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Owatonna Public Utilities Commission **May 26, 2026 4:00 p.m.**

The Owatonna Public Utilities Commission met in regular session called to order at 4:00 p.m. by President Vetter.

Present were Commissioners Vetter, McLane, Zirngible, Johnson, and newly seated Commissioner Louden. 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; Supervisor, Accounting Jerpbak; Energy Conservation & Key Accounts Officer Kraft; AMI Specialist Sorenson; Business Analyst Engineer Riggleman; and audience members Roger Wacek and Justin Fiedler.

President Vetter called the meeting to order. Commissioner Zirngible moved to approve the Consent agenda. Commissioner Johnson seconded the motion. All Commissioners voting Aye, the motion passed.

Commissioner McLane moved to approve the minutes from the April 28th Commission meeting. Commissioner Johnson seconded the motion. All Commissioners voting Aye, the motion passed.

Welcome and Introduction of New Commissioner

Newly seated Commissioner Krista Louden introduced herself to the Commission and staff. Commissioner Louden is originally from Owatonna and a 1990 graduate of Owatonna High School. Commissioner Louden attended the University of Minnesota and has made a career in advertising sales and corporate sales leadership for the past 35 years. Her career has taken her all over the country, including - Chicago, New York City, and Philadelphia, and she returned to Owatonna approximately a year and a half ago. She expressed her enthusiasm for serving on the Commission and contributing to OPU and the Owatonna community.

Committee Reports

Personnel Committee Report

- Commissioner Zirngible reported the Personnel Committee discussed the two open Lead Meter Service Worker positions for Electric/Water and Natural Gas. These are restructured positions rather than additions to headcount. Interviews are scheduled for May 27, 2026.
- OPU has reached 386 days without an OSHA recordable incident.
- A recent incident involving a customer who fell on the front steps is under review through a cause map analysis, and the Commission will be updated as findings are available.

Finance Committee Report

- Commissioner Johnson reported the Finance Committee reviewed April financials and disbursements prior to the meeting. Financial highlights included:
  - Total disbursements for April were $7,735,000.
  - Electric utility net income was $84,000 above budget in April, and $494,000 below budget year-to-date.

- Water utility net income was $23,000 above budget in April, and $192,000 above budget year-to-date.
- Natural gas utility net income was $89,000 below budget in April, and $770,000 below budget year-to-date. It was noted that approximately $506,000 of the year-to-date variance is attributable to the January storm event, of which OPU absorbed half rather than passing it through to customers.
- Year-to-date consolidated net income is approximately $1,000,000 below budget, largely driven by the January storm.
- Three work orders were closed in April totaling $300,000, coming in 3% below budget. Year-to-date, 13 work orders have been completed totaling $2.6 million, 19% below budget. Sixty-three work orders remain open with a total value of $18.5 million, of which $3.3 million has been paid down.
- Reserves remain at healthy levels across all three utilities.

City Administrator Report

The City Administrator was not in attendance.

Election of Officers

The Commission held its annual election of officers for the upcoming two-year term. The following designations were confirmed:

- President – Commissioner Vetter
- Vice President – Commissioner McLane
- Finance Committee – Commissioners Johnson and Louden
- Personnel Committee – Commissioners McLane and Zirngible

Commissioner Zirngible moved to approve the slate of officers as presented. Commissioner Johnson seconded the motion. All Commissioners voting Aye, the motion passed.

Lobby Redesign Bid Process

Director Fenstermacher presented the results of the Lobby Redesign bid process.

By way of background, the project originated several years ago following a Homeland Security assessment that identified building and facility vulnerabilities. The original scope totaling approximately $501,409 addressed:

- Secure access to 2nd Floor – $42,695 (later reconfiguration with additional card readers)
- Ballistic resistant glazing/film – $61,884
- New exit from Morehouse Room – $108,610 (later addressed via privacy film for the Morehouse Room)
- Reconfigure grand stair – $62,917 (later addressed via additional railings)
- Reconfigure customer service area – $197,658
- Add new stair and reconfigure glass – $27,645

The stated goal of the project is to strengthen physical security and improve functionality in the main lobby without losing the customer-focused experience that defines OPU.

Director Fenstermacher reviewed how comparable utilities and government buildings handle public access and security, noting that the County Administration Building, City Hall, and several peer utilities (Austin Utilities, Rochester Public Utilities, and Shakopee Public Utilities) have moved toward secured work areas with raised counters, glass partitions, or keycard-controlled access. Few comparable public spaces remain fully open today.

