by improving each home's energy efficiency while promoting residents' health and safety. Heartland's housing inspector continues to provide home audits at no cost to the resident(s).[cclxix] Most funds were and continue to be furnished by the Utilities' CIP and are distributed to Heartland, as well as Habitat for Humanity.

One of the main objectives of the Utilities' conservation program is to cultivate and foster positive relationships with its customers, whether young, old, small, or large. There have been countless examples of Utilities' personnel going out into the community to proclaim the message of conservation. Over the years, Utilities' personnel and the Energy Conservation Administrator have held seminars and conducted energy assessments for larger commercial and industrial customers, supported the "Tom Bovitz Memorial Scholarship" program for high school seniors, and designed presentations that are catered to school groups, such as distributing light sticks and energy efficient florescent bulbs to students prior to Halloween. It continues to be the fervent hope of HUC to convey messages to the public of how vastly important it is to conserve energy and that through pursuing preserving electricity and natural gas, one can realize financial savings.

Dating back to 1993, the Utilities had financially contributed to the "green infrastructure" in Hutchinson as another ingenious attempt to reduce the collective detrimental impact that local citizens had on the environment through minimizing the use of energy. Continuing its partnership with the Hutchinson Tree Board, they diligently continued working to replace boulevard trees and plant shrubbery around public facilities with the Utilities' funds; in addition seedlings were distributed to third

graders every year. Prior to 2007, the donated money was used outside the Conservation Program's funds. Ever since the birth of coordination between the Hutchinson Utilities and the City began 15 planting seasons ago, Hutchinson has planted enough trees, 4,906 to offset the carbon footprint of more than 400 homes.[cclxx]

Year	Trees Planted
1993	693
1994	697
1995	293
1996	313
1997	211
1998	282
1999	231
2000	231
2001	202
2002	344
2003	347
2004	365
2005	293
2006	0
2007	211

Considering that trees were and are one of the country's most important and treasured natural resources that have the unique ability to cut heating and cooling costs, improve air quality, produce oxygen, provide habitat for wildlife, increase property values, and beautify communities, the Commission opted to become a participant in the American Public Power Association's national TREE POWER project in 2006.[cclxxi] This program differed from Hutchinson's local program in that APPA only recognized trees that were strategically placed on properties (east, west, and south) that would in turn reduce a utility's overall peak demand. Utilities' personnel began the task of training workers in quality-care practices and also helping customers plant appropriate trees near utility lines.

In light of the Utilities' abiding commitment to planting trees, they were bestowed many honors at the end of the decade. First, the Arbor Day Foundation recognized HUC as one of 149 utilities to have 'Tree Line USA Honors'. HUC received the awards by meeting its requirements to participate in a program of quality tree care, providing for annual worker training in tree care practices, and implementing a tree planting and public education program. In its congratulatory letter, Arbor Day asserted that, "Your utility's effort in meeting Tree Line USA requirements…not only helps to provide beautiful trees for the future, but also results in long-term operational savings for your utility."[cclxxii] HUC's achievement was derived from its participation in the TREE POWER program. Hutchinson Utilities received the renowned distinction as the sole municipal power company in Minnesota to receive the honor for 2007; the same award was garnered again by the Utilities the following three years. At the same time, the Utilities received APPA's Golden Tree Award for planting at least one tree over the past 14 years for each customer in the city. Finally, in the spring of 2008, HUC and the City of Hutchinson were chosen to receive the Minnesota Shade Tree Advisory Committee's Outstanding Partnership Award for the Energy Tree Planting Project. A community forester for the Minnesota Department of Natural Resources commended the two entities when he stated,

> This program is an innovative example of public and private partners getting homeowners involved in reducing their energy needs for the long term. It's a model for other municipal power producers, by showing that trees are an integral part of a community's public works infrastructure.[cclxxiii]

Even though the Utilities has received acclaim from both near and afar, HUC will not become complacent in its actions. Instead, the Utilities, through its Conservation Improvement Program, will remain committed to conserving energy and saving money through careful analysis of its projects and looking for better ideas to employ for years to come.

