Owatonna Public Utilities Commission April 28, 2026 4:00 p.m.

The Owatonna Public Utilities Commission met in regular session called to order at 4:01 p.m. by President Rossi.

Present were Commissioners Rossi, McLane, Vetter, Zirngible, and newly seated Commissioner Louden who will take her position beginning May 1, 2026. Commissioner Johnson attended virtually. Also present were Interim General Manager Olson; Director, Finance & Administration Linders; Director, Information Technology & Metering Baum; Director, Engineering & Field Operations Fenstermacher; Manager, Human Resources Madson; Manager, Customer Experience Schmoll; Manager, Gas & Water Operations Prokopec; Supervisor, Accounting Jerpbak; Accounting Specialists Meier and Moran; and Business Analyst Engineer Riggleman. City Administrator Tuma was also in attendance, along with Tom Olinger from Abdo Auditing & Consulting Firm, Dan Boeke from the City Council, and audience member Roger Wacek.

President Rossi called the meeting to order at 4:01 p.m. Commissioner McLane moved to approve the agenda. Commissioner Zirngible seconded the motion. All Commissioners voting Aye, the motion passed.

Commissioner Zirngible moved to approve the consent agenda, which included the minutes from March 31, 2026 and April 14, 2026. Commissioner McLane seconded the motion. All Commissioners voting Aye, the motion passed.

A moment of silence was observed in honor of General Manager Roger Warehime.

Committee Reports

Personnel Committee Report – Commissioner McLane reported the Personnel Committee met on April 15, 2026. The following positions were posted internally: Lead Meter Service Worker – Electric/Water and Lead Meter Service Worker – Natural Gas. OPU has reached 364 days without an OSHA recordable incident.

Finance Committee Report – Commissioner Vetter reported the Finance Committee reviewed March financials and disbursements. Financial highlights included:

- Total disbursements for March were $7,647,829.22.
- Electric utility net income was $371,000 below budget in March, and $578,000 below budget year-to-date.
- Water utility net income was $72,000 above budget in March, and $169,000 above budget year-to-date.

- Natural gas utility net income was $563,000 below budget in March, and $681,000 below budget year-to-date.
- Four work orders were completed in March totaling $295,000, coming in $92,000 below budget. Sixty-five work orders remain open with $3.2 million spent toward a total budget of $18.7 million.
- Water reserves are currently at 183% of the minimum target; Gas reserves at 147%; and Electric reserves at 101% of minimum.

In addition to the standard financial update, Vetter noted that invoices in the amount of $5,783,382.84 were approved by staff in GM Warehime's absence with authorization from Director Linders. Although the approvals were properly authorized, the Commission was asked to formally ratify these expenditures to ensure transparency at the time of the annual audit. Commissioner Vetter and Johnson approved the expenditures.

City Administrator Report

City Administrator Tuma reported that the first round of fire chief interviews did not result in a candidate selection. The position was reposted and will remain open for approximately three more weeks, it is expected that it will be approximately six weeks before a final appointment is made. The Police and Fire building project continues to progress, with a community deep-dive presentation scheduled for Tuesday at 4:30 p.m. at City Hall and virtually, providing residents an opportunity to understand the scope and rationale of the project. The City continues to offer support to OPU in any way needed during the leadership transition.

Annual Audit Presentation – Abdo Auditing & Consulting

Tom Olinger of Abdo Auditing & Consulting Firm presented the results of OPU's annual audit. OPU received an unmodified (clean) audit opinion. Key highlights included:

Olinger described the risk-based audit methodology used, which involves testing a sample of transactions throughout the year, evaluating internal controls through walk-throughs, and confirming compliance with applicable state statutes including deposits, investments, debt, tax increment disbursements, and conflicts of interest.

One instance of Minnesota legal compliance was noted: insufficient collateral coverage, which requires deposits held at banks above the FDIC threshold to be collateralized at 110%. Management identified this issue prior to the audit and proactively contacted the bank to ensure compliance going forward, and controls have been put in place to prevent recurrence.

