



# Commission Regular Session

MAY 27<sup>TH</sup>, 2025



## Commission Meeting Agenda

### May 27<sup>th</sup>, 2025

Chair J. Hart	—	Commissioner J. Bayliss	—
Commissioner J. Stokes	—	Commissioner J. Babich	—
Commissioner J. Sandstede	—	Legal Counsel A. Borland	—
General Manager L. Peterson	—	Auditors Abdo., LLP	—
Customer Ser. & Finance J. Zallar	—	Manager of Power Supply P. Plombon	—
Electrical Operations S. Adams	—	Admin & Comm E. Dixon	—
	—	Local 94 President G. Pogachnik	—

- 1. CALL TO ORDER**
- 2. ADDS/DELETES**
- 3. APPROVAL OF MINUTES:** April 8<sup>th</sup> & April 22<sup>nd</sup>, 2025 Commission Meetings
- 4. CITIZENS' FORUM:** *Maximum amount of time per item: 5 minutes*
- 5. CONSENT AGENDA**
  - A. Approve invoices >\$10,000 & approve the bills & ACH transfers dated April 17<sup>th</sup> – May 21<sup>st</sup>, 2025
  - B. Approve the payroll paid & overtime report for the May 1<sup>st</sup> & May 15<sup>th</sup> pay dates
  - C. Approve Resolution 25-03: Resolution Authorizing the Issuance and Sale of a \$458,551 Taxable Utility Revenue Notes, Series 2025A - Luke
  - D. Approve Resolution 25-04: Resolution to Join the U.S. Highway 169 Range Gateway Coalition
  - E. Approve Exempt Employees Salaries Effective January 1
  - F. Approve Request for Contribution: Project Care Free Clinic annual fundraiser in the amount of \$500
  - G. Approve Request for Contribution: Hibbing Rotary Club in the amount of \$500
- 6. FINANCIALS & RISK MANAGEMENT**
  - A. Approve April 2025 Interim Financials
  - B. Approve 2025 Rate Adjustments & 2025 Budget
  - C. Accept HPU FY 2024 Audit Report
  - D. Approve purchase of Blowdown Transmitters and Sensors from Emerson LLP in the amount of \$ 64,268.57
  - E. Approve Barr Engineering to perform Boiler Blowdown design not to exceed \$55,000
  - F. Award Mine View Water Extensions to Bougalis Inc. in the amount of \$123,840
  - G. Award Dig Prep & Restoral CY 2025-2026 to Bougalis Inc.
  - H. Award PB 25-02: 2025 Vegetation Management to Zielies' Tree Services Inc. in the amount of \$192,791.81
- 7. POLICY & GOVERNANCE**
  - A. Appoint Warren Kampen to Electrical Maintenance & Instrumentation Crew Leader Position
  - B. Approve hiring of Nick Cimermancic for Electrical Maintenance & Instrumentation Technician – Journeyman Position
  - C. Declare Vacant and Approve Posting for Electrical Maintenance & Instrumentation Technician Position
- 8. NEW BUSINESS**
- 9. ADJOURNMENT**





## Item 3 – Approval of Minutes



Item 3 – Approval of Minutes : April 8<sup>th</sup> & April 22<sup>nd</sup>, 2025

May 27<sup>th</sup>, 2025

Jeff Hart  
Commission Chair  
1902 E. 6<sup>th</sup> Avenue  
Hibbing, MN 55746

RE: Item 3 – Approval of Minutes: April 8<sup>th</sup> & April 22<sup>nd</sup>, 2025

Dear Commissioners;

Please find attached for your approval draft minutes from the Commission Meetings of April 8<sup>th</sup> & April 22<sup>nd</sup>, 2025.

Sincerely;



Luke J. Peterson



# MINUTES OF THE PROCEEDINGS

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

Minutes of the regular meeting of the Public Utilities Commission, Hibbing, Minnesota, 1902 E. 6<sup>th</sup> Ave., Hibbing, MN 55746, held on April 8<sup>th</sup>, 2025. Meeting held at Hibbing City Hall, 401 E. 21<sup>st</sup> St., Hibbing MN. Chair Hart called the meeting to order at 5:03 p.m. In attendance were Chair Hart; Commissioner Bayliss; Commissioner Babich; Commissioner Stokes; Commissioner Sandstede; Legal Counsel, Andy Borland; General Manager, Luke Peterson; Utility Resources Manager, Stefanie Dickinson; Electrical Operations Director Samantha Adams; and Finance & Customer Service Supervisor, Jill Zallar; and HPU Interim Financial Controller, Tammy Mattonen. Also in attendance was HPU Employees Rich Kampsula, Paul Petrich, and Brian Berg; Crum Energy Law rep. Lisa Crum, Bolton & Menk rep. Josh Stier, and ABS Group rep. Frank Morphis

**Item 1.** Alternative Water Source Investigations

HPU General Manager pulled item from discussion as well drilling was not yet completed.

**Item 2.** Maximo Implementation & Review

Commission was provided update regarding the implementation of Maximo into HPU company workflows. Commission discussed next steps to improve Maximo utilization.

**Item 3.** Watermain distribution Project Update

Commission discussed background and scope of Change Order No. 2 to extend work on the 30" Watermain project to include section between Wegener Rd. & Town Line Rd. with Bolton & Menk Project Engineer Josh Stier. Commission discussed additional work needing to