

MINUTES OF THE PROCEEDINGS

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

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August 12, 2021

Minutes of the regular meeting of the Public Utilities Commission, Hibbing, Minnesota, 1902 E. 6th Ave., Hibbing, MN 55746, held on August 12, 2021. Meeting held at Hibbing City Hall, 401 E. 21st St., Hibbing MN. Chairperson Garrity called the meeting to order at 5:00 p.m. In attendance were Chairperson Garrity, Commissioner Bugliosi; Commissioner Hart; Commissioner Bayliss; Legal Counsel, Andy Borland; General Manager, Luke Peterson; Financial Controller, Morgan Anderson; and Administrative Coordinator, Penny Rutchasky. Also in attendance was HPAT Rep., Ron Wirkkula; AFSCME Rep., Mark Reger; and Mesabi Maintenance Rep., Jeff Stokes.

Item 2. ADDS/DELETES - None

Item 3. APPROVAL OF MINUTES

Motion by Commissioner Bayliss, supported by Commissioner Bugliosi, to approve the regular meeting minutes of July 27, 2021.

Motion carried unanimously.

Item 4. CITIZENS FORUM - None

Item 5. CONSENT AGENDA

Item 5.A. Review and approve the items over \$10,000 and review and approve the bills dated August 12, 2021 check numbers 45033 to 45102.

Item 5.B. Review and approve the payroll paid & overtime report for the July 29, 2021 & August 12, 2021 pay dates.

Motion by Commissioner Bugliosi, supported by Commissioner Bayliss, to approve Consent Agenda Items 5.A. & 5.B., as presented.

Motion carried unanimously.

Item 6. BIDS/QUOTES

Item 6.A. The Commission reviewed the correspondence dated August 11, 2021 from L. Peterson, General Manager, regarding Award Public Bid No. 05-2021: Wood Supply.

Peterson gave background of the bid opening on July 29 reiterating discussions from the June 11 work session regarding utilizing three fuel sources for efficiencies in the power plant for the 2021-22 heating season. He stated that Shermer was the sole bid received, with a bark supply vendor in attendance for bid opening. Peterson mentioned that Shermer has delivered to both the HPU and the VPU and is familiar with the process and understands there is no minimums and flexibility is needed for the pilot season. Commissioner Hart asked about the contract proposal cost, noting it is for 78,000 tons which equals ~\$2.62 million. Peterson stated the contract is not for that amount, but the number Commissioner Hart was speaking of would be the maximum, if the wood is burned year-round. Peterson said he spoke to Shermer today to confirm the guaranteed minimum. Peterson explained that in the bid specifications there was a "guaranteed" amount and a "non-guaranteed" amount. It was confirmed that the "non-guaranteed" amount is \$29/ton. Commissioner Bugliosi asked about the moisture content in the proposal and the number

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of trucks per day. Peterson said it was clarified to bidders that the moisture content is to be no more than 45%, which was the same as the LEA wood specifications. Bugliosi asked if the trucks would be delivered to HPU. Peterson said yes, and there will be approximately 11 trucks per day and weight scale details are still being worked out but it was his hope to continue to use the scales at Hibbing Salvage. Bugliosi asked how the moisture was being calculated. Peterson said Shermer reassured them that the VPU has had no problems with the product he delivers to them. Bugliosi asked if Virginia spec's out their moisture content. Peterson stated he was uncertain about VPU's process but was ensured by Mr. Shermer that the product met specifications for moisture. Commissioner Bugliosi inquired that if the bid is awarded at right now, if the HPU is locked in or if there a cancellation clause? Peterson said that because it is a minimum, if no trucks are needed, the HPU will not be charged, but if trucks are needed, it is \$29/ton. Commissioner Hart asked if there was "fuel rider escalation clause" if the price increases? Peterson reiterated \$29/ton.

Motion by Commissioner Bayliss, supported by Commissioner Bugliosi, to award Public Bid No. 05-2021: Wood Supply to Shermer Logging in the amount of \$29/ton with no minimum or maximum.

Motion carried unanimously.

Item 6.B. The Commissioner reviewed the correspondence dated August 11, 2021 from L. Peterson, General Manager, regarding Award Public Bid No. 06-2021: Vegetation Management.

