

# **MINUTES OF THE PROCEEDINGS**

## **of the Public Utilities Commission, City of Hibbing, St. Louis County, Minnesota**

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March 13, 2018

Minutes of the regular meeting of the Public Utilities Commission, Hibbing, Minnesota held on March 13, 2018, in the Commission Meeting Room at the Hibbing Public Utilities Administration, 1902 E. 6<sup>th</sup> Ave., Hibbing, MN 55746. Meeting was called to order by Chairperson McGuire at 5:00 p.m. In attendance were Chairperson McGuire; Commissioner Garrity; Commissioner Grahek; Commissioner Dicklich; Commissioner Rian; Legal Counsel, Andy Borland; General Manager, Scott Hautala; Director of Finance, Jean Lane; Administrative Assistant, Penny Lange; Director of Utility Operations, Corey Lubovich; Director of Power Production, Bob Nyberg; and Safety/Env. Coordinator, Pete Karakash; Labor Attorney, S. Lepak. Also in attendance was HAPT, Gail Adams; Hibbing Daily Tribune, Carrie Manner; AFSCME Rep., L. Stoll; Local 94 employees, E. Savela, M. Reger, T. Garrity, J. Sanborn, C. Adams, J. Stokes, S. Jivery, B. Berg, G. Hooper, P. Petrich, and J. Staydohar. Citizen, Cynthia Kafut-Hagen.

### **ADDS/DELETES**

Chairperson McGuire requested to pull the item 5.A. and the related Item 8.A.; HPU Planning Study and Coal Contract Termination Cost Impact due to time constraints. T. Dicklich stated to leave it on and delete at the time of review if necessary.

S. Hautala stated that there were two late travel requests for add on.

**CITIZENS FORUM – None**

### **REGULAR BUSINESS OPERATIONS**

Motion made by Commissioner Grahek, supported by Commissioner Rian, to approve the regular meeting minutes of February 27, 2018.

Motion carried unanimously

The Commission reviewed the bills from February 24, 2017 through March 1, 2018, check numbers 37757 through 37765 and ACH transfers Numbers 3011801 through 3011804.

Motion by Commissioner Rian, supported by Commissioner Dicklich, to approve the bills from February 24, 2017 through March 1, 2018, check numbers 37757 through 37765, and ACH transfers Numbers 3011801 through 3011804 in the amount of \$376,275.25.

Motion carried unanimously.

The Commission reviewed the payroll paid and overtime report for the March 1, 2018 pay date.

Motion by Commissioner Rian, supported by Commissioner Dicklich, to approve the payroll and overtime report for the March 1, 2018 pay date, in the amount of \$196,722.47. Chairperson McGuire inquired about the increased overtime. S. Hautala to give follow-up via email.

Motion carried unanimously.

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POLICY WAIVER REQUEST - None

PUBLIC BIDS & QUOTES

The Commission reviewed the correspondence dated February 23, 2018 from S. Hautala (tabled from the February 27, 2018 regular meeting) regarding Award Power Plant Steam/Electrical Cost Allocation Study. Lengthy discussion ensued. It was the consensus of the Commission, management and the union body that HDR Engineering was best suited to provide the Long Term Plan for the HPUC.

Motion by Commissioner Rian, supported by Chairperson McGuire, to approve Award the HPUC Strategic Study to HDR Engineering to focus time and effort on the planning aspects of the Utility's future.

Motion carried unanimously.

Motion by Chairperson McGuire, supported by Commissioner Rian to table the Power Plant Steam/Electrical Cost Allocation Study (tabled from the February 23, 2018 regular meeting) to a later date to be determined.

Motion carried unanimously.

Chairperson McGuire discussed pulling Item 8.A. Coal Contract Termination Cost Impacts (revisited from the February 13, 2018 regular meeting).

Motion by Commissioner Garrity, supported by Commissioner Rian to table this item to a later date to be determined.

Motion carried unanimously.

The Commission reviewed the correspondence dated February 23, 2018 from S. Hautala (tabled from the February 27, 2018 regular meeting) regarding Award T/G #6 Lube Tank Fire Protection Projects Design/Drawings. S. Hautala gave presentation for the reasons this project has been brought forth, which are mainly insurance and safety related.

Motion by Commissioner Rian, supported by Commissioner Garrity, to Award T/G #6 Lube Tank Fire Protection Projects Design/Drawings to Electric Scientific Company not to exceed \$6,670.00 for the design fee.

Motion carried unanimously

The Commission reviewed the correspondence dated March 9, 2018 from P. Karakash regarding Consultant for Elevator Modernization Project. P. Karakash gave presentation. P. Karakash gave presentation.

Motion by Commissioner Rian, supported by Commissioner Grahek, to authorize Elevator Technical Consulting, Inc., to assist in managing the Plant Elevator Project for a total not to exceed \$5,920.00.

Motion carried unanimously.

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## PERSONNEL

The Commission reviewed the correspondence dated March 9, 2018 from S. Hautala regarding Retirement Notice: D. Peterson, Lead Water Mechanic.

Motion by Commissioner Dicklich, supported by Chairperson McGuire, to accept the Retirement Notice: D. Peterson, Lead Water Mechanic as of February 18, 2018, and thank him for his years of service.

Motion carried unanimously.

The Commission reviewed the correspondence dated March 9, 2018 from S. Hautala regarding Step III Grievance – Discipline – Leave Without Satisfactory Explanation. L. Stoll gave presentation and requested the meeting be held in closed session due to data privacy. HPUC Labor Attorney S. Lepak stated that there is no basis for closing the meeting. HPUC Legal Counsel A. Borland was in agreement with Mr. Lepak. Lengthy discussion ensued.

