

MINUTES OF THE PROCEEDINGS

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

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March 23, 2021

Minutes of the regular meeting of the Public Utilities Commission, Hibbing, Minnesota, 1902 E. 6th Ave., Hibbing, MN 55746, held on March 23, 2021. Meeting held at Hibbing City Hall, 401 E. 21st St., Hibbing MN. Chairperson Hart called the meeting to order at 5:02 p.m. In attendance were Chairperson Hart, Commissioner Bugliosi; Commissioner Garrity; Commissioner Stokes; Commissioner Bayliss; Legal Counsel, Andy Borland; General Manager, Luke Peterson; Administrative Assistant, Penny Rutchasky; and Director of Utility Operations, Corey Lubovich. Also in attendance was HPAT Rep., Ron Wirkkula, AFSCME Rep., Mark Reger.

Item 2. ADDS/DELETES

General Manager Luke Peterson requested to add under new business the affirmation of the General Manager, Luke Peterson and the Wholesale Power Negotiations Committee members, Pat Garrity & Jeff Hart, as Hibbing Public Utility representatives to the Northeastern Minnesota Municipal Power Agency (NEMPPA). This item was moved and seconded.

Item 3. APPROVAL OF MINUTES

Motion by Commissioner Bugliosi, supported by Commissioner Stokes, to approve the regular meeting minutes of March 9, 2021.

Motion carried unanimously.

Item 4. COMMUNITY SERVICE RECOGNITION: Dylan Unger, Meter Reader.

Meter Reader, Dylan Unger was on routine route and found a customer in emergency medical distress. Dylan identified the situation as emergency and valiantly reacted by contacting emergency medical assistance. The HPU is requesting recognition of Dylan's efforts in the form of a Resolution for Community Service Recognition.

Motion by Commissioner Bayliss, supported by Commissioner Stokes, to adopt the Resolution in support of Community Service Recognition for D. Unger, Meter Reader.

Motion carried unanimously.

Item 5. CITIZENS FORUM - None

Item 6. CONSENT AGENDA

Item 5.A. Review and approve the items over \$10,000 and review and approve the bills from March 5, 2021 to March 18, 2021 check numbers 44321 to 44379 & ACH transfers 3052101 to 3122102.

Item 5.B. Review and approve the payroll paid & overtime report for the March 11, 2021 pay date.

Item 5.C. Voluntary Residential Conversion Heat Loan Program: Loan Approvals

Motion by Commissioner Bugliosi supported by Commissioner Stokes, to approve the Consent Agenda as presented.

Motion carried unanimously.

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Item 7. FEBRUARY GAS UPDATE & CUSTOMER IMPACT DISCUSSION

The Commission reviewed the correspondence dated February 19, 2021, regarding February Natural Gas Pricing & Customer Impact Discussion. Luke Peterson began by addressing the situation as severe, and applauding Director of Utility Operations, Corey Lubovich in identifying the crisis on the volatile markets when the situation began to arise, as other area Utility's, along with the HPU are still grappling w/ the surprise event. At the March 9, 2021 Commission meeting the situation was discussed but numbers were not yet in. Final numbers are now in which reflect the numbers initially estimated were in close proximity to the true cost amount, which is \$1.6M over base budget. HPU doesn't have the financial solvency to pay the bill as HPU isn't getting cost recovery from customers on the amount of the wholesale natural gas cost. General Manager Peterson referenced the HPU Rate Book for the Purchase Gas Adjustment (PGA) which is a mechanism developed to recoup over/under budget costs for commodity gas.

This is the largest over budget natural gas cost in HPU history. General Manager Peterson went on to state that unfortunately, the \$1.6M needs to be recouped by the rate payers, and discussion needs to be held regarding the duration of time to spread out payments that are now due. Peterson stated that if it is billed all in one month, it will create hardship for ratepayers, as it is not a typical bill, and circumstances such as Covid-19 make the situation even more difficult. General Manager Peterson stated that the cost needs to be fairly spread while recouping the costs. The intent is that any dollars from the city, state and federal government regarding the gas issue be returned to ratepayer accounts, as they were applied to the account. The increase is approximately \$200-\$400 per household. This led to discussion on the billing process, such as sending out a monthly lump sum, a 6-month adjustment, 9-month, 12-month adjustment or any adjustment the Commission deems appropriate. HPU is in the process of applying for any relief available to rectify the situation.

Commissioner Bayliss asked if the situation had been discussed with the City Administrator. General Manager Peterson stated that he has discussed the impact of the situation on the natural gas budget, but deferment of payment to customers had not. Commissioner Bayliss stated that there was discussion at the City level regarding the City helping with the costs to the customers in some form of assistance, if possible, as this is a hardship for the community. General Manager Peterson stated that he supports discussions and working with customers.

Commissioner Bugliosi opined to start the recovery period from May through October, which is a 6-month payback timeline, identifying the non-heating season as a prime time, as to not burden the already effected customers. Alternatively, the customers that are up to date with their account will be credited for the high gas usage when assistance is received on behalf of the HPU. Chairperson Hart echoed his statement, adding that the Utility will not be profiting from the overhead or interest on the Purchased Gas Adjustment (PGA).