Big Stone II

General Manager Mike Kumm was hired as Hutchinson Utilities was embroiled in legal battles surrounding the pipeline, yet it was not the pipeline that worried him, rather it was Hutchinson's edging closer towards the precipice of lacking a long-term power supply, e.g., baseload power. It was disconcerting that the Utilities was "capacity rich and energy poor."[cclxxiv] Unlike other municipal utilities, Hutchinson had almost twice as much generating capacity (103 megawatts) as its summer peak demand (approximately 60 megawatts). Even though the Commission Board was informed that they were probably one of the most independent municipals in the state due to the excess generating capacity, those generating units had stood idle for the past few years due to escalating prices for oil, natural gas, and wholesale power. The average cost of generating energy had increased from 1.729 cents per kWh in 1999 to 4.624 cents per kWh just four years later. Consequently, the amount of energy supplied by these generating facilities decreased from 46 percent of total system energy requirements in 1999 to six percent of total system requirements in 2003.[cclxxv]

Historically, Hutchinson Utilities had met its power supply requirements by constructing and operating oil and natural gas-fired generating facilities. With the passage of time, it often became cheaper to buy, rather than produce energy. As a supplement, HUC would enter into intermediate agreements for the purchase of wholesale power from other electric utilities in the region. As commodity prices escalated, the more dependent HUC became on wholesale acquisitions to supply an increasing percentage of its system energy requirements; the Utilities' net wholesale power purchases increased from 54 percent in 1999 to a staggering 94 percent by the early 2000s. Likewise, the last year that it was cheaper to generate than purchase was also in 1999.

Adding to potential future difficulties for not only HUC, but all electric companies, was the increasing constraints on transmission facilities. Even if Hutchinson could buy power in the future, its delivery could not be guaranteed. These limitations, in conjunction with higher generating costs led to increases in the average cost of wholesale power purchases. After hearing this news from the firm, R.W. Beck, it became evident to the Commission board that they needed to secure a baseload energy supply for the long-term. To limit the Utilities' exposure to the volatile spot market in both generating divisions, its management started to evaluate indissoluble strategies that would provide the rate payers some financial relief. A project by the name of Big Stone II seemed to fit the bill.

It was a contrived idea; build a coal-fired plant while the public was becoming more concerned with the ramifications of pollution-emitting industries, such as utilities. Yet, it was the best, most environmentally friendly, and affordable solution to many utilities' troubles, including Hutchinson. In its initial stages, Big Stone II (BSII) was to be a $1.6 billion coal-fired, 600 megawatt baseload plant, (meaning that its power would be available around the clock). Designed to utilize proven technology for a plant this size, a "supercritical" pulverized coal-fired boiler represented the most efficient baseload generating technology currently commercially available. This advanced technology could reduce emissions for each kilowatt-hour of energy output by approximately 3 to 4 percent over conventional coal technology. The appointed site straddled the Minnesota-South Dakota border; the plant was to be

between Big Stone of South Dakota and Ortonville, Minnesota. Scheduled to be in commercial operation by March 2011, BSII was going to be the second generating unit at the existing Big Stone station. Intended to be equipped with state-of-the-art emissions control equipment at the new plant and performing retrofitting to the existing plant, planners believed that BSII had the ability to reduce total emissions from current levels by 20 percent while doubling the amount of power generated; this was to be a triumphant feat when one considered that two plants would actually be cleaner than one. In addition, BSII participants thought it was essential to build electric transmission facilities in Minnesota at a larger capacity than what was necessary to accommodate for the future development of other generating facilities, including renewable resources such as wind generators. These facilities would not only improve reliability, but in conjunction with other transmission projects, would accommodate the development of 800 to 1,000 megawatts of additional generation beyond what was needed by BSII participants. Originally, HUC was the only municipal invited to be a BSII project owner, yet they relinquished this role because they could not afford the $100 million price tag of being a property holder. Instead, the Utilities transferred its right, title, and interest in the project to Missouri River Energy Services (MRES) when it signed a purchase power agreement with the agency.[cclxxvi] Missouri River and six other regional utilities united to build the unprecedented mega-plant, which was designed to serve more than 2.2 million people. Because it took approximately four to six years to plan, site, and build a baseload generating plant, they set about to obtain the necessary permits and affidavits required for BSII's existence.

