

The Owatonna Public Utilities Commission met in special budget session in the Morehouse Conference Room at the Owatonna Public Utilities. Present were Commissioners Rossi, Vetter, Johnson, Zirngible and McLane. Also present were General Manager Warehime; Director, Finance & Administration Linders; Director, Engineering & Field Operations Fenstermacher; Director, Information Technologies & Metering Baum; Manager, Human Resources Madson; Manager, Gas & Water Operations Prokopec; Manager, Electric Operations Enright; Manager, Customer Experience Schmoll; Supervisor, Accounting Jerpbak; Supervisor, Information Technology Trom; Supervisor, Meter Services Johnson; Energy Conservation/Key Accounts Officer Anne Kraft; Human Resources Specialist Megan Smith, Accountant Deb Anderson, and Accounting Specialists Shanda Meier and April Moran.

President Rossi opened the meeting and led the Pledge of Allegiance.

General Manager Warehime recapped the agenda for the budgeting meeting by noting Director, Finance & Administration Linders and Supervisor, Accounting Jerpbak would be presenting the budget overview, then departments heads would discuss the operating budgets and non-operating budgets. Commissioner Johnson inquired about increases in electric capital expenditures, notably the need for two new substations in the forecasted 5-year budget as discussed during the electric system health reports in October. He further noted projected growth in electricity sales has been trending down and wanted to know the justification for the proposed substations. General Manager Warehime noted, the first substation is needed now to provide better reliability and voltage to the northeast part of town. He further noted the East Owatonna Substation has aging infrastructure, it is an older substation and does not have the capability to be expanded.

Mr. Linders and Mrs. Jerpbak discussed notable changes from the 2025 budget to the 2026 budget. For all three utilities, they discussed proposed rates, revenues and expenses, capital, and net income and reserves. Notable changes include changing the Energy Acquisition Adjustment (EAA) policy to an Electric True-up Charge (ETC) policy. This change will eliminate the forecasting portion of the charge and will now only be a true-up charge based on actual usage. The charge can be a negative or positive amount.

Another notable change is the new Minnesota Paid Leave law which becomes effective January 1, 2026. The new law allows employees up to 20 weeks paid medical/family leave annually. The program is funded by a new MN tax on wages of .88%. Employers are required to pay a minimum of 50% of the tax so .44% is built into the 2026 budget.

The final notable change is the Northern Natural Gas (NNG) rate case. NNG has filed with the Federal Energy Regulatory Commission requesting a 30% rate increase. Approval seems likely, so this has been built into our purchased gas costs for 2026.

Proposed rates for 2026 include a 1.5% decrease in electricity; 10% increase in water; and a 12.3% increase in natural gas. Overall this equates to about a \$9.87 monthly increase to an average residential customer. Mr. Linders explained the SMMPA electric rates over the next five years are projected to include large decreases followed by large increases. In order to keep things relatively flat for our customers, we are projecting smaller rate decreases over the 5 years of this budget. The difference collected will be put into a rate stabilization fund to help keep rates stable in future years when SMMPA has large rate increases. Commissioner Vetter asked if the rate stabilization fund will be a separate line item in the financials. Mr. Linders replied, yes. Commissioner Johnson inquired about the difference in the electric fixed costs from the previous year, wondering why it is so much higher in 2026. Mr. Linders will look into it and report back to Mr. Johnson.

Lastly, Mr. Linders and Mrs. Jerpbak discussed projected 2026 changes to non-commodity revenues, controllable costs compared to the consumer price index, other expenses, labor and benefits, and net income, capital and reserves forecasts.

Operations Budgets

Director, Engineering & Field Operations Fenstermacher and Manager, Electric Operations Enright reported to the Commission regarding proposed 2026 budgets for the Engineering, Electric, Substations and Dispatch departments in regard to expenses and capital items. They also discussed expenses related to work done for SMMPA as well as expenses related to vehicles such as maintenance and fuel purchases. Mr. Fenstermacher wrapped up the presentation by discussing the Fleet Capital trend & rationale, and proposed vehicle purchases for 2026. He noted we are still waiting on vehicles purchased in 2025; therefore, due to the lead-time to get some of the larger vehicles, staff is asking to open a 2027 work order in 2026 to get the purchase of the bucket truck into production.

Manager, Gas & Water Operations Prokopec presented proposed 2026 budgets for the Water Production, Gas & Water Distribution, and Buildings & Grounds departments in regard to expenses and capital items.

Supervisor, Meter Services Johnson presented proposed 2026 budgets for the Meter Services expenses and capital.

Non-Operations Budgets

Director, Information Technologies Baum; Human Resources Specialist Megan Smith; Manager, Customer Experience Schmoll; Energy Conservation & Key Accounts Officer Anne Kraft; and Supervisor, Accounting Jerpbak presented proposed 2026 budgets for the Information Technologies, Human Resources, Administration, Customer Experience, Energy Conservation, and Accounting departments related to expenses. Information Technologies was the only department with capital items.

Adjournment

After discussion, there was not any further business to come before the Commission. The meeting adjourned at 6:55 p.m.

