

MINUTES OF THE PROCEEDINGS

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

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June 26, 2018

Minutes of the regular meeting of the Public Utilities Commission, Hibbing, Minnesota held on June 26, 2018, in the Commission Meeting Room at the Hibbing Public Utilities, 1902 E. 6th Ave., Hibbing, MN 55746. Meeting was called to order by Chairperson Garrity at 5:00 p.m. In attendance were Chairperson Garrity; Commissioner McGuire; Commissioner Hart; Commissioner Bugliosi; Commissioner Rian; Legal Counsel, Andy Borland; General Manager, Scott Hautala; Director of Finance, Jean Lane; Director of Power Production, Bob Nyberg; Superintendent of Electrical Systems, Esko Savela; and Director of Utility Operations, Corey Lubovich. Also in attendance was Sterle & Co., LLC, Jeff Sterle; HPAT, Gail Adams; Hibbing Daily Tribune, Carrie Manner; Local 94 employees, T. McGuire, T. Garrity, W. Kampen and R. Kampsula.

ADDS/DELETES

- General Manager Hautala requested agenda items #7 Minnesota Power Bridge Agreement and #11A Management Compensation for 2016 and 2017 be deleted from the agenda.

CITIZENS FORUM - None

APPROVAL OF MINUTES

Motion made by Commissioner Rian, supported by Commissioner McGuire, to approve the regular meeting minutes of June 12, 2018.

Motion carried unanimously.

CONSENT AGENDA

Motion by Commissioner Rian, supported by Commissioner Bugliosi, to approve the following consent agenda items:

- Review and approve the bills from June 8, 2018 through June 20, 2018, check numbers 38128 through 38218 & ACH transfer 6081801 through 6151803.
- Review and approve the payroll paid and overtime report for the June 21, 2018 pay date.

2017 AUDIT PRESENTATION

Jean Lane presented a PowerPoint presentation on the 2017 audited financial statements and auditor letters. Mr. Jeff Sterle, Sterle and Company, LLC., discussed the audited financial statements, auditor's letters, other post-employment benefits, restricted net assets and irrevocable trusts. Mr. Sterle stated Irrevocable trusts ties up the dollars and discussed the new accounting pronouncements which will increase the HPU liability for OPEB in 2018. Mr. Sterle commented the HPU is using pay as you go for retiree medical and other insurance benefit premiums.

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Mr. Sterle continued discussing debt services and capital projects are not keeping pace with the depreciation of fixed assets. He discussed PERA and the underfunding, deferred outflows and inflows, the pension liability, revenues increased 11%, expenses increased 3%, and there was a profit from LEA.

Mr. Sterle discussed legal compliance regarding under collateralized deposits and note following the bid law from the piece of equipment purchased by LEA and transferred to HPU.

Chair Garrity discussed the positive impact of HPU increased cash flow and designation of OPEB on bond rates for the City of Hibbing and HPU.

Motion by Commissioner McGuire, supported by Commissioner Rian to approve the 2017 HPU Audited Financial Statements and Accept the Auditor's Letters and approve the following Resolution:

WHEREAS, the 2017 audit is completed,

NOW, THEREFORE, BE IT RESOLVED, THAT the Hibbing Public Utilities Commission approve the 2017 audited financial statements and accept the auditors' letters.

Motion carried unanimously.

The Commission reviewed the correspondence dated June 22, 2018 from J. Lane regarding a request to decrease the HPU petty cash from \$4,000 to \$2,000.

Motion by Commissioner Rian, supported by Commissioner Bugliosi, to reduce the petty cash from \$4,000 to \$2,000 effective June 26, 2018 and adopt the following Resolution:

WHEREAS, the current petty cash is \$4,000 and after review it was determined a lower amount would be sufficient;

NOW, THEREFORE, BE IT RESOLVED, THAT the Hibbing Public Utilities Commission approve a reduction in petty cash from \$4,000 to \$2,000 effective June 26, 2018.

Motion carried unanimously.

The Commission reviewed the correspondence dated June 22, 2018 from J. Lane regarding a request to increase the capitalization threshold from \$5,000 to \$10,000 in the capital assets management policy adopted 2010.

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Motion by Commissioner McGuire, supported by J. Hart to increase the capitalization threshold from \$5,000 to \$10,000 and adopt the following Resolution:

WHEREAS, the current capital asset management policy has a threshold of \$5,000; and

WHEREAS, after review the Director of Finance is recommending an increase in the asset threshold from \$5,000 to \$10,000

NOW, THEREFORE, BE IT RESOLVED, THAT the Hibbing Public Utilities Commission approve a threshold increase from \$5,000 to \$10,000 in the capital assets management policy effective January 1, 2018.

Motion carried unanimously.

PUBLIC BIDS & QUOTES

The Commission reviewed the correspondence dated June 21, 2018 from E. Savela regarding a request to approve the 22kV FM #309 Breaker Replacement.

Motion by Commissioner McGuire, supported by Commissioner Rian, to approve the 22KV FM #309 Breaker Replacement project.

Motion carried unanimously.

The Commission reviewed the correspondence dated June 21, 2018 from B. Nyberg regarding a request to Purchase a New 4" Flowmeter, Transmitter and Wireless Adapter to Replace the Existing 4" Water Flowmeter to the Power Plant.

Motion by Commissioner McGuire, supported by Commissioner Hart, to approve the Purchase a New 4" Flowmeter, Transmitter and Wireless Adapter to Replace the Existing 4" Water Flowmeter to the Power Plant.