A preliminary artist's rendering of the plant, via BigStoneII.com.

Missouri River Energy Services is a not-for-profit, joint-action agency that supplies electricity and a plethora of energy-related services and programs to public power utilities in Iowa, Minnesota, North Dakota, and South Dakota; the board is governed by the members it serves.[cclxxvii] Part of MRES' values is a steadfast commitment to balancing the need for a low-cost reliable power supply with proper attention being paid to the environment. Throughout its 40 year existence, 45 percent of MRES members' electricity were traced to renewable energies such as hydroelectric and wind power. Basic membership in MRES was approved by the Commission board in 2005; for a fee of $16,000 the Utilities was able to employ the numerous perks of belonging to such an agency, such as having rate studies conducted. In accordance with its power agreement with HUC, MRES would provide free management

for the project and would finance the Utilities' share of 42 megawatts of electrical power. As of 2005, HUC's cost per megawatt hour was expected to be about $38 to $40 if the plant opened as scheduled, in 2011.

In order to move forward in the planning phases for Big Stone II, the partners needed to obtain three permits: a certificate of need, clean air permit, and a citing permit. Early in 2007, the South Dakota Public Utilities Commission approved, unanimously, BSII's application to construct electricity transmission facilities in South Dakota to connect to the grid in Minnesota. Pending the approval of a Certificate of Need in Minnesota and the Federal Environmental Impact Statement, transmission line construction could begin in the fall of 2008. It was not to be.

BSII was marred by many difficulties. Many environmentalists opposed the project because of the mercury emissions that were released from coal-fired plants. They took their opposition to the press and flooded the papers with articles that denounced BSII. In Big Stone's stead, these persons favored power derived from renewable energies, such as wind power. Their preferences proved baseless when one considered the reliability of wind. Unfortunately, wind was only 30 percent dispatchable in this portion of Minnesota and oftentimes, when energy was most needed was the time when wind all but stilled to a gentle breeze. A conservation group by the name of Sierra Club went so far as to challenge the project's South Dakota permits in court; the courts upheld the South Dakota Public Utilities Commission's decision to grant BSII project participants a permit to construct the plant. What proved to be more injurious was the possible passage of the aggressive Global Warming Mitigation Act, also known as House File No. 375. The State of Minnesota had already passed the Renewable Energy Standard in 2007; part of its contents stated a requirement of utility companies to use renewable generation in order to produce 25 percent of their power by 2025 for the reduction of carbon dioxide emissions. Yet, the Mitigation Act was posed to undermine the Standard by also restricting the output of greenhouse gases, including coal. Additional proposals could hamper and possibly abolish the use of coal-fired plants. General Manager Kumm reacted to the possibility of withholding the use of a cheap source of energy when he reported that, "The potential for electric rates to skyrocket in Minnesota is very real." Baseload generation was critically needed in the region and there was fears that the area would experience a generation shortfall in the future, even after BSII would go on-line.[cclxxviii] In order to protect Hutchinson rate payers, the Commission Board sent a resolution to the Legislature, urging them to conduct an in-depth study of the "economic, technological and environmental elements" before passing a piece of legislation that could potentially prevent electric companies from meeting the needs of its customers.[cclxxix] It was vastly important for the Legislators to recognize that all sources of energy were important and were needed to mitigate power costs from 2007 and beyond.

