Kaukauna WI
October 22, 2008

The regular meeting of Kaukauna Utilities Commission was called to order at 8:00 a.m. by President, Lee Meyerhofer. Commission members present were Gene Rosin, Bill Vanderloop, Lee Meyerhofer, John Moore, Tom McGinnis and Brian Paschen. Also present were Paul Van Berkel, City Attorney, Jeff Feldt, Mike Pedersen, Mike Kawula, Kevin Obiala, Ron Roberts and Eric Miller from KU.

It was moved by Bill Vanderloop, seconded by Gene Rosin to excuse the absence of Commissioner Tom Driessen.

All members voted aye Motion Carried

It was moved by Gene Rosin, seconded by Tom McGinnis to approve the minutes of the September 17, 2008 regular Commission meeting as written.

All members voted aye Motion Carried

There was no public comment.

Manager of Finance and Administration, Mike Kawula gave an overview of the 2009 Capital and Operational Electric and Water Budgets. Total 2009 electric operating expenses are budgeted at $60,675,180. This is an increase of $7,286,180 (13.7%) from the 2008 budget. The reason for this increase is due largely to projected purchased power cost increases of $6,784,580 (15.6%). Because the forecasted power cost increases also proportionately increase sales revenue via the Power Costs Adjustment Clause (PCAC), the major impacts on net operating income are from non-power costs and the effects of the 2008 electric rate study. As compared to the 2008 budget, the budget for operation and maintenance expenses (excluding purchased power) has been increased by $501,600 (5.1%). This includes distribution expense increases of $173,300 including increased meter operation costs and substation maintenance costs, administrative expense increases of $100,200 including health insurance and other benefit cost increases, and increases in depreciation and tax expenses of $221,200. Based on the proposed 2009 budget, electric's rate of return is projected at approximately 6.5%. The PSC authorized rate of return for electric is 6.75%. Based on the estimate of cash available for capital expenditures, electric will not need to bond in order to complete the 2009 budgeted projects.

Total 2009 water operating expenses are budgeted at $2,456,100. This is an increase of $248,750 (11.3%) from the 2008 budget. The reason for this increase is due largely to pumping expense increases of $31,000, water treatment expense increases of $126,000 which includes sewer costs now being charged by the City and increases in depreciation and tax expenses of $75,800. Based on the proposed 2009 budget, water's rate of return is projected at approximately 7.2%. The PSC authorized rate of return for water is 6.5%. Based on the estimate of cash available for capital expenditures, water will not need to bond in 2009.

Staff will bring the 2009 Budget back at the November Commission meeting for final approval.

General Manager Jeff Feldt explained that new Federal Trade Commission (FTC) regulations require an Identity Theft Prevention Program (ITPP) be implemented by banks and other "creditors". The American Public Power Association (APPA) has determined these regulations apply to municipal utilities. A Program Administrator responsible for administering the ITPP, training and reviewing staff reports regarding the detection of Red Flags is one required element.

It was moved by John Moore, seconded by Gene Rosin to designate the Manager of Finance & Administration as the Kaukauna Utilities ITPP Program Administrator.

All members voted aye Motion Carried

It was moved by Tom McGinnis, seconded by Brian Paschen to approve the accounts receivable write offs.

Roll Call Vote:	Gene Rosin	aye
	Bill Vanderloop	aye
	John Moore	aye
	Lee Meyerhofer	aye
	Tom McGinnis	aye
	Brian Paschen	aye

Motion Carried

It was moved by Bill Vanderloop, seconded by Gene Rosin, that checks numbered 38812 through 39056 in the amount of $5,285,647.25 be approved for payment.

Roll Call Vote:	Brian Paschen	aye
	Bill Vanderloop	aye
	Gene Rosin	aye
	John Moore	aye
	Tom McGinnis	aye
	Lee Meyerhofer	aye

Motion Carried

The commission reviewed the monthly reports.

Jeff Feldt highlighted a few objectives in the 2008 Work Plan. The new Operations control room is complete and fully functional; the Generation Department completed the SPCC Plan implementation and moved the largest transformers into the containment area; the Distribution Department has had excellent reliability indices; the Water crew has completed 699 cross connection surveys to date which is 199 above the 2008 goal.

The bond refinancing approved by the Commission in September is on hold.

The John Street property closing took place and KU received proceeds in the amount of $1 million less closing costs. All remediation permits have been received. The remaining sale proceeds are being held in escrow until Shaw Environmental completes the remediation which should be wrapped up by the end of this year. With the sale of John Street, KU made a final payment to M.I. LLC in the amount of $402,500 for its share of environmental remediation costs per the Environmental Agreement. The John Street hydro project is underway with the turbines and generation equipment removed for refurbishment. Interior clean up will include sand blasting of existing brick work and painting.

Jeff Feldt commented on the construction of the main office facility. Things are moving along with a completion date set for December 1st.

FERC found a power canal sink hole which KU is monitoring every day. The sink hole has not increased in size since it was discovered.

Water Superintendent, Kevin Obiala advised the commission that additional tests were done on Well #5 after the DNR requested more information. With DNR approval, KU will pull the test pump and put in the new permanent pump.

Jeff Feldt called attention to the WPPI memo showing a typical bill comparison summary. Kaukauna Utilities continues to have residential electric rates significantly lower than neighboring utilities.

Jeff Feldt told commissioners contract negotiations will start this week with health insurance being the largest issue. KU has an opportunity to reduce health insurance costs by changing coverage and/or providers. The largest cost savings would be realized by leaving the WPPI Benefit Trust and joining The State of Wisconsin Public Employer's Group Health Plan.

It was moved by Bill Vanderloop, seconded by John Moore to adjourn.

All members voted aye Motion Carried

The meeting ended at 9:36 a.m.

Thomas J. McGinnis
Secretary

Minutes taken by Alice Rasmussen