Financial highlights by fund:

- Electric Fund: Revenues remained relatively steady with a slight decrease tied to demand. Production costs also decreased accordingly. Distribution and other operational areas reflect cost-of-living increases. Unrestricted net assets increased, with total electric fund reserves at approximately $2.5 million. Overall cash receipts were approximately $47 million, with operating costs at approximately $43 million.
- Water Fund: Revenues have increased approaching $5 million. Distribution expenditures have continued to increase with cost-of-living trends. Unrestricted net assets increased by approximately $700,000, bringing total fund balance to approximately $30 million. Cash flow from operations was an increase of approximately $5.2 million. There was a combination of decrease in production and administration costs that did drop the cost of operation down about $200,000 but overall for this fund we have about $1.6 million coming in for 2025.
- Gas Fund: Revenues increased year-over-year from 2023 to 2025, exceeding $18 million. Net investment and capital assets increased approximately $1.6 million, with unrestricted net assets increase of approximately $700,000. The Gas Fund continues to hover near break-even, with $18.4 million in cash inflows and $17.4 million in operating outflow.
- Combined Cash & Investment Balance: Total cash and investment balance increased by just over $600,000, with $2.3 million in earmarked funds. Interest income was $1.2 million in 2025 compared to $1.3 million in 2024, reflecting a slight flattening of interest rates and a shift in the cash-to-investment mix.

Key notes highlighted by the auditor included the smooth transition of the leadership team through the audit process, the replacement of the forward-looking EAA policy with a backward-looking ETC policy, the summer windstorm outage, and the implementation of address-based watering rules to reduce peak demand.

In response to Commissioner questions, Olinger noted that Abdo varies its audit focus from year to year to ensure comprehensive coverage, with particular attention to revenue recognition, receivables and collections, and the accuracy of recorded transactions. Internal control walk-throughs are conducted to verify that policies and procedures are being followed.

Interim General Manager Contract & General Manager Search

The Commission acknowledged that a written contract has been executed with Dave Olson to serve as Interim General Manager from April 20 through August 24, 2026. During this period, OPU will advertise for a permanent General Manager. The Commission will conduct interviews and will determine how to best involve the City Administrator and Mayor in the process.

Former President Rossi has agreed to remain available to OPU as a consultant following his departure from the Commission on May 1, 2026. The Executive Administrative Assistant will contact all Commissioners to gather availability for candidate interviews. The recruitment advertisement has been placed in regional publications including MMUA, League of Cities, People's Press, and other selected media outlets beginning April 27, 2026, to ensure broad awareness of OPU and the position.

A Personnel Committee meeting is scheduled for May 20, 2026, with all Commissioners invited to attend. Former President Rossi will also be in attendance. Manager Madson and Interim GM Olson will provide an update on applicants at that time. Interim GM Olson has also been designated as a participant in the hiring process, consistent with his contract.

Bank Access

The Commission discussed the need to add an authorized signer to the utility's bank accounts. Currently, Liders and Warehime are the designated signatories on record. The Commission approved the addition of Olson, Interim General Manager, as an authorized signer on the bank accounts for his interim period. We will revisit this when a new permanent GM is hired.

SMMPA Board Member Representative

Director Fenstermacher was recommended as OPU's Member Representative to the SMMPA Board, with Interim GM Olson designated as the Alternate. As OPU holds a permanent position and voting seat on the SMMPA Board, the Commission was asked to formally approve these designations. Given that Director Fenstermacher has been actively involved in SMMPA matters in recent months and the interim nature of the GM role, this arrangement was determined to be the most practical approach. Commissioner Rossi moved to approve Director Fenstermacher as Member Representative and Dave Olson as Alternate. Commissioner McLane seconded the motion. All Commissioners voting Aye, the motion passed. The paperwork will be returned to SMMPA by the Executive Administrative Assistant.

Water Service Line Protection Program – Policy Revision

Director, Fenstermacher presented the final revisions to OPU's Water Service Line Protection Program policy, following discussion at the March Commission meeting and April Commission Work Session. Key changes from the prior version include:

- Residential monthly fees will remain at $0.99 per month; no rate increase for existing residential customers.

- A new commercial customer rate of $4.99 per month will be added for eligible properties. Commercial customers will be auto-enrolled and receive a bill credit for the first year, providing an opportunity to benefit from the program while retaining the option to opt out.
- Coverage has been expanded to include restoration of personal site improvements such as driveways and similar surfaces.
- A per-incident coverage cap of $15,000 has been established, applicable to both residential and commercial customers.
- Work associated with street reconstruction projects has been removed from the policy scope and will be expensed separately going forward.

The policy will be integrated into the NiSC billing system with an effective date of August 1, 2026, to allow sufficient time for implementation and proper communication to affected commercial customers. Discussion confirmed that the program applies to property owners, including multi-family rental properties, rather than tenants. Renters of single family homes are also offered the opportunity to opt in/opt out of the program (if they opt out and charges are incurred, the property owner is responsible for the charges). Properties seeking enrollment after opting out are subject to a pre-inspection to identify any pre-existing conditions. Commissioner Zirngible moved to approve the revised Water Service Line Protection Program policy as presented. Commissioner McLane seconded the motion. All Commissioners voting Aye, the motion passed.

Lobby Redesign Update

Director Fenstermacher reported that the lobby redesign project has reached 100% design completion and has been advertised for bids. The bid opening is scheduled for May 14, 2026, with one week allotted for review prior to the May Commission meeting. Staff are exploring the use of a construction trailer in the parking lot to house customer service operations during the renovation, pending confirmation of trailer rental costs. Construction is expected to begin in June with a targeted completion date of October 15, 2026.

Gas System Improvements Bid Award

Director Fenstermacher presented bids received for the 2026 Gas System Improvements project. The low bid was submitted by Q3 Contracting at $753,429.99, slightly above the estimate of $695,705. Commissioner Rossi moved to award the contract to Q3 Contracting. Commissioner Zirngible seconded the motion. All Commissioners voting Aye, the motion passed.

Vegetation Management – Tree Trimming Bid

Director Fenstermacher presented the results of the 2026 Vegetation Management Tree Trimming bid process. The base bid scope covers four circuits totaling 27.6 linear miles, with an optional two additional circuits totaling 12.8 linear miles.

Four bids were received: Carr's Tree Service submitted a base bid of $246,170, Asplundh submitted $444,770, Tree Story submitted $483,355, and New Age Tree Service submitted $799,975.16. The project budget is $276,000.

By way of background, OPU paid Carr's Tree Service $477,888.66 in the prior year under their service contract. Carr's is a local company based out of Ottertail with crews operating in the OPU service area, serving OPU and SWCE as primary customers. Under the previous hourly-rate contract structure, Carr's at times staffed smaller crews, which contributed to cost overruns, original estimates were approximately $16,000 per mile, while actual costs came in closer to $35,000 per mile. OPU transitioned Carr's to project-based contracting, and staff has since observed improved work quality and satisfactory safety performance. Carr's currently remains under a month-to-month extension of their 2025 contract and is actively performing trimming work.

Asplundh is a large, nationwide tree trimming contractor that OPU utilized previously, though it has been approximately two decades since that relationship. Asplundh has the capacity to deploy larger crews, which could accelerate the pace of work; however, staff noted some uncertainty regarding their safety performance relative to Carr's, and safety remains OPU's top priority in contractor selection.

The intent for this trimming season was to take a more aggressive approach and advance OPU's overall trimming plan. Due to a delayed start, staff anticipates the program may not progress as far as originally planned this year; however, all bidders indicated that even with a June start date, they could complete the bid scope before the onset of winter. OPU's expectation is that the awarded contractor will be required to trim entire circuits, not only high-risk locations. An additional $80,000 has been budgeted separately for targeted high-risk spot trimming on other circuits. OPU will monitor the selected contractor's progress and utilize AI Dash to verify that work is being completed on schedule and in accordance with OPU's standards.

OPU's total budget for tree trimming this year is $400,000. A portion of that has already been applied to Carr's 2025 contract work, leaving approximately $220,000 remaining to apply toward the new contract award.

City Attorney Mark Walbran reviewed the bid submissions and determined that the bid submitted by Carr's Tree Service does not meet bidding requirements under state law, as it was submitted via email rather than in a sealed envelope as required by the bid instructions and Minnesota statute. The bid was opened and read aloud at the bid opening, making all bidders aware of the submitted amounts.

Attorney Walbran recommended rejecting all bids on the basis that the $230,000 spread between the two lowest bids warrants rebidding in the public interest. Staff concurred, noting that rebidding with a revised base scope of three circuits rather than four would bring anticipated bids more in line with available budget. The optional scope would also be revised to three circuits, and staff will evaluate whether any optional circuits can be added within budget once new bids are received. Director Fenstermacher noted that tree-related outages have doubled in recent years, making the trimming program an operational priority. A five-year plan update reflecting the revised scope and budget projections will be prepared for the June Commission meeting.

Commissioner Rossi moved to reject all bids and authorize staff to readvertise for new bids with a revised scope of three base circuits and three optional circuits.

Commissioner Vetter seconded the motion. All Commissioners voting Aye, the motion passed. New bids will be presented at the May Commission meeting.

Artificial Intelligence Policy

Director Baum presented OPU's draft Artificial Intelligence Policy for Commission review. The policy was previously discussed at the April Commission Work Session. The policy establishes hard guardrails and identifies Claude as OPU's approved AI tool, with procedural guidance provided in a companion procedures document. Key elements include data security requirements, restrictions on the use of customer or personal information, and provisions for disciplinary action in cases of intentional misuse of unauthorized tools.

Staff noted that OPU plans to support ongoing AI literacy through monthly Claude Tech Sessions, where users can share learnings, discuss updates, and raise any concerns. Additional training will be provided during rollout. The Commission was asked to review the policy and submit any recommended changes for consideration before the June meeting, at which time the policy will be brought forward for formal approval.

General Manager/Staff Report

Interim GM Olson noted that the Commission formally recognized the significant contributions and extended gratitude to President Rossi for his ten years of service on the Commission. Commissioners expressed appreciation for President Rossi's legal perspective, curiosity, and engagement with both OPU and the broader community, particularly his support during the GM search process.

Commission Roundtable

Commissioner Vetter suggested renaming a conference room within the OPU facility in honor of General Manager Warehime. Management will discuss the matter and bring a recommendation forward.

Discussion took place regarding officer elections, with the following designations noted for the upcoming year: President – Vetter; Vice President – McLane; Finance Committee – Louden and Johnson; Personnel Committee – McLane and Zirngible; with Vetter serving between the two committees as needed.

Commissioner Zirngible brought up a leadership opening at a local utility and wondered about concerns within OPU. OPU staff noted confidence in its organizational culture, and indicated no current concerns regarding employee recruitment competition from neighboring utilities.

Audience Comments

Roger Wacek addressed the Commission regarding the natural gas electric generating plant that SMMPA is planning to build near Owatonna. Mr. Wacek suggested that SMMPA consider a Combined Heat & Power (CHP) hybrid fuel facility modeled after the St. Paul District Energy Facility, which has provided district heating since 1983 and cooling since 1993 using biomass while also generating electricity. Mr. Wacek encouraged the Commission to explore how SMMPA might be engaged to consider a downsized version of such a facility as a means of reducing dependence on fossil fuels.

Adjournment

There being no further business to come before the Commission, the meeting adjourned at 6:05 p.m.

Respectfully submitted,

Shannon DeWitz

Executive Administrative Assistant