At the beginning of the fall harvest, the Utilities received some devastating news that two of BSII's main investors were withdrawing from the project. Great River Energy (GRE) and Southern Minnesota Municipal Power Agency (SMMPA) were to receive an aggregate of 149 megawatts, or 27 percent of output, from the plant. While SMMPA cited that it was unable to make a long-term commitment due to litigation issues, a GRE representative explained, "Great River Energy still believes

Big Stone II is an important project for this regions, but it is no longer as good a fit for us at it was three years ago."[cclxxx] With this revelation, the project was put into jeopardy. Refusing to let the project be placed in peril, MRES requested that its members reaffirm their support for the project because it filled the great need for additional baseload resources while being the most cost effective option available in this area. In addition, BSII was to incorporate highly efficient technology that would result in a cleaner environment as it reduced the level of mercury, sulfur dioxide, and nitrogen oxide emissions.[cclxxxi] Because Hutchinson did not have any baseload energy; they felt this was the best solution to their present predicament. Following the submittal of numerous resolutions of support, the BSII accomplices forged ahead by revising its plans that reflected the departure of GRE and SMMPA; the plant was downsized to a 500 to 580 megawatt coal-fired station. General Manager Kumm iterated in a letter to Hutchinson's local newspaper that HUC chose BSII because it was the best generation option for the town's rate payers. "We stand by that decision and are confident that, once on-line, BSII will serve us for many years to come."[cclxxxii]

By early 2009, the BS II project had received seven major permits from both South Dakota and Minnesota; it had finally cleared all its regulatory hurdles. In each case, regulators reached a consensus that the project was the best generation option from the standpoint of reliability and cost. The Plant would have the ability to double the power produced while slightly reducing nitrogen oxide emissions, reduce sulfur dioxide by 85 percent, and cut the current mercury emission by one-half of the 2009 level.

Unfortunately, the success that BSII had achieved was eclipsed by the revelation that its main supporter was backing out in the fall of 2009, thus seriously retarding the progress of the project. The leading utility, Otter Tail Power Company, stated that it was pulling out as a 20 percent participant and as the foremost developer because of the economic downturn and uncertainty about future legislation regarding the regulation of carbon emissions. Tenacious, the four surviving utilities immediately struck up discussions with potentially new participants; one of the last standing was the project's largest remaining partner, MRES. Yet, the utilities did set a deadline for the end of November to determine whether or not to proceed with the project; the companies did not have to wait until the closing date to have their answer. At the beginning of November, it was announced that after almost five years of planning and permitting efforts were executed, the project was terminated. In order to sustain the plant's requirements, the project required additional members to come forward; no one did because of the tough economic times. Even though the project did not come to fruition, HUC was still liable for its share of the plan's legal, engineering, and developmental costs that will be paid in full by 2015.

Without Big Stone II, many were uncertain of how to move forward. Following BSII's death, there was a loss of the project's high voltage transmission facilities that had been sized to serve the region's burgeoning wind energy development. The loss of those lines had the high probability of hindering the future development of wind power in southwest Minnesota. Approximately 2,000 megawatts of wind generation that had been dependent on BSII now had no way to be transported from one destination to another; in other words, 1,000 wind turbines were not erected because of the project's termination.[cclxxxiii] This was a fatal blow to renewable energy.

BSII had been a possible solution to the Utilities' predicament. The project's demise left HUC still in need of a long-term energy supply. So, Utilities' personnel set out to find another answer to our energy conundrum while in the meantime signing short-term agreements for power with various companies.

The Year of Renewables

For years, Hutchinson Utilities had looked to expand its portfolio of power options as it explored alternatives to generating gas through forms of renewable energy. As an environmentally-aware utility, HUC had repeatedly made attempts to investigate numerous renewable generation opportunities; HUC's own integrated resources plan called for diversity beyond its reliance on natural gas and coal-fired electricity. Beginning in 2006, those potential renewable candidates were scrutinized to see whether or not they were feasible options for Hutchinson. Among the three most carefully considered were: wind energy, biomass, and plasma gasification. Though municipal utilities, like HUC, were not required to meet the state's energy standard of having 25 percent of power being generated from alternative resources beginning in 2025, the Commission board believed pursuing alternative power was the right thing to do. Requesting the aid of MRES, HUC hoped to collaborate with others in developing renewable energy strategies.

