

MINUTES OF THE PROCEEDINGS

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

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March 26, 2019

Minutes of the regular meeting of the Public Utilities Commission, Hibbing, Minnesota held on March 26, 2019, at Hibbing Public Utilities, 1902 E. 6th Ave., Hibbing, MN 55746. Chairperson Garrity called the meeting to order at 5:09 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 Utility Operations, Corey Lubovich; Director of Power Production, Bob Nyberg; Director of Electrical Systems, Dan Chase; and Administrative Assistant, Penny Lange. Also in attendance were HPAT, Ron Wirkkula; Hibbing Daily Tribune Rep., C. Manner; Chisholm-Hibbing Airport Authority, Shaun Germolus; Sibley County New Auburn Property Rep., Jeffrey Krueger; Citizen, J. Stokes; and Local 94 employees M. Reger & T. Garrity.

ADDS/DELETES

Item 2. Request by S. Hautala to move Item 5.D. from the consent agenda to citizen's forum.

APPROVAL OF MINUTES

Item 3.A. Motion by Commissioner Rian, supported by Commissioner McGuire, to approve the regular meeting minutes of March 14, 2019.

Motion carried unanimously.

CITIZENS FORUM

Item 5.D. Policy Exemption Request: 416 E. Howard St., Hibbing MN. Jeffrey Krueger, Representative of Sibley County New Auburn Property gave presentation. Mr. Krueger requested the waiver of the electric, gas and water special assessments on the acquired property. Chair Garrity advised Mr. Krueger to implement a business plan for the vacant building and encouraged him to seek assistance from HEDA and other entities, as HPU can only waive the HPU owed utilities.

No action taken.

CONSENT AGENDA

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

- 5.A. Review and approve the items over \$5,000 and review and approve the bills from March 8, 2019 through March 20, 2019, check numbers 39624 through 39695 & ACH transfer 3151901 to 3151906.
- 5.B. Review and approve the payroll paid and overtime report for the March 14, 2019 paydate.
- 5.C. Request for Contribution: Open Door Church Children's Ministry \$100 per policy.
- 5.E. Overnight Travel Request: C. Lubovich – MRGTF/NMDG Annual Joint Meeting.

Motion carried unanimously.

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Item 8. The Commission reviewed the correspondence dated March 26, 2019 from S. Hautala regarding Range Regional Airport Industrial Airpark. Chisholm-Hibbing Airport Authority Representative, Shaun Germolus gave presentation.

Motion by Commissioner McGuire, supported by Commissioner Bugliosi, to approve support from the HPUC regarding The Range Regional Airport Industrial Airpark with the following Resolution:

NOW THEREFORE, BE IT RESOLVED, THAT the Hibbing Public Utilities Commission supports the Chisholm-Hibbing Airport Authority (CHAA) development activities at the Range Regional Airpark.

Motion carried unanimously.

PUBLIC BIDS & QUOTES

Item 6.A. The Commission reviewed the correspondence dated March 19, 2019 from C. Lubovich regarding HPU Power Plant Primary Natural Gas Meter Replacement.

Motion by Chairperson Garrity, supported by Commissioner McGuire to Award HPU Power Plant Primary Natural Gas Meter Replacement to Groebner & Associates in the amount of \$11,394.12.

Motion carried unanimously.

Item 6.B. The Commission reviewed the correspondence dated March 20, 2019 from C. Lubovich regarding Award Quote No. 3426: New Vibratory Lawn Tractor.

Motion by Commissioner McGuire, supported by Commissioner Hart to Award Quote No. 3426: New Vibratory Lawn Tractor to RDO Equipment Co., of Burnsville, MN in the amount of \$52,500.00 including trade-in value of \$9,000.00) and authorize purchase of a reliable trailer.

Motion carried unanimously.

Item 6.C. The Commission reviewed the correspondence dated March 26, 2019 from J. Lane regarding Town Border Station Upgrade Project Funding Recommendation. J. Lane gave presentation. Lengthy discussion held of a two-fold approach for paying for project.

Motion by Commission McGuire, supported by Commissioner Hart, approve the Resolution for the Town Border Station project as follows:

NOW THEREFORE, BE IT RESOLVED, THAT HPU Commission authorizes the fund of the Town Border Station natural gas upgrade from current available cash \$975,000 and 2019 Xcel PPA Termination payments – RDF funds \$1,000,000 and adjustments from final actual bill.

Motion carried unanimously.

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Item 6.D. The Commission reviewed the correspondence dated March 26, 2019 from D. Chase regarding Decorative Street Lighting Howard St. & First Ave. Pole Replacements. D. Chase gave presentation. Discussion held.

Motion by Commissioner Hart, supported by Commissioner Rian, to RC Fabricators to fabricate five (5) decorative street lights in the amount of \$1,633.00 each, for a total not-to-exceed \$8,165.00.

Motion carried unanimously.

Commissioner Garrity requested an update from C. Lubovich regarding natural gas capacity/load at the Town Border Station. C. Lubovich gave update.

No action taken.

PERSONNEL/POLICY

Item 7.A. The Commission reviewed the correspondence dated March 26, 2019 from S. Hautala regarding Request to establish Billable Job Policy/Equipment Rates.

Motion by Commissioner Hart, supported by Commissioner Rian, to approve the Request and Establish a Billable Job Policy and Equipment Rates, effective April 1, 2019.

Motion carried unanimously.

DIRECTOR REPORTS

Item 9. The Commission reviewed the department reports.

Heat Department: C. Lubovich was present and gave report.

- The Washington School condensate repairs will be starting on Monday March 25th. With only about 300 ft. of pipe to install, this project should not take long to complete. C. Lubovich indicated that the crew has a manpower shortage and the work has been scheduled the following week.
- The Town Border Station Upgrade Project is still scheduled to begin in April, as per Commission action at the November 27, 2018 Commission meeting. Northern Natural Gas Company is overseeing the upgrade with their own contractors. The goal is to have the upgrade completed by November 1st of this year.
- The new natural gas odorant injection system is on order. Lead time to delivery is about 10 weeks. That would put us into late June to early July for installation. There will still be enough time for switch over from the old to the new odorizer before the Town Border Station Upgrade is completed.
- In regards to a possible Northern Natural Section 4 Rate Case, here is the latest: We are awaiting Northern's cost and revenue study, which is due to be filed on April 1, 2019. On March 6, 2019, Northern submitted a Motion for Adoption of the Protective Order to govern how the parties handle privileged materials produced in Discovery. FERC trial staff submitted data requests to Northern on March 5th. Northern objected, but agreed to answer most of them and submitted its responses on March 19th. Northern withheld responses to certain questions regarding its

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financial reports, accounting system and partnership agreements, because they would include confidential information, which it will only disclose after a Protective Order is adopted. Once the cost and revenue study is submitted to FERC, we may get a better idea on the direction of this Section 5 investigation.

Water Department:

- The new HPU Water Treatment Plant Dehumidification Unit is scheduled to be delivered to the WTP at the end of March. Once arrived, arrangements will be made to dismantle and remove the existing units in an effort to make room for the new installation.
- There have been a fair number of repairs conducted on the water distribution system in recent months. From January 2019 to date there have been 11 water service repairs, 7 water main repairs and 5 water valve repairs/replacements. This frequency of failure is similar to what the HPU Water Department experienced last year and around the same timeframe. However, last year we saw more main failures than service failures.
- At the time of this writing, we have conducted 29 water service thaws which is a little above average. Most of the service lines were frozen on the HPU side, which makes sense in light of the amount of snow we have been getting this year.
- Commissioner McGuire requested an update on the water break near HCC. C. Lubovich updated that the line has been dug up and fixed, the towers are holding, however it is still leaking due to internal corrosion. The project is to be dug up and fixed on Friday, March 29, 2019. C. Lubovich indicated that customers may experience a discoloration in the water for the next few days.

Finance: J. Lane asked to stand for questions.

- Information Technology – Internet upload and download speeds have improved at the HQ building after new equipment was installed on March 13. All employees have been informed of required password change as recommended by HPU external vendor CW Technology.
- Finance – Developing worksheets and financial information for more detailed budget discussions. Working in conjunction with directors on 2019 capital projects. Reviewing responses from banking request for proposals. Perform end-of-year audit processes in preparation for April audit fieldwork.
- Human Resources – Manager job descriptions with employee comments are being reformatted and reviewed by management for presentation to the Commission March 26 agenda. Perform annual payroll and accounts payable audit procedures. 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. Prepared and distributed request for proposals for general legal counsel.

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- Meter reading – review customers issues, meter estimates, developing a plan for meter reading coverage while a meter read is unavailable, and billing issues. Discussed communications within the team and utility.

Power Plant: R. Nyberg was present and gave presentation.

Production Report:

1. Boilers 1A, 3A and 4A were on-line to produce steam for the heatline. Total steam production was in the 120,000-130,000 pph range until the recent warm-up which dropped the load to 80,000-110,000 pph range.
2. Total wood consumed was 8,524.25 tons for February 2019. Total through February is 18,330 tons.
3. Total coal consumed during February was 2,676 tons. Total through February is 5,029 tons.
4. Conveyor belt 2 on the wood system failed on March 6, 2019. The failure was caused by large chunks of frozen wood jamming the transfer point between conveyor 2 and the drag-chain on top of the wood barn. The material caused the belt to be pinched while the head pulley continued to run. The belt then split. During the timeframe of March 6 through March 18, gas was consumed to keep Boiler 4A on-line. The belt is scheduled for repairs beginning March 25.
5. T/G 6 still on-line. All steam for the steam district ran through T/G 6 to produce 4-6 MW/hr.
6. Boiler 3A Mercury stack testing was done on March 25, 2019.
7. Lengthy discussion held on fuel plan for the boilers. Discussion resulted in the decision that due to lower spring steam distribution loads, it is not cost effective for Boiler 4 to continue burning wood this spring.

Electric Dept.: D. Chase was present and gave presentation.

- Air break switch maintenance has been completed on 13.8 kV Feeders #2, #5 & 2.4 kV Feeder #15.
- Replaced one (1) air break switch on 13.8 kV Feeder #3, the existing switch couldn't be adjusted to function properly.
- The replacement door for 13.8 kV Feeder #4 bay in the Power Plant hot room to be installed by the end of week 3/18/2019.
- Power outages.
 - 3/14/19, one (1) residential outage due to snow/ice load sliding off of the roof and pulling the service off the house. Power off at 8:15 a.m., power restored at 9:00 a.m., one (1) customer affected for 45 min.
- Commissioner Bugliosi inquired about the status of the land exploration for the new substation. D. Chase gave update.

Item 7.B. The Commission reviewed the correspondence dated March 26, 2019 from S. Hautala regarding Revised Management Job Descriptions. S. Hautala gave presentation. Lengthy discussion held.

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Motion by Commissioner Rian, supported by Commissioner Hart, to approve the Revised Management Job Descriptions, as presented.

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

Motion by Commissioner Bugliosi, supported by Commissioner McGuire, to table the Revised Management Job Descriptions until the April 23, 2019 regular Commission meeting.

Motion carried unanimously.

Motion by Commissioner McGuire, supported by Commission Rian, to allow the Commission Secretary to adjust the date of the reorganizational meeting, originally scheduled for April 9, if necessary, to allow for Commission member availability.

Motion carried unanimously.

ADJOURNMENT

Motion by Commissioner McGuire, supported by Commissioner Hart, to adjourn the meeting at 7:27 p.m.

Motion carried unanimously.

Attest:



Larry McGuire, First Vice Chairperson



Jean Lane, Commission Secretary

The next regular Commission meeting is scheduled for Tuesday, April 9, 2019 at 5:00 p.m. at the Hibbing Public Utilities Commission Meeting Room, 1902 E. 6th Ave., Hibbing, MN 55746