General Manager Peterson gave background that Lake States Tree Service was the sole bidder in the amount of \$75,925.94, and highlighting high priority areas directly under the main 307 & 309 23 kVA feeder lines coming from Minnesota Power. He went on that these feeders supply Hibbing from the MP Substation, and felt that the price was a fair price for the project. Peterson said he felt imperative to address these critical areas, as trees have much to do with animal outages, giving example of an outage in June which involved a customer tree falling on a main feeder line by the Warehouse. Bugliosi asked who put the bid together. Peterson said that he and Esko Savela, Line Crew Leader put the area specifications together keeping in mind the high priority vulnerable areas. He pointed out a few areas that were critical hot spots. Bugliosi asked how many outages have been caused by trees and if there was another area that the \$75,000 could be spent for the value. Peterson added that every animal outage is directly related to vegetation management. He mentioned that last three outages were due to animals and estimated that about half of the outages for the year have been animal related. He said there was an exception with the customer tree that took out the town for 2.5 hours, expressing his desire for the aggressive approach to vegetation management. Peterson said he spoke to MP this week after he recognized that MP is partially responsible for vegetation management along the main feeder lines. Peterson stated that he will be addressing this concern in the upcoming negotiations with MP. Commissioner Hart asked about the easement in "Area J", asking if MP would be sharing the cost with the HPU. Peterson said it is expected that MP would provide proper compensation for the shared areas. Peterson thought the bid pricing was fair.

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Motion by Commissioner Hart, supported by Commissioner Bayliss, to award Public Bid No. 06-2021: Vegetation Management Lake States Tree Service in the amount of \$75,925.94.

Commissioner Bugliosi opposed.
Motion carried 3-1.

Item 7. OLD BUSINESS

Commissioner Bugliosi asked for an update on the Cooling Tower. Peterson said that PCT was on site for preliminary site inspection draft drawings. Barr Engineering was in review and it was expected the draft drawings be signed off for structural analysis by Friday of this week. Peterson stated that fire suppression, relining of the basins, electrical and plumbing requirements are also being spec's out, and he expected it to be an additional \$400,000 worth of work to be completed. Cooling tower basin cleanout will begin next week. Scheduling demo and construction will coincide with performance testing for air permitting requirements with the MPCA. Demo is expected to begin mid-September and by the end of October he expects the new cooling towers to be fully functional. He said that foundation work is not expected to be as extensive as first thought. Bugliosi asked for clarification on air permitting and demo. Peterson gave explanation that under the MPCA guidelines, HPU is required to test, which will require Interpol and CemSource to be on site for testing the new SO₂ analyzer on September 16, 2021. Bugliosi asked if FM Global agreed to the fire suppression system. Peterson confirmed yes. Peterson said they watch the meetings and communication has been held and they understand HPU is waiting on Electric Scientific. Peterson said he expects the Electric Scientific proposal sometime next week. This item was placed in the Commission file.

No action taken.

Item 8. NEW BUSINESS

Item 8.A. The Commission reviewed the correspondence dated August 10, 2021 from L. Peterson regarding Water Meter Replacement Program – for Information & Feedback Only. Peterson gave background of the AMI initiative and said that it has been put on the back burner but he would like to see the Utility take a proactive approach as AMI is a part of the future. He stated that he felt the preliminary stages are important to make small moves to get a head and be proactive when an AMI solution is found. He said 4,500 water meters are not ready for AMI and are located in customers basements, requiring Meter Readers to enter homes for accurate reads. It is his intent to get a plan in place to aggressively replace the water meters with an AMI compatible model. Peterson said that meters are less expensive when bought in bulk, and new meters reflect accurate reads. He stated pricing will be shared once obtained when a formal request is sought. He stated that buying in bulk will allow quarterly payments, as lead times are lengthy, and he would like to be future ready. This item was placed in the Commission file.

No action taken.