Hutchinson is on the eastern edge of a zone where moderate winds sweep across much of western Minnesota. It was believed that there was potential to harness wind for generation purposes. Not only was wind energy seen as a means of providing clean energy, but that it could be a tool for rural economic revitalization, support agriculture, and create jobs. The Utilities teamed up with consultants, Geronimo Wind Energy, to actuate if there was enough wind in the area. While it was deemed that there were satisfactory wind conditions around Hutchinson to hoist some turbines in the air, there were many limiting factors, namely that wind was only 30 percent reliable and was not easily dispatchable due to a lack of transmission lines. Following an economic analysis of building a wind farm outside of Hutchinson, Geronimo informed HUC that they could expect total capital costs to be between $70 and $80 per megawatt, with the final price contingent upon financing costs and wind capacity factors. That was a much steeper price than what the Utilities expected to pay for the 42 megawatts of power from BSII as well as HUC's current cost of $56 per megawatt.[cclxxxiv] Upon hearing this information, the Commission stated that the project was not a feasible endeavor for the Utilities to partake in. As they moved on to evaluating the other alternative energy options, the Commission was advised by management to keep the option of wind in the peripheries of their minds.

Photo courtesy of dynglobal.com

Turning its attention to biomass because it was more dispatchable than wind, the Commission hired R.W. Beck to conduct a feasibility study on the synthetic gas in order to substantiate whether the substance was a viable, renewable resource option for Hutchinson. Biomass is any organic matter available on a renewable or recurring basis that can be used as a fuel source. Utilities' management believed that there was potential that the gas produced in the treatment process at the local wastewater plant or Creekside Compost could possibly replace some use of elastically-priced natural gas because it was a pure waste with vast potential. Representatives reported that biomass was available for conversion into a burnable synthetic gas; enough electricity could be generated for 800 to 2,000 homes.[cclxxxv] While proven to have promise, the technology was underdeveloped, thus no vendors were willing to warranty their system. Even though the Utilities had to forgo the product's use because it was less developed than desired, Commissioners and management remained open to its future prospects because there was no doubt that this industry was poised to advance into its prime.[cclxxxvi]

The final type of energy that the Utilities was considering involved the conversion of renewable fuel, such as corn stover or wood chips, into syngas. An alternative and innovative idea to the usual resources that produced energy, (hydro, nuclear, natural gas, or coal) plasma gasification was postulated as a possible replacement for more expensive natural gas. Since it was in the early stages of development, Syngas could create up to 1.5 megawatts of electrical power, about 3 percent of what Hutchinson required on a normal day. Phoenix Solutions (a Minneapolis-based company that has a local test facility along state Highway 7) approached the Commission Board and proposed a partnership between the company and Utilities to take part in a state-funded plasma energy demonstration. Seeking to have the state subsidize half of the $5 million experiment, Phoenix requested that the Utilities be willing to contribute $1 million in return for the future use of the plasma gasification demonstration unit for local power production. Part of its sales pitch was that the project could have helped the state determine if using the plasma process would work in the production of cellulosic ethanol. Unable to capture the beseeched amount of state money during the 2008 legislative session, Phoenix was unable to move forward in its plasma gasification energy test project. HUC ultimately decided that since the technology was not proven, to not pursue anything further.

As with most of these renewable energies, the resources were ahead of their time whenever the Utilities entertained the thought of participating in these applied research projects. Eventually, another pioneering method will be at the forefront of renewable generation that HUC will be able to participate in. Until then, HUC will carry on generating.

A Neat Little Thing: AMI

Prior to entering the next decade, the nation was divided in its presidential election, yet there were a few matters in which both candidates agreed; one of those items was the expressed desire to incorporate smart metering into utilities throughout the country. Smart meters, or automated meter reading were designed to improve efficiency and reliability of utilities' networks; both values were highly regarded by Hutchinson rate payers. In addition, the smart meter technology possessed the ability to supply a utility with information regarding outage notifications, disconnect/reconnect services, and Demand-Side Management and Peak Pricing programs, just to name a few. Each of these items would be available progressively, with time. Automating a process that was formerly done by a third party who manually read 7,000 electric meters and 5,300 natural gas meters each month would eliminate a time-consuming and costly task for the Utilities. Another benefit of the AMI system was that it could eliminate costly rereads that had to occasionally be done. In labor savings alone, the system could be paid for in about seven years just from not having to manually read 12,300 meters each month. The possible benefits and savings to be reaped convinced the Utilities to spend $1.6 million over a three-year installation conversion when they contracted with Sensus—HD Supply Waterworks for AMI meters. While smart metering has grown out of its infancy as a new technology, it is proven. Nevertheless, the Utilities' management created a phasing plan for the project that considered which areas of the city would be converted first so that kinks could be worked out as the community continued to grow. Making the move to smart metering was stated by General Manager Kumm as being "right in line with where the national energy policy is going."