Motion by Chairperson McGuire, supported by Commissioner Garrity, to hold the grievance in open session.

Commissioner Dicklich – opposed.  
Motion carried.

Motion by Commissioner Dicklich, supported by Commissioner Grahek, to make the employee whole by removing the discipline, have the employee take two vacation days for the days off, and pay back the 3 days suspension. Management was directed to ensure a better communication process in the future.

Chairperson McGuire – support.  
Commissioner Garrity – opposed.  
Commissioner Rian – opposed.  
Motion carried.

The Commission reviewed the correspondence dated March 6, 2018, 2018 from P. Karakash regarding Employee Policy Change: EMPL114c: PHMSA (MNOPS) Anti-Drug & Alcohol Misuse Prevention Plan. P. Karakash gave presentation.

Motion by Commissioner Garrity, supported by Commissioner Rian, to accept the Employee Policy Change: EMPL114c: Anti-Drug & Alcohol Misuse Prevention Plan.

Motion carried unanimously.

S. Hautala presented information regarding overnight travel for the Emerson Innovation Center Road Trip, requesting the Instrument & Results Foreman, J. Stokes attend.

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Motion by Commissioner Garrity, supported by Commissioner Grahek, to authorize J. Stokes to travel to the Emerson Innovation Center from March 20-21, 2018.

Motion carried unanimously.

S. Hautala presented information regarding overnight travel for the MMUA Legislative Conference in St. Paul, MN from April 11-12, 2018.

Motion by Chairperson McGuire, supported by Commissioner Dicklich, to authorize S. Hautala and up to 2 Commissioners (total of 3 individuals) to travel to St. Paul, MN from April 11-12, 2018 for the 2018 MMUA Legislative Conference.

Motion carried unanimously.

The Commission reviewed the correspondence dated March 9, 2018 from S. Hautala regarding Natural Gas Distribution Study/Natural Gas Daily Nomination Discussion. C. Lubovich gave presentation on the process. Topics of discussion were as follows:

- **Hedging**  
A recap was presented on the Hibbing Public Utilities Natural Gas Fixed Priced Hedging Strategy. Hibbing Public Utilities currently has seven fixed priced deals. Each carries a specific fixed price on specific monthly volumes with all seven deals ending April 2021. One, three and five year fixed pricing options with common volumes were presented. However, no direction was given to purchase additional fixed priced deals at this time.
- **Commodity/Demand**  
Discussed the definition of "Commodity" and "Demand" in terms of natural gas nominating and transporting. The Commodity refers to the actual natural gas product and the Demand refers to the pipeline reservation. Each in their own right carry fixed and variable costs.
- **Daily Spot**  
A detailed analysis that showed daily index spot pricing for natural gas was laid out for the months of December 2017 and January 2018. Except for a spike that occurred on December 29<sup>th</sup>, 30<sup>th</sup> and 31<sup>st</sup>, the daily spot settled pricing variations remained relatively flat.
- **Daily Nominations**  
A number of spread sheets were presented that provided a very detailed analysis of how HPU conducts and trends their daily nominations for natural gas purchasing. The purpose of these spread sheets are to maintain a balanced purchasing nominating process throughout each month. This in turn minimizes imbalance and out of balance penalties.

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- **Cost Summaries**  
Monthly natural gas cost summaries for December 2017 and January 2018 were presented. Derived from the daily nomination spread sheets, these summaries allocate the final actual billing costs for each billed line item category. The result gives HPU an “at a glance” perspective of natural gas allocation costs month to month.
- **PGA/Billing Cycles**  
The December 2017 and January 2018 Actual Gas costs were reviewed and compared to the budgeted values. The difference in these values result in the PGA amounts. HPU has four billing cycles with each cycle representing four weeks in a month. Four billing cycles are used because each cycle has a different week payment date. This allows for a consistent cashflow through-out the month. Because Cycle 4 has usage in the previous month, Cycle 4 may have a different PGA value than the other three billing cycles.

## OLD BUSINESS:

S. Hautala gave update regarding the MNPUC Xcel LEA Termination. A hearing will be held on March 22, 2018.

S. Hautala gave update regarding mediation regarding upgrade of Instrument & Results Apprentice Upgrade. S. Hautala requested a Commissioner attend. Chairperson McGuire stated that he would attend. The Commission instructed payment to the Apprentice to the dates before December 12, 2018.

Commissioner Rian inquired about S. Hautala providing the steam contracts to the Hibbing City Council as per their request at the joint meeting of February 28, 2018. S. Hautala stated that he will provide.

## NEW BUSINESS

The Commission reviewed the correspondence dated March 9, 2018 from S. Hautala regarding support of Downtown Hibbing Utility Box Art Wrap Project.

Motion by Commissioner Garrity, supported by Commissioner Grahek, to table this item to a later date and revisit only if the city of Hibbing provides its approval for the project.

Motion carried unanimously.

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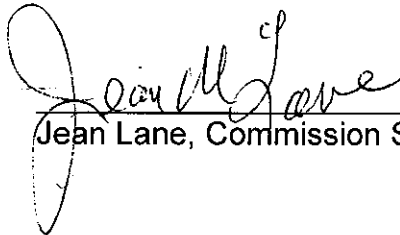
Motion by Commissioner Rian, supported by Chairperson McGuire, to adjourn the meeting at 8:56 p.m.

Motion carried unanimously.

Attest:



Larry McGuire, Chairperson



Jean Lane, Commission Secretary

***The next regular Commission meeting is scheduled for  
Tuesday, March 27, 2018 at 5:00 p.m.  
at the Hibbing Public Utilities Administration Building, at 1902 East 6<sup>th</sup> Ave, Hibbing, MN 55746***

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