Motion carried unanimously.

The Commission reviewed the correspondence dated June 22, 2018 from S. Hautala regarding a purchase of an Oxygen Detector from CEMSOURCE to Replace a Failing Unit.

Motion by Commissioner McGuire, supported by Commissioner Hart, to approve the Purchase of an Oxygen Sensor for Continuous Emission Monitoring.

Motion carried unanimously.

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PERSONNEL/POLICY

The Commission reviewed the correspondence dated June 18, 2018 from C. Lubovich to attend the AWWA 2018 Annual Drinking Water Conference. Mr. Lubovich stated he would receive CEU's required for his Class A Water License.

Motion by Commissioner Rian, supported by Commissioner McGuire to authorize C. Lubovich to attend the 2018 AWWA Annual Drinking Water Conference.

Motion carried unanimously.

The Commission reviewed the correspondence dated June 22, 2018 from S. Hautala regarding the Power Plant Summer transition for Coal & Ash and Operations Personnel.

Mr. Hautala presented the Commission with a plan which minimizes layoffs and purposefully did not hire summer students. The plan included plan flexibility of personnel after the Xcel termination of the LEA Agreement. Mr. Hautala detailed the plan for Coal & Ash personnel, which was discussed with the Union President. When extra crew members are available they will be assigned for projects inside the Plant as well as on the outside crews. Mr. Hautala continued to discuss the Fireman Helper position moving to weekday day shift and available to be assigned to projects inside the Plant and on the outside crews.

Commissioner McGuire asked how many people would be available to be transferred? Mr. Hautala replied anyone above minimum staffing would be available for Plant projects and outside crews, which could be three to five employees who would be available to be transferred into a pool of workers to perform work. The Commission requested monthly updates on how the temporary transfer of staffing is working.

Mr. Hautala requested Commission action to eliminate the Lead position in Coal & Ash department, and not recommend a reduction in total staffing at this time. Any affected employee, based on seniority, is qualified to fill another position through bumping or stay in Coal and Ash.

Motion by Commissioner McGuire, supported by Commissioner Bugliosi, to eliminate the Coal & Ash Lead position and adopt the following Resolution:

NOW THEREFORE be it RESOLVED that the Hibbing Public Commission eliminates the Coal & Ash Lead job description effective July 1, 2018.

Motion carried unanimously.

Chair Garrity stated the Commission is expecting employees to be doing productive work and capital work to make the HPU more effective.

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DEPARTMENT UPDATES

Directors Lane, Lubovich, and Nyberg presented their respective department updates. Superintendent Savela also presented the electric department update.

Mr. Hautala noted the employees did a great job working on the 175# steam PRV weekend outage project to ensure Ameripride was back on-line Monday. A second weekend outage will need to be coordinated when we have the repaired part.

Commissioner McGuire thanked everyone (employees) for the work they did on Sunday from the storms and outages.

Commissioner McGuire asked about the water treatment plant dehumidifier failure problems. Mr. Lubovich replied and explained the issues, failures, and action steps taken to rectify the problems before winter. Commissioner Hart asked about the HPU process to review products before implementation. Mr. Lubovich responded to the questions. Chairman Garrity asked how much it would be to replace with a new unit? Mr. Lubovich responded a new unit may cost \$150,000. Commissioner McGuire asked when should legal review occur? Mr. Borland replied he would review the original purchase and bid document background information.

Chair Garrity asked about steam repairs and if the extra crew could assist and are they qualified.

The Commission reviewed the correspondence dated June 22, 2018 from J. Lane regarding the revised Customer Policy: CUST 113 water credit. Commissioner McGuire asked about the definition of infrastructure.

Motion by Commissioner McGuire, supported by Commissioner Rian to approve the revised Customer Policy: CUST 113 water credit policy, as presented.

Motion carried unanimously.

The Commission reviewed the correspondence dated June 19, 2018 from S. Hautala regarding contracting with Labor Attorney Scott Lepak, from BGS for continued legal services for employee labor issues and review of the Union Contract.

Motion by Commissioner McGuire, supported by Commissioner Bugliosi, to contract with Labor Attorney, Scott Lepak, of BGS for \$10,000.

Motion carried unanimously.

General Manager Hautala gave a verbal update on LEA. ND Public Utilities Commission was meeting tomorrow and Xcel was confident that a decision would be made. We believe June 30 is the last day of production for Xcel Energy. Mr. Hautala also

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noted that Xcel Energy is considering waiving the appeal time period to expedite the process.

General Manager Hautala updated the Commission on the performance review process noting the Commissioners would be asked for feedback on the General Manager and directors. Chair Garrity stated the need to setup a closed meeting in August for the performance review evaluation for non-union employees and requested additional information for non-union pay changes in 2015.

Commissioner McGuire asked about the distribution of the HDR long-range planning report. Commissioner McGuire stated sensitivity to follow the process agreed to by the task force. It was determined to discuss the distribution of the report at the task force meeting on Wednesday and if the task force was ready to release the report then it could be released.

Motion by Commissioner McGuire, supported by Commissioner Rian, to adjourn the meeting at 7:05 p.m.

Motion carried unanimously.

Attest:


Patrick Garrity, Chairperson


Jean Lane, Commission Secretary

The next regular Commission meeting is scheduled for Wednesday, July 11, 2018 at 5:00 p.m. at the Hibbing City Hall, 421 E. 21st St., Hibbing, MN 55746