An AMI meter that was just installed.

HUC is Among the Best

There has been no indication, nor murmur of the Utilities Commission slowing down as another decade is upon us. Always striving to be better helped earn HUC an awe-inspiring distinction among thousands of its peers. HUC was acknowledged as one of the most dependable and safe municipal power companies in America when it was ranked as one of the top 94 best utilities in the nation by the American Public Power Association in the spring of 2010. Awarded the Reliable Public Power Provider (RP_3) recognition, Hutchinson Utilities had demonstrated proficiency in reliability, safety, workforce development, and system improvement. Out of a pool of 2,000 not-for-profit, city or state-owned

electric utilities, HUC was placed in the top 5 percent, which was a monumental achievement that the Utilities had rightfully deserved. The cities of Rochester and Marshall were the only other Minnesota municipal companies to get the designation. HUC's remarkable levels of reliability could be attributed to its long commitment to converting the overhead distribution system to become underground; such programs enhanced the Utilities' reliability when compared to large investor-owned companies like Xcel.

The Long-Awaited Sale Agreement with MRES

Following the downfall of Big Stone II, the Utilities picked up its years-long quest in search of a long-term agreement that could provide Hutchinson with baseload power. Without the assurance of having an agreement in place, the Utilities were facing a rather dismal and uncertain future in which they would hope to continue entering into transient agreements; yet no agreement guaranteed power in the long-haul. Depending on the time of year and if they were unable to secure a short-term power contract, the Utilities would have to fire up their natural gas-fired plants at a more expensive cost than power generated by traditional baseload sources—coal, nuclear, and hydroelectric. The price volatility of natural gas in the mid-2000s sent the Utilities and customers reeling from its turbulent effects. Sensing the impending need, Utilities' management turned to Missouri River Energy Services to find a satisfactory and affordable solution. After working with MRES for five years, the two entities were able to sign a much celebrated long-term power sale agreement on May 13, 2010 that would remain in effect until January 1, 2046. General Manager Kumm rejoiced in stating, "This is a big deal for us and the Hutchinson community. Our objective for many years has been to acquire baseload energy. We are probably in partnership with the best, or at least among the best, generators in the U.S."[cclxxxvii]

Beginning in September of 2010, 15 megawatts of baseload power was furnished to Hutchinson, at a guarantee of 24 hours a day, seven days a week. That contracted amount consisted of more than 40 percent of Hutchinson's annual energy needs. Starting in January 2013, the level of baseload power is set to increase to 25 megawatts, which will account for 70 percent of Hutchinson's current annual energy needs. The price charged by MRES to HUC for each megawatt-hour will be $50 for the first couple of years, which equals five cents per kilowatt hour; the Utilities had been paying between $53 and $65 per megawatt hour in 2009 alone. In addition to the agreement, there are some benefits rendered to Utilities' customers. Most notable is a renewable component that includes wind power, which satisfies Minnesota's mandate that 25 percent of a utility's power needs to be derived from renewable resources by 2025.

What was for certain in these uncertain times was that if it had not been for HUC's involvement with BSII, they never would have gotten their agreement with MRES.

Through constructing a pipeline, securing a baseload power agreement, and overseeing the two Plants during some unpredictable times, the Utilities were able to carry out the feat of which Congressman Mo Udall spoke of, balancing change and stability.

The Utilities' logo was erected on the side of Plant 1 to add a more contemporary look to the building in the summer of 2009.