Respectfully submitted,

Tammy Schmoll
Manager, Customer Experience

The Owatonna Public Utilities Commission met in regular session in the Morehouse Conference Room at the Owatonna Public Utilities. Present were Commissioners Rossi, Vetter, Johnson (via Teams), Zirngible and McLane. Also present were General Manager Warehime; Director, Finance & Administration Linders; Director, Engineering & Field Operations Fenstermacher; Manager, Human Resources Madson; Manager, Customer Experience Schmoll; Supervisor, Accounting Jerpbak; Supervisor, Information Technology Trom; Special Advisor Dave Olson; and OPU employees Deb Anderson, Dan Cammock, Shanda Meier and Caden Sorenson. Other guests included Council Member Dan Boeke; Isaac Karley and Nick Wallen from Leo A. Daly; and customer, Mike Brooks.

President Rossi called the meeting to order, led the Pledge of Allegiance, and asked for approval of the agenda and consent agenda. Commissioner Zirngible moved to approve the agenda as presented. Commissioner McLane seconded the motion. All Commissioners voting Aye, the motion passed. Commissioner Vetter moved to approve the consent agenda except the Sexual Harassment policy. He asked to have that removed from the consent agenda. Commissioner Zirngible seconded the motion with the removal of the policy. All Commissioners voting Aye, the motion passed.

Committee Reports

Personnel Committee – Commissioner McLane reported the Personnel Committee met and received a staffing report, a safety update, and had a discussion regarding non-union salary adjustments and group health insurance rates. Commissioner McLane noted the Accounting Specialist position was filled by an internal employee, April Moran. The Executive Administrative Assistant, Afterhours Serviceworker, Credit/Customer Service Representative and Lead Meter Serviceworker remain open.

Finance Committee – Commissioner Vetter reported the Finance Committee met, reviewed and approved Vouchers totaling \$5,761,902.21. He further reported net income, expenses, and budget to actual expenses for all three utilities were reviewed and discussed. Overall, the utility is in a good financial position.

City Administrator's Report

City Administrator Tuma was not present at the meeting.

Lobby Improvements – Leo A. Daly

General Manager Warehime introduced Isaac Karley and Nick Wallen from Leo A. Daly. Mr. Karley and Mr. Wallin discussed the goals of the project including recommendations from a Homeland Security Facility Assessment. The assessment identified vulnerabilities related to public access, staff safety and emergency preparedness. They recapped the DHS findings as well as discussed 5 key drivers, and six different potential projects to address the findings. The six different projects included: securing access to the 2nd floor, adding ballistics glazing/film to the glass going into the Morehouse Conference Room, a new exit out of the north side of the Morehouse Conference Room, reconfiguring the grand stairs, reconfiguring the customer service & office area, and potentially putting a stairway from outside the Morehouse Room to the restrooms which would require reconfiguring the existing north doorway. Mr. Karley and Mr. Wallin noted they worked with staff to come up with the different project concepts and discussed each project in detail. Lastly, they discussed the estimated financial breakdown of each project. The Commission thanked them for their presentation and they left the meeting.

System Health Reports

Director, Engineering & Field Operations Fenstermacher and Associate Engineer Caden Sorenson presented the electric system health reports to the Commission. They discussed an overview of the electric system, reliability indices and nationwide recognition, the July outage, major projects for 2025 and 2026, the electric system study and the proposed 2026 budget.

Gas & Water Design Engineer Dan Cammock presented to the Commission the water and natural gas system health reports. He gave an overview of each utility and discussed projects and their proposed 2026 budgets. In the water report, he highlighted the water service line protection program and next steps related to the lead copper rule revisions. In the natural gas utility, he highlighted 4 natural gas line incidents and discussed the renewable natural gas project at the Wastewater Treatment Plant.

Supervisor, Information Technology Trom presented to the Commission the Technology & Security system health report. He provided system health metrics, reviewed 2025 projects, discussed 2026 projects & initiatives and the proposed 2026 budget.

Commissioner Rossi asked to see an analysis of how the new irrigation program worked. General Manager Warehime will work on getting a report.

Commissioner Vetter asked to see a total number of simulated IT attacks and how many were reported.

The Commission thanked everyone for their presentations.

General Manager/Staff Reports

Director, Finance & Administration Linders reminded the Commission of the upcoming budget meeting on November 10th. He noted the proposed budget is complete and will be emailed after the meeting. He also gave recognition to the whole management and accounting staffs for their work on the budget.

Commission Roundtable

Commissioner Rossi thanked all the staff members for their system health report presentations and thanked Dave Olson for his years of service as the Director, Finance & Administration and reminded the Commissioners of the upcoming meeting to discuss General Manager Warehime's annual review.

Audience Comments

Councilmember Boeke complimented staff on the excellent work they did during the July 28th windstorm. He also brought up an issue with the road by Community Pathways that remained after gas line was run under it. He asked that it be taken care of as soon as possible.

Adjournment

There being no further business to come before the Commission, the meeting adjourned at 6:45 p.m.

Respectfully submitted,

Tammy Schmoll
Manager, Customer Experience