Item 8.B. The Commission reviewed the correspondence dated August 11, 2021 regarding Utility Progress Report. Peterson stated that he knows it has been a tumultuous past few years and is impressed by the hard work put forth by each and every crew. He

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began with the water tower project that was approved in February. He added that the Ansley Water Tower project was completed a month ahead of schedule, and the tower is ready for another 25 years of uninterrupted operations. He thanked the Water Crew, Classic Protective Coatings, and Badger State Inspections for a job well done.

Dredging of the water treatment plant lagoon basins have begun with basin 1 completed and is presently being utilized for backwashing. The ponds have never been dredged and 30+ years of maintenance is being completed for proper function of the basins. The next step is to finalize a backwash plan. Options are being sought and will be under the \$250,000 budgeted amount that was initially thought.

Peterson updated that the first water main replacement since 2013 was started today, with directional boring under way.

Peterson said that he has found instances where customer policies need to be clarified or updated. Specifically, a water service problem was found on a service feeding off another customer's service. He stated that the Commission should expect upcoming updates to some policies to be consistent with standard utility practice. He stated there are many opportunities to update policies and to standardize this policy for safe, clean water for the community.

The Heat Crew has been diligently fixing condensate return lines and overseeing gas service installations. The Assumption School, HRA and the 7th Ave. Apartments steam service lines have been repaired. A lost and blocked City sewer line was located and repaired during the project. There were multiple blown expansion joints and work is expected to continue for repairs on 7th Ave. E., 3rd & Howard Street, and Minnesota Street.

Gas Service installations are being installed by Jivery Construction. To date, 10 services of the 72 have been installed in the first week of installations.

The electrical distribution utility has taken a significant blow this year. A large outage due to a customer tree falling on the main feeder line outside of the Warehouse was a big problem. It was discovered this week by the Line Crew Team Leader that the MP Substation equipment was wired wrong. Three recent outages would not have been so lengthy if the servicing by MP of the MP Substation was done correctly. It was discovered that MP replaced the HPU equipment with improper wiring, resulting in reclosers not working properly. The last three outages should have been a quick blip if the relay were working correctly. HPU's MP Accounts Rep will provide a full report as soon as the investigation is completed. This report will be shared with the Commission once received.

Peterson stated that despite the number of outages, customers should feel better protected heading into winter with two fully functioning breakers on Feeders 307 & 309 and the vegetation management program along the main feeder route.

Peterson spoke of the Power Plant and his pride in the team. When Peterson started as General Manager, there were two operating boilers and no operating permits. Now all four boilers are firing and the first URGE test was just completed with Turbine 5 URGEing at 17 MW and Turbine 3 URGEing at 10.5 MW, for a total of 27.5 MW, with both turbines running independently. He said he was pleased with the baseline that it will help establish

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capacity accreditation with any power contract. Peterson said he is eager for retesting which will take place after the new cooling towers are in place. He stated that more generation could have been produced had the cooling towers be in good operating condition. Peterson said he is looking forward to generating 32 MW after the cooling towers are in place in October. Peterson thanked and expressed his pride in the business office staff and entire utility for all the hard work this past six months.

Chairperson Garrity expressed his gratitude for the incredible amount of work performed by Financial Controller, Morgan Anderson relating to the audit which was just completed. He also stated he felt the HPU was on more solid ground for upcoming MP contract negotiations because of the ability to generate.

Commissioner Bugliosi asked if a contractor was putting in all the new gas services. Peterson said it was on a touch and go basis, as when the Heat Crew has time, they work on the installations, but Jivery is authorized to do the tie ins. HPU is being billed on a time and material basis.

Chairperson Garrity stated, on record, that customers who are on the list will absolutely have their service installed for the upcoming heating season. This item was for discussion purposes and placed in the Commission file.

No action taken.

Item 9. ADJOURNMENT

Motion by Commissioner Bayliss, supported by Commissioner Hart, to adjourn the meeting at 5:41 p.m.

Motion carried unanimously.

Attest:



Luke Peterson, General Manager



Patrick Garrity, Chairperson

Meeting materials are available at www.hpuc.com
The next regular Commission meeting is scheduled for Tuesday, August 24, 2021 at 5:00 p.m. at the Hibbing City Hall, Council Chambers, 401 E. 21st St., Hibbing MN 55746
All COVID-19 Pandemic guidelines must be observed.

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