Commissioner Stokes inquired about discussions with the gas company. General Manager Peterson stated the HPU must honor the contract and while there is no official agreement, discussion has been held regarding a 6 to 12 month payback term. In terms of customer impact, HPU is striving to be as flexible with customers as possible as to not

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burden them next heating season by this heating seasons costs. HPU is willing to work with customers to be as flexible as possible.

Commissioner Garrity stated he agreed with Commissioner Bugliosi for a 6-month term, and HPU will identify what is owed by each household, and then bill 6-months of natural gas payments from the polar vortex effect. Customers may pay early if they wish. Commissioner Garrity reiterated the potential CDBG Grant and City assistance available. Commissioner Garrity stated the overage amounts passed back to the customers once received by the HPU by expressing concern regarding unknown weather pattern impacts for next year. Commissioner Garrity also pointed out potential investigations targeting price gouging, and if HPU would not have notified officials, costs would be \$150,000 higher debt had not Hibbing complained to the MPUC. Many cities have used their entire gas budget in one month. HPU intends to fight for the end user.

Commissioner Stokes asked General Manager Peterson what his thoughts were on extending the payments to 12-months in the event of another polar vortex, agreeing with Commissioner Bugliosi on the 6-month payback, to try not to compound another potential problem. General Manager Peterson stated he has those concerns as well, cashflow flexibility and concern for next heating season. He expressed his desire to keep options open as the gas companies know it's a huge amount to pay back and they have been willing to work w/ the HPU. Fuel source strategy is in the preparation process to protect the HPU customers from unseen risks. Commissioner Garrity pointed out that some cities didn't have a problem as they have two gas companies feeding their systems, and that Hibbing is at the end of the line and at the mercy of the gas companies.

Commissioner Stokes asked C. Lubovich if it was of value for the HPU to have a Gas Peak Shaving plant again, as in the past. C. Lubovich stated that the propane air plant worked effectively when gas prices were above \$9/dth on a daily basis. Currently trade is between \$2.50-\$3/dth on a typical basis. Being that the costs are low, a Peak Shaving Plant would not be cost effective at this time. If gas prices were to rise and stay around the \$9-\$10/dth, then it may be more cost effective.

L. Peterson stated that fuel supply decision will be made along with a sourcing strategy to not be so reliant on the market. Securing fuel supply is of high importance to the HPU. Commissioner Bugliosi asked about Minnesota Power (MP) and if the HPU was going to absorb the pass-through costs. L. Peterson stated that yes, and the impact will be absorbed by the charges, at about \$5/mWh.

Wholesale supply was at about \$80/mWh last month with the \$5/mWh is higher than normal, which is approximately \$85/mWh.

The Purchase Power Adjustment or a MP surcharge factor may be implemented to cover those costs.

HPU is aware that public assistance is needed, and families are already struggling due to Covid-19. Commissioner Garrity reminded the Commission about outstanding >\$1m unpaid customer balances due to Covid-19, stating concerns regarding the difficulty ratepayers may have in paying their balance due. Due to privacy issues, the HPU cannot aid customers but can certainly point direction towards assistance. The HPU is willing to

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work with ratepayers in a fair and equitable manner. L. Peterson specified that the Utility provides billing for the six (6) utilities of water, gas, electric, steam, waste water, and garbage. The compounding of past due utility balances creates a large problem that may broadly impact the City and its ability to provide the essential services in the future, thus the burden is shared with ratepayers, which is normal Utility practice, HPU will have compounding impacts of a Utility that is already struggling, which is why the HPU needs help and is looking to every avenue available.

Chair Hart asked if there was any action requested. L. Peterson stated that he brought it forth to get consensus from the Commission on the timeline of payback of 6 months. And work with the city and the ratepayers to be transparent and expects punitive damages to come forth

Item 11. OLD BUSINESS

Item 12. NEW BUSINESS

Affirmation of General Manager Luke Peterson requested to add under new business the affirmation of the General Manager, Luke Peterson and the Wholesale Power Negotiations Committee members, Pat Garrity & Jeff Hart, as Hibbing Public Utility representatives to the Northeastern Minnesota Municipal Power Agency (NEMPPA).

Motion by Commissioner Garrity, supported by Commissioner Bugliosi, to authorize affirmation of General Manager Luke Peterson and the Wholesale Power Negotiations Committee members, Jeff Hart & Pat Garrity, as Hibbing Public Utility representatives to the Northeastern Minnesota Municipal Power Agency (NEMPPA).

Motion carried unanimously.

Item 13. ADJOURNMENT

Motion by Commissioner Stokes, supported by Commissioner Bayliss, to adjourn the meeting at 5:35 p.m.

Motion carried unanimously.

Attest:



Jeffrey Hart, Chairperson



Patrick Garrity, Commission Secretary

Meeting materials are available at www.hpuc.com
The next regular Commission meeting is scheduled for Tuesday, April 13, 2021 at 5:00 p.m. at the Hibbing City Hall, Council Chambers, 401 E. 21st St., Hibbing MN 55746
Masks are required in City Hall and all COVID-19 Pandemic guidelines must be observed.

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