

MINUTES OF THE PROCEEDINGS

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

Page One

April 23, 2019

Minutes of the regular meeting of the Public Utilities Commission, Hibbing, Minnesota held on April 23, 2019, at Hibbing Public Utilities, 1902 E. 6th Ave., Hibbing, MN 55746. Chairperson Rian called the meeting to order at 5:00 p.m. In attendance were Chairperson Rian; Commissioner McGuire; Commissioner Hart; Commissioner Bayliss; 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; Kinect Energy Rep., Norm Cox; MP Rep., Luke Peterson; Barr Rep., Kurt Sobczynski, Future Commissioner Stokes; Citizen Rodney Pelkey; Local 94 employees M. Reger, P. Petrich.

ADDS/DELETES

Item 2. Request by Commissioner McGuire move Item 6.A. North & South Howard Alley Steam/Condensate Repairs 2019 to be follow Item 10.C

Commissioner Rian requested to add under Old business Item E. update on Metering for Hibbing High School

Commissioner Rian requested to Add under New Business: Inoperable Hydrants; and the 25th Street College steam line venting needs additional barriers.

Request by J. Lane to delete Item 9. Financial Statements.

APPROVAL OF MINUTES

Item 3.A. Motion by Commissioner Bugliosi, supported by Commissioner McGuire, to approve the regular meeting minutes of April 9, 2019.

Motion carried unanimously.

CITIZENS FORUM

Item 4. Rodney Pelkey of Clean Again Laundry was present to discuss rate increases. Mr. Pelkey presented his concerns regarding rate increases over the past few years. General Manager Hautala stated that there are three major factors to rate increases: 1) fuels; 2) electric costs & 3) labor costs. The Commission thanked Mr. Pelkey for his presence.

No action taken.

CONSENT AGENDA

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

- 5.A. Review and approve the items over \$5,000 and review and approve the bills from April 8, 2019 through April 18, 2019, check numbers 39765 through 39844 & ACH transfer 4081901 to 4081903.

MINUTES OF THE PROCEEDINGS

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

Page Two

April 23, 2019

- 5.B. Review and approve the payroll paid and overtime report for the April 11, 2019 pay date.
- 5.C. Request for Contribution: Hibbing All Night Graduation Party - \$100 per policy.
- 5.D. Request for Contribution: Hibbing Area Chamber of Commerce - \$100 per policy.

Motion carried unanimously.

PUBLIC BIDS & QUOTES

Item 6.B. The Commission reviewed the correspondence dated April 23, 2019 from S. Hautala regarding Award RFP Natural Gas Management Services. S. Hautala introduced Mr. Norm Cox of Kinect Energy, who gave presentation.

Motion by Commissioner McGuire, supported by Commissioner Bugliosi to adopt the following Resolution:

NOW THEREFORE, BE IT RESOLVED, THAT the HPU Commission authorizes management to enter into a service agreement with the Kinetic Energy Group for a 3-year term, for Natural Gas Management Services, with the option of opting out if services are not satisfactory.

Motion carried unanimously.

Item 6.C. The Commission reviewed the correspondence dated April 23, 2019 from C. Lubovich regarding Request to Purchase 24" & 30" Water Main Repair Materials.

Motion by Commission Hart, supported by Commissioner McGuire, to approve the following Resolution:

NOW THEREFORE, BE IT RESOLVED, THAT HPU Commission authorizes the purchase orders to MN Pipe for \$4,157.32, and Ferguson for \$20,862.63, for a total of \$25,019.95.

Item 6.D. The Commission reviewed the correspondence dated April 23, 2019 from S. Hautala regarding Boiler #1 Gas Burner Proposal. S. Hautala gave presentation. Lengthy discussion held.

Motion by Commissioner Bayliss, supported by Commissioner Bugliosi, to move ahead with the study for Boiler #1 Gas Burners.

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

Item 6.E. The Commission reviewed the correspondence dated April 23, 2019 from D. Chase regarding Request to Purchase Materials for the North Howard Alley Electrical Line Extension.

MINUTES OF THE PROCEEDINGS

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

Page Three

April 23, 2019

Motion by Commissioner McGuire, supported by Commissioner Hart, to authorize the following Resolution:

NOW THEREFORE, BE IT RESOLVED, THAT HPU Commission authorizes:

WHEREAS, the approval of this project; the total estimated cost of this project is \$150,000. The total capital cost allocation for this project is \$175,000;

WHEREAS, the purchase of materials in order to prepare for the North Howard Alley Line Extension; the cost of materials for this project is approximately \$36,000;

WHEREAS, to hire a directional boring contractor based upon the following criteria: HPUC must hire out the directional boring, road surface cutting, excavation and restoral. The maximum estimated cost of this service is \$83,000. The contracted work may be awarded based upon quotes not exceeding this maximum price;

WHEREAS, to approve the use of internal labor. The cost of HPUC Labor for this project is approximately \$31,000. The entire project is estimated to take about 17 days from start to finish, if the weather conditions are favorable;

WHEREAS, authorize the General Manager to sign appropriate documents.

Motion carried unanimously.

PERSONNEL/POLICY

Item 7.A. The Commission reviewed the correspondence dated April 23, 2019 from S. Hautala regarding Revised Management Job Descriptions.

Motion by Commissioner Hart, supported by Commissioner Bugliosi, to approve the following Resolution:

NOW THEREFORE, BE IT RESOLVED, THAT HPU Commission approves the HPU organization chart as presented and approves the job descriptions for management.

Commissioner Bayliss – no.
Commissioner McGuire abstained.
Motion carried.

Item 7.E. The Commission reviewed the correspondence dated April 23, 2019 from J. Lane regarding Consider Early Retirement Options.

Motion by Commissioner Bugliosi, supported by Commissioner Bayliss, to table this item to a future meeting.

Motion carried unanimously.

Item 7.F. The Commission reviewed the correspondence dated April 23, 2019 from C. Lubovich regarding Request to Hire Three (3) Part-Time Summer Students.

MINUTES OF THE PROCEEDINGS

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

Page Four

April 23, 2019

Motion by Commissioner Rian to authorize Three (3) Part-Time Summer Students. Motion fails for lack of second.

Motion failed.

Item 7.G. The Commission reviewed the correspondence dated April 23, 2019 from P. Karakash regarding Update Employee Policy EMPL068unattendedvehicles.

Motion by Commissioner Bugliosi, supported by Commissioner Bayliss, to authorize the following Resolution:

NOW THEREFORE, BE IT RESOLVED, that the HPU Commission authorizes the revision to Employee Policy No. EMPL068 unattended vehicles.

Motion carried unanimously.

DIRECTOR REPORTS

Item 8. The Commission reviewed the Directors reports as follows:

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

- The Washington School Condensate Repair Project is completed. What remains is to pour the tunnel top which will be done very shortly. This project took about a week from start to finish and as expected.
- The Department is continuing to get the spring annual MN Office of Pipeline Safety required inspections completed as weather permits. Once the frost is out of the ground, progress for this work will increase.
- Our Annual Inspection with the Office of Pipeline Safety is scheduled for May 1st thru May 3rd. This year's inspection will focus on a Field and Records inspection as well an audit of our Natural Gas Operations and Maintenance Manual.
- The new natural gas lawn tractor and trailer have been ordered. They should arrive in time for the gas service installation season.
- The Department is continuing to work on preparing for the arrival of our new odorizer injection system. A few items need to be in place before we can accept the new unit for installation.
- As of 4/18/19 47 total gas services have been applied for of which 35 of them are steam conversion applications.

Water Department

- Water main and service failures are now starting to drop off in number. From January 1, 2019 to date, we have had 11 water main failures and 13 water service failures on the HPU side.
- The new dehumidification unit is in transport and should arrive any day now. The first step upon arrival is to remove the existing unit at the water treatment plant to make room for our new unit. A natural gas service needs to be installed in order to fuel this system. The plan is to have it up and running sometime in June.
- The Auto Chem Feed System project at our Water Treatment Plant drawing to a close. The final installments are scheduled to be completed in the next two to three weeks.

MINUTES OF THE PROCEEDINGS

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

Page Five

April 23, 2019

- The water main replacement project for 4th Ave. East between 16th St. & 18th St. is now being considered for outside engineering services. The replacement would probably take place in July/August 2019. This is a capital budgeted item in 2019.
- Well rehabilitation of 2B and 11C are also being looked at. Well 3A is being considered for replacement this year. A test hole and test pumping exercise near the current well would need to be done before an acceptable relocation site can be determined. These are all capital budgeted items in 2019.
- Discussed PFA Application for low interest load for major water projects.
- Discussed Northern Natural Gas Rate Case.

