

MINUTES OF THE PROCEEDINGS

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

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February 26, 2019

Minutes of the regular meeting of the Public Utilities Commission, Hibbing, Minnesota held on February 26, 2019, at Hibbing Public Utilities, 1902 E. 6th Ave., Hibbing, MN 55746. Chairperson Garrity called the meeting to order at 5:01 p.m. In attendance were Chairperson Garrity; Commissioner McGuire; Commissioner Hart; Commissioner Rian; Commissioner Bugliosi; Legal Counsel, Andy Borland; General Manager, Scott Hautala; Director of Finance, Jean Lane; Director of Electrical Systems, Dan Chase; and Administrative Assistant, Penny Lange. Also in attendance were City Administrator, Tom Dicklich; City Councilperson James Bayliss; HPAT, Ron Wirkkula; Hibbing Daily Tribune, Carrie Manner; Range Reliable Insurance Rep., Jamison Lindseth, Local 94 employees P. Petrich, G. Hooper, & T. Garrity.

ADDS/DELETES

- Request by J. Lane to add under New Business: Preliminary Loan Implementation Plan for Steam Conversion
- Request by J. Lane to delete Item 7.B.: January 2019 Financial Statements Review
- Item 5.C. Payroll should reflect a February 14 date rather than January 14.
- Request by J. Lane to add Item 4.: Citizen's Forum – J. Bayliss
- Request to add by Commissioner McGuire under New Business: Employee Communication with Commissioners.

APPROVAL OF MINUTES

Item 3.A. Motion by Commissioner Rian, supported by Commissioner Bugliosi, to approve the regular meeting minutes of February 12, 2019.

Motion carried unanimously.

CITIZENS FORUM

Item 4. James Bayliss was present to discuss: 1) water rate increase by 5%. Mr. Bayliss shared his concerns regarding a running hydrant on N. Hughes Road by the Range Regional Airport. S. Hautala provided information that the hydrant needs to be run to avoid bacteria issues on the service line to the customers. Mr. Hautala stated that it was run at about 30 gpm at a cost of approximately \$7,000-\$8,000. Mr. Hautala also stated that the HPU is currently working on hydrant issues for out of service hydrants; 2) Mr. Bayliss shared his concern over financing for steam conversions. He stated that he would like to see no interest loans for customers because the conversion should not be the customer's burden. Chair Garrity stated that grants are illegal in this situation, and that the Commission wants the conversion to be of the lowest possible interest rate available. Commissioner McGuire stated that the conversions are voluntary. Mr. Bayliss stated that steam rates will become too high and force customers off the system.

CONSENT AGENDA

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

Item 5.A. Review and approve the items over \$5,000 dated February 21, 2019.

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Item 5.B. Review and approve the bills from February 8, 2019 through February 15, 2019, check numbers 39471 through 39487 & ACH transfer 2081901 to 2151902.

Item 5.C. Review and approve the payroll paid and overtime report for the February 14, 2019 payday.

Item 5.D. Request for Contribution: MN National Archery in the Schools Program State Tournament \$100 per policy.

Item 5.E. Request for Contribution: Lincoln School 6th Grade Transition to High School Social \$100 per policy.

Motion carried unanimously.

PUBLIC BIDS & QUOTES

Administration

Item 6.A.1) The Commission reviewed the correspondence dated February 26, 2019 from J. Lane Regarding Request to Purchase Utility-Wide Replacement of Computer Hardware Not to Exceed \$48,000. Lengthy discussion held.

Motion by Commissioner McGuire, supported by Commissioner Hart to authorize the Purchase of Utility-Wide Replacement of Computer hardware (40 computers) not to exceed \$48,000.

Chair Garrity – no
Motion carried 4-1.

Item 6.A.2) The Commission reviewed the correspondence dated February 26, 2019 from J. Lane Request to Purchase Utility-Wide Accounting Software Upgrade: \$18,725.00. Lengthy discussion held regarding software, mobile work orders, and the capabilities of the new version "Connect" software.

Motion by Commissioner Rian, supported by Commissioner McGuire to authorize the Purchase of Utility-Wide Accounting Software Upgrade in the amount of \$18,725.00.

Chairperson Garrity – no
Motion carried 4-1.

Electric Distribution

Item 6.B.1) The Commission reviewed the correspondence dated February 26, 2019 from D. Chase regarding Request to Research Property for Electric Distribution Substation. D. Chase gave presentation and lengthy discussion held regarding substation property and working with the City of Hibbing and/or County for possible sites.

Motion by Commissioner McGuire, supported by Chairperson Garrity to table this item until further research is done.

Commissioner McGuire – yes
Chairperson Garrity – yes
Commissioner Bugliosi – yes
Commissioner Hart – no
Commissioner Rian – no
Motion carried 3-2.

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Steam Production

Item 6.C.1) The Commission reviewed the correspondence dated January 18, 2019 from S. Hautala regarding Request for Fire Suppression System for Turbine/Generator #6 Lube Oil Tank. Lengthy discussion held. Commissioner suggested using in-house labor vs outsourcing to save ~\$5,000.

Motion by Commissioner Rian, supported by Commissioner McGuire, to authorize the Fire Suppression System for Turbine/Generator #6 Lube Oil Tank in the amount of \$26,900.

Motion carried unanimously.

FINANCE

Item 7.A. The Commission reviewed the correspondence dated February 26, 2019 from S. Hautala regarding Request to Renew Property and Equipment Insurance-2019. S. Hautala gave introduction to Jamison Lindseth, Range Reliable Insurance Rep. who gave presentation on background and three insurance coverage options: 1) Change to actual cash value valuation; 2) Change to stated limits actual cash value; 3) Stated limits repair/replacement. Lengthy discussion held regarding options discussed to reduce premium. S. Hautala recommended the Commission choose option 2.

Motion by Commissioner Hart, supported by Commissioner Bugliosi, to authorize option #2, Actual Cash Value valuation option for 2019/2020 Property & Equipment Insurance coverage through FM Global.

Motion carried unanimously.

Item 7.B. Deleted by J. Lane.

Item 7.C. Establish a HPU Trust Fund to Account for Steam Conversion Loan Program. J. Lane gave presentation, and recommended a custodial fund rather than trust fund to track accounting expenditures and payback in a separate fund.

Motion by Commissioner McGuire, supported by Commissioner Hart, to accept the information and place in the Commission file.

Motion carried unanimously.

DIRECTOR REPORTS

Item 8. The Commission reviewed the department reports.

Heat Department: S. Hautala was present to give update on the following:

- Washington School condensate section replacement/21st North between 11th and 12th Ave. E. North to South Howard Alley.
- Large volume meter replacement.
- 2019 Capital Project coordinating/material procurement.
- Safety talks.
- Year 2018 natural gas leak survey follow up and repairs.
- Annual Natural Gas Operations and Maintenance Manual review.

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- Annual natural gas fusion testing.
- Daily, weekly, monthly reports.
- Misc. steam/natural gas repairs.
- Customer slips.

Water Department:

- Customer service thawing: 2 in 2019 to date.
- HPU side customer water service repairs: 7 in 2019 to date.
- HPU water main repairs: 4 in 2019 to date.
- Safety talks.
- Daily well rounds and backwash cycles.
- Minnesota Department of Health weekly, monthly and quarterly water sampling.
- Customer slips.
- 2019 Capital Project coordinating.
- Water distribution valve and hydrant repairs.
- S. Hautala discussed water breaks at L&M Supply and Hibbing Marketplace.

Power Plant: S. Hautala was present to give update on the following:

Production Report:

1. Boilers 1A, 3A and 4A were on-line to produce steam for the heatline. Total steam production is in the 120,000-130,000 pph range until the cold snap where it was in the 140,000-160,000 pph range.
2. Total wood consumed is at approximately 6,290.6 tons (\$182,427.65) through January 2019.
3. Total coal consumed during January was 2,353.11 tons (\$140,786.57).
4. Total gas consumed in Plant for January was 29,269DT (\$122,679). Station electric was 4,247 kWh (\$294.12).
5. The south wood feed auger in the barn was jammed two times between the dates of January 16-18 and February 11-14.
6. Conveyor belt 4 on the wood system jammed twice during the dates of January 17-18 and January 29-February 1. During both instances gas had to be consumed to keep Boiler 4A on-line to keep heat in the building.
7. Metering bin screw feed auger VFD failed on February 10.
8. Wood bucket elevator buckets broke off on February 14.
9. Boiler 4A tuning was conducted by Detroit Stoker on February 5.
10. Boiler 3A developed three (3) sidewall tube leaks on January 25 that were repaired on January 26. Boiler 3A was brought back on-line January 28.
11. Boiler 3A tuning was conducted by Detroit Stoker on February 6-7.
12. Boiler 1A was put on-line January 25-28 due to Boiler 3A tube leaks. Boiler 1A was banked on gas and brought back on-line January 29-February 1 due to Boiler 4A conveyor 4 issue.
13. T/G 6 still on-line. All steam for the steam district ran through T/G 6 to produce 6 MW/hr. PRV Station 1 has been utilized to supplement the steam line as T/G 6 is at its maximum throughput.

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14. Boiler 4A stack testing is scheduled for February 28, 2019. J. Bugliosi questioned the Boiler 1A tube leak.
15. Chair Garrity stated his concern over the NNG rate case and if it was in the budget. S. Hautala stated that it was not, as HPU has only recently learned of the rate case.
16. Chair Garrity stated that if serious modifications are needed or projects become an issue between Commission meetings to contact Commissioner with updates. Commissioner McGuire suggested weekly emails continue.

Personnel:

1. Coal and Ash personnel: Department was back to its original 7 person crew. Winter operation has the schedule returned to seven (7) days per week, 6:00 a.m.-2:30 p.m. shifts. As of February 19th one crew member is temporarily transferred to the Water crew for four (4) weeks.
2. Fire personnel: One fireperson helper is now in-training for the fireperson position.
3. Training for the 2nd Engineer position continues.

Electrical: D. Chase was present to give update on the following:

- Street light survey is 100% complete, 231 lights were recorded out. Repairs have begun.
- Repairs have been made to 13.8 kV Feeder #4 bay in the Power Plant hot room from the January 23, 2019 Power Plant/City outage. Waiting on the new door being built by Furin & Shea.
- The revised switching orders for the annual air break switch maintenance program are completed.
- Power outages
 - One (1) outage due to overhead primary wire breaking, 30 customers affected.
 - One (1) major Power Plant/City outage due to a current transformer failure in the 13.8 kV Feeder #4 bay in Power Plant hot room, approximately 6,300 customers affected.
 - One (1) scheduled outage to replace cracked fused cutouts, 10 customers affected.
- Commissioner Hart inquired if the thermal imaging could work in the Power Plant and perhaps be done quarterly rather than annually. D. Chase to research.
- Commissioner Bugliosi requested outage durations be added to the monthly report.

Finance: J. Lane requested to stand for questions.

- Information Technology: Research on uninterrupted power supply after electric outage. Review of internet upload and download speeds. Quarterly meeting with third-party hardware support CW Technology and discussion about cyber security.
- Finance: Developed revised draft 2019 operations and capital budgets with General Manager and Directors. Developing a revised chart of account to increase efficiencies in reporting revenue and expenses. Reviewed with the General Manager 2019 labor distribution and benefit costs. Banking request for proposals sent out and reviewing questions from financial institutions.

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- Human Resources: Manager job descriptions with employee comments are being reformatted and reviewed by management for presentation to the Commission March 14 agenda. Annual end of the year/beginning of the year payroll and benefit related projects are being performed. All of these functions are led by Jane Garrity. Supported the General Manager with several employee related issues.
- Customer Service: Team members have been working with many rate payers on customer issues and understanding the Minnesota cold weather rules and follow-up with customers.
- Commission Secretary: Worked with Chair and Commission members on agenda requests.
- Meter Reading: Review customer issues and billing issues.
- Customer Estimates: Some customer reads will be estimated due to extreme weather conditions. L. McGuire asked what percentage of customers is normally estimated. J. Lane to research.

No action taken.

OLD BUSINESS

Item 9.A. The Commission reviewed correspondence dated February 26, 2019 from S. Hautala regarding Preliminary Loan Implementation Plan for Steam Conversion. S. Hautala handed out materials and gave presentation. Lengthy discussion held. Legal Counsel stated it would be a voluntary loan concept program possibly implementing liens if customer's default. Legal Counsel stated that the word "conversion" needs to be defined. Legal Counsel touched on "equal protection" laws. Discussed start date, term of loans, equity of conversion to the homeowner, payments to conversion contractors, billing to conversion customers, potential pitfalls, and the next step. Legal Counsel to meet with General Manager and Finance Director to clarify next steps. Commissioner Rian requested the program be authorized by the City Council after Commission review and approval. J. Lane requested to review the charts that were a part of the General Manager's conversion plan relating rate relief and the three major expense categories and potential expense details. J. Lane requested Commission direction regarding major expense categories for a future meeting. Discussion also entailed Power Plant renovation expense and MP rates. J. Lane requested setting a work session. Chair Garrity requested the budget detail, recap, January and February financials before the work session meeting for timely review. Commission agreed on a tentative date of Thursday, March 21, 2019 at 5:00 p.m.

No vote taken.

NEW BUSINESS

Commissioner McGuire stated the Commission received copies of the MP Power Supply Team minutes from the joint meeting of January 17, 2019. He stated his concern regarding policy setting at the HPU/MP negotiation meetings. He shared his concern about HPU/MP negotiating team minutes. Chair Garrity stated that the minutes are preliminary and that MP has been informed and it was discussed at the meeting that the preliminary

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minutes were inaccurate. Chair Garrity clarified that the same concerns were addressed in the meeting, as he and the other HPU members shared concern of the meeting minutes also. Chair Garrity and Commissioner Bugliosi stated that the January 17, 2019 minutes will be corrected for the next meeting. Commissioner McGuire & Rian stated that core principles need to be determined on the HPU side to define the mission goals. Chair Garrity stated that HPU made it clear to MP the HPU is not for sale. Commissioner McGuire stated that he has no intent on selling the HPU. The Commission was agreeable that core principles must be established by HPU.

No action taken.

Commissioner McGuire requested information regarding any Policy regarding employee communication with Commissioners. It was stated that there is not policy in place and employees have the freedom to speak freely.

No action taken.

ADJOURNMENT

Motion by Commissioner McGuire, supported by Commissioner Rian, to adjourn the meeting at 9:10 p.m.

Motion carried unanimously.

Attest:


Patrick Garrity, Chairperson


Jean Lane, Commission Secretary

The next regular Commission meeting is scheduled for Thursday, March 14, 2019 at 5:00 p.m. at the Hibbing Public Utilities Commission Meeting Room, 1902 E. 6th Ave., Hibbing, MN 55746