The project budget evolved through several stages. The 95% design estimate completed by Leo A. Daly in March 2026 returned at $436,000

Bid Results – Two bids were received:

- Met-Con Construction, Inc. – Base Bid $442,000 (+$229,800 variance to remaining budget; 46% above the Reduced Scope estimate)
- Benike Construction – Base Bid $475,000 (+$262,800 variance to remaining budget)
- OPU remaining project budget: $212,200, with $37,800 in Leo A. Daly design fees already paid

Commission Options – Director Fenstermacher presented three options for Commission consideration:

- Option 1 (staff recommendation) – Award the contract to Met-Con Construction and increase budget authorization to $500,000. This option meets the primary goal of providing a secure workspace for the Customer Experience team.
- Option 2 – Reject all bids, rescope, redesign, and rebid. Estimated project cost of approximately $375,000 by keeping the back wall. Addresses security but does not bring the customer service team together, and would add 2–3 months to the schedule. Because moving customer service to a parking-lot trailer is not feasible in winter, this could push construction into next year and likely increase costs further.
- Option 3 – Reject all bids and cancel the project.

Staff Recommendation – Director Fenstermacher recommended Option 1: award the Lobby Redesign contract to Met-Con Construction, Inc. and increase project authorization to $500,000.

Discussion Points:

- Leo A. Daly was not surprised by the bid range given current market conditions, and that both contractors submitted detailed questions during the bid period indicating they understood the scope.
- Approximately 1,500 customers visit the building each month to pay bills, and the customer service team regularly interacts with disconnected or distressed customers.
- Interim GM Olson emphasized that the safety case is not limited to power outages or external threats but also includes employee safety during routine customer interactions.
- Commissioners raised concerns about justifying the increased cost to customers, the lifespan and depreciation of the improvements (estimated at 50 years, tied to the life of the building), and whether the proposed design sufficiently addresses the safety concerns it was intended to solve or has too much been shaved off of the original plan?
- Discussion also included whether contractor schedules during peak summer construction season may have inflated the bids, and whether delaying and rebidding in the off-season could yield more favorable pricing.
- Alternative approaches such as modifying the entrance, limiting public access hours, or adding on-site security were also raised.

- Staff also noted that enclosing the work area introduces HVAC modifications and acoustic considerations, as walls extending to the deck improve sound mitigation when staff are on phone calls.
- President Vetter expressed the view that the proposed scope does not enhance security sufficiently to justify the cost at this time.
- Commissioner Zirngible suggested holding off and re-soliciting bids in the winter, and following up with Leo A. Daly and the bidding contractors to determine whether a delayed schedule would result in more favorable pricing.
- The Commission also discussed whether a glass bullet resistant partition option should be included in any re-bid.
- Emphasized that any future design should still accomplish both the security objective and the consolidation of the Customer Experience team currently split between floors and open workspaces.

The Commission tabled action on the Lobby Redesign Bid pending follow-up with Leo A. Daly and the construction firms regarding the impact of a delayed schedule on pricing.

Vegetation Management – Tree Trimming Bid

Director Fenstermacher presented the results of the rebid for the 2026 Vegetation Management Tree Trimming project. Following the Commission's rejection of bids at the April meeting, the base scope was revised from four circuits (21.4 linear miles) to three circuits (19.0 linear miles), with optional scope.

Carr's Tree Service submitted a revised bid at a higher per-mile cost following re-evaluation; other bidders generally reduced their pricing but remained above Carr's.

Per-mile cost trends were reviewed: Carr's previously ran at approximately $35,000 per mile under the hourly contract structure, dropped to approximately $9,000 per mile under the April bid submission for the project-based contract, and is now bidding at approximately $14,000 per mile with the newest bid submission in May. The 2026 budget had assumed roughly $10,000 per mile, with projections now in the $15,000–$16,000 per mile range.

Director Fenstermacher presented the updated five-year vegetation management plan, which front-loads investment in 2026 and 2027 before leveling off in subsequent years. The Commission was informed that OPU's investment in AI Dash and a more proactive (versus reactive) approach is projected to save approximately $700,000 over five years by targeting the highest-risk circuits and verifying contractor work.

Staff recommended awarding the base bid and revisiting the optional circuits later in the year based on expense tracking and overall budget performance.

Commissioner McLane moved to award the 2026 Tree Trimming contract to Carr's Tree Service. Commissioner Johnson seconded the motion. All Commissioners voting Aye, the motion passed.

Artificial Intelligence Policy

Director Baum brought the Artificial Intelligence Policy forward for formal Commission approval following review at the April Commission Work Session and April Commission meeting.

The intent is to enable use of Claude as a daily productivity tool, including integration with Excel and similar applications, for routine work involving non-sensitive data. Finance and other departments may use the tool as an expected part of accessing and working with daily data within OPU's secure environment.

Given the rapid pace of AI development, staff suggested the policy be revisited within six months to ensure it remains current.

Commissioner Zirngible moved to approve the Artificial Intelligence Policy as presented. Commissioner McLane seconded the motion. All Commissioners voting Aye, the motion passed.

PIES Policy Revision

Kraft, Energy Conservation/Key Accounts Officer, presented proposed revisions to OPU's Public Improvement Energy Solutions (PIES) program, originally implemented in 2010 to help customers finance energy-efficient projects through partnership with local contractors. The program provides loans up to $25,000 per project, with $250,000 earmarked annually since inception. Program utilization was strong from 2010 through 2016 but has declined in recent years.

Key revisions presented included:

- Modifying the administrative fee structure so the fee is applied as a deposit toward the customer's loan rather than retained, addressing customer feedback that the fee felt like lost money.
- Updating policy language and terminology for consistency, including alignment with Austin Utilities, which administers a parallel PIES program using shared rebate forms.
- General housekeeping updates.

Discussion included whether the $25,000 per-project loan limit remains appropriate given inflation since 2010, and whether outreach to Trade Allies and Energy Solutions Partners has been sufficient to keep the program visible to potential users. Staff committed to bringing back data on prior project loan amounts so the Commission can evaluate whether to adjust the loan limit.

Commissioner Zirngible moved to approve the revisions to the PIES Policy as presented. Commissioner Johnson seconded the motion. All Commissioners voting Aye, the motion passed.

Interim General Manager / Staff Report

Interim GM Olson welcomed Commissioner Louden to OPU and the Commission.

General Manager Search Update – As of the meeting, OPU has received four external applications and two internal applications, with additional applications expected before the June

1 posting close. Initial phone interviews to vet applicants will begin later this week to identify candidates to bring forward for first interviews on June 15 and 16. Interview questions are being finalized and will be distributed to Commissioners in advance.

Renaming of Conference Room in Honor of General Manager Warehime – Following discussion at the April meeting, staff brought forward a recommendation to honor General Manager Roger Warehime through the renaming of an internal space. Several options were considered, including the Morehouse Room and the Emergency Operations Center. The Morehouse Room was originally named for its view of Morehouse Park. After discussion, the Commission agreed that renaming the space the Warehime Community Room would be a meaningful and appropriate tribute given Roger's deep involvement in both OPU and the broader Owatonna community. Staff will develop a communication plan for sharing the change with appropriate parties.

Rate Study Update

Director Linders presented the results of the most recent biannual Rate Study, based on calendar year 2025 data. OPU participates twice annually in a rate comparison with other Minnesota municipal utilities, comparing residential, commercial, and industrial rates across electric, water, and gas service categories.

Overall results were positive. Electric and water rankings remained stable compared to the prior study. Of the nine ranking categories, OPU's position was unchanged in five categories, improved in three, and declined by one position (from 4th to 5th out of 7) in one gas category.

Specific comparisons highlighted included:

- Residential electric – OPU ranked 6th, with Rochester higher and Austin one position higher; Fairmont and Hutchinson rank below OPU.
- Commercial electric – OPU ranked 4th, with Fairmont and Hutchinson below.
- Industrial electric – OPU ranked 5th, with Hutchinson below.
- Gas – New Ulm continues to have notably lower gas rates than other participants.

Overall, OPU's rates remain comparable to peer utilities participating in the study.

Commission Roundtable

30-day delinquency is currently elevated due to a single large industrial customer with a $615,000 invoice that was paid late; the account has since been brought current.

Audience Comments

Roger Wacek addressed the Commission with a question regarding why Owatonna does not have a waste-to-energy facility similar to the Rochester Waste-to-Energy Facility. Mr. Wacek indicated he intends to research the topic further.

Adjournment

There being no further business to come before the Commission, the meeting adjourned at 5:44 p.m.

Respectfully submitted,

Shannon DeWitz
Executive Administrative Assistant