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 heat line. Total steam production was in the 70,000-120,000 pph range depending on the steam line needs.
2. Total wood consumed was 1,261 tons for March 2019. Total through March is 16,684 tons.
3. Total coal consumed during March was 4,482 tons. Total through March is 9,511 tons.
4. T/G 6 still on-line. All steam for the steam district ran through T/G 6 to produce 3-5.5 MW/hr.
5. Boiler 3A stack testing was conducted March 27, 2019. Particulate matter passed at 0.019 #/mmBtu with a limit of 0.025 #/mmBtu. The mercury emission result is still forthcoming.
6. MISO call was done and over 6mW was generated with a cold start. Very good mock drill.

Electrical Depts.: D. Chase was present and gave presentation.

Electric Distribution Power Outages

- 3/21/19, one (1) residential outage due to snow/ice load sliding off of the roof & pulled the service off of the house. Power off at 10:44 p.m., power restored at 11:53 p.m. 1 customer affected for 1 hr 9 min.
- 4/11/19, one (1) feeder outage due to human error, excavator tore down neutral wire & caused a phase to ground fault. Gas Plant Substation breaker went to lock out, the area affected was west of 1st Ave & south of Grant St to Hwy 169. Power off at 10:45 a.m., power restored from 31st St W. south to Hwy 169 at 11:09 a.m., power off for 24 min. power restored from 31st St W. north to Grant St at 11:31 a.m., power off for 46 min. (total of 1500 customers affected)
- 4/14/19, one (1) commercial outage due to a broken fused cut out on a three-phase underground riser. Power off at 8:30 a.m., power restored at 9:10 a.m. 1 customer affected for 40 min.
- Transformer project on sequence.

Instrumentation Department

- The Instrumentation Dept. is working on solving some ongoing intermittent radio communication losses from the Ansley water tower, the Mesabi water tower and the Water Treatment Plant.

MINUTES OF THE PROCEEDINGS

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

Page Six

April 23, 2019

- The new 4" City water meter has been installed and is functional at the Power Plant.
- Communication problems with wireless remote I/O modules in the Delta V system inside the plant are being repaired. The ethernet hard wired connection to the remote 900 Mhz transceiver appears to have been damaged. A new ethernet cable will be installed in order to replace the damaged one. This affects wireless remote I/O communication within the power plant. Several systems have been placed in manual operation until the wireless communication is restored.

Engineering Department

In House Engineering Services:

- At present, the general arrangement drawings for 11 natural gas main extensions are in progress.
- The preparation of cost estimates for North and South Howard Alley steam repairs are in progress and nearing completion
- The general arrangements and layouts for the new Natural Gas Odorizer Injection building is in progress and nearing completion.
- The updates to the AutoCad X-Reference file for the mapping of all utilities is on-going and is a continuing process.

In House Utility Locating:

- There were 48 Utility Infrastructure Locate requests issued and completed through the Gopher State One Call system in March.
- So far, in the month of April, there have been 33 locate requests issued and completed, with 124 locate requests since the beginning of 2019.
- At the present time we have requested quotations from 4 Utility Locate Services within the State of Minnesota for the purposes of handling our Locate Service Request overflow. As the summer progresses, the quantity of requests for Locating Service will exceed our capacity to service. The plan is to contract out overflow and after-hours emergency locate services for the year.

Plant Electrical Update

Projects:

- Assisted Line Crew with Feeder 4 CT testing.
- Performed routine maintenance on the 13.8 kV switchgear.
- Worked on the Airport Well chemical feed system.
- Repaired electrical outlets in steam system manholes.
- Repaired the lighting in the Fireman's' dry and the Transportation Garage.
- Replaced the motor power feed to Boiler #3 Soot Blowers

Meter Shop Update

Projects ongoing and upcoming:

- Electrical Metering updates are ongoing. The work involves replacing old electric meters and installing new high accuracy current transformers. There are approximately 10 commercial services scheduled for upgrade and about 150 electric meters scheduled for upgrade.
- Water meters are being replaced with high accuracy Automated Metering Infrastructure (AMI) ready meters. Approximately 20 commercial accounts and about 150 residential accounts will be changed out this year.

MINUTES OF THE PROCEEDINGS

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

Page Seven

April 23, 2019

- There are roughly 50 non-pay notices delivered to customers and approximately 15 disconnects per week due to non-payment issues.
- Commissioner Bugliosi inquired about the HHS metering. S. Hautala stated that the consultant report is yet to be obtained.

Finance:

- Information Technology: placed order for new computers approved by the Commission with C.W. Technology. Contacted Civic Systems to develop a schedule for conversion to the next accounting software Connect later in 2019.
- Finance: performed end-of-year audit processes in preparation for April audit fieldwork. Evaluated responses from banks to the request for professional services. Finalized revised chart of accounts and sent to Civic Systems for a review and testing.
- Human Resources: Manager job descriptions with employee comments are reformatted and presented to the Commission for their approval. 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.
- Commission Secretary: worked with Chair and Commission members on agenda requests. Evaluated responses from request for proposals for General Legal Counsel. Prepare materials for Commission orientation.
- Meter Reading: review customer 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.
- Auditors will be on site doing field work. Bank conversion beginning.

FINANCE

Item 9. This item was pulled per J. Lane's request.

OLD BUSINESS

Item 10.A. The Commission reviewed the correspondence dated April 23, 2019 from D. Chase regarding Substation Land Exploration Meeting update and 2 MW solar site.

Motion by Chairperson Rian, supported by Commissioner Bugliosi to authorize continued research for the site.

Motion carried unanimously.

Item 10.B. Set Budget Working Session. It was decided to hold a budget working session on Thursday, May 16, 2019 at 5:00 p.m. in the Commission meeting room.

Motion by Commissioner Rian, supported by Commissioner Hart, to hold a Budget Working Session on Thursday, May 16, 2019 at 5:00 p.m. in the Commission meeting room.

Motion carried unanimously.

MINUTES OF THE PROCEEDINGS

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

Page Eight

April 23, 2019

Item 10.C. The Commission reviewed correspondence dated April 23, 2019 from S. Hautala regarding Barr Engineering: Steam Distribution Study & Boiler Efficiency Study. S. Hautala introduced Barr Engineering Rep., Kurt Sobczynski who gave presentation. Lengthy discussion held. Points of topic included:

- 53% steam loss from Power Plant into steam line; steam losses are same losses measured in 1967; study determined the heat loss is being lost thermally to the ground.
- A more detailed inspection was made on the Hospital steam line, which was determined it was built oversized for the distribution but the line is in good condition;
- Condensate lines to Hospital, HRA and Lee Center revealed to be in good condition;
- College steam line losses discussed and has not yet been analyzed;

Item 10.D. The Commission reviewed correspondence dated April 23, 2019 from S. Hautala regarding Barr Engineering: Steam Distribution Study & Boiler Efficiency Study. S. Hautala introduced Barr Engineering Rep., Kurt Sobczynski who gave presentation. Lengthy discussion held. Points of topic included:

- Efficiency percentages
- Combustion
- PRV #6 issues
- Wood Handling System Project
- #175 Port PRV on #6 Turbine
- Economizer/Flue Gas Temps

Item 6.A. The Commission reviewed correspondence dated April 23, 2019 from C. Lubovich regarding North & South Howard Alley Steam/Condensate Repairs 2019. C. Lubovich gave presentation on the three-phase project 2019 repair plan. Lengthy discussion held on:

- Steam Vaults Areas
- Abatement/Re-insulation
- Condensate Return & End User
- Steam to Gas Conversion Payback
- Discussion held regarding customer condensate systems
- Educating customers on system systems & repairs. Mr. Lubovich stated that customers at any time can call and make an appointment for the steam crew to assess the system.

Motion by Commissioner Bayliss, supported by Commissioner Bugliosi, to explore a portion of the system that is most cost efficient to complete the proposed repairs.

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

MINUTES OF THE PROCEEDINGS

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

Page Nine

April 23, 2019

NEW BUSINESS

Chairperson Rian discussed out of service fire hydrants. C. Lubovich stated that flushing of hydrants is done annually, and hoping to get manpower from plant personnel throughout the summer to assist in this project. Average cost for hydrant replacement is \$5,000. Prioritized by severity, with inoperable hydrants will be priority. HPU to coordinate w/ Fire Chief.

25th Street steam barrier stove piping. Crew to get better signage and better barriers. Once the HCC ends its steam use of the system, the hazard will be removed.

General Manager Hautala thanked Mr. Garrity and Mr. McGuire for their service to the Commission Board.

Motion by Chairperson Rian, supported by Commissioner Hart, to write a letter thanking them for their service.

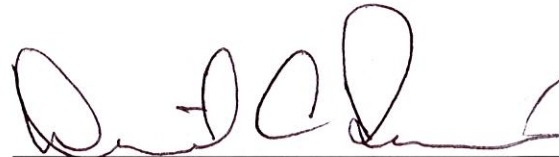
Motion carried unanimously.

ADJOURNMENT

Motion by Commissioner McGuire, supported by Commissioner Bugliosi, to adjourn the meeting at 8:43 p.m.

Motion carried unanimously.

Attest:



David Rian, Chairperson



Jean Lane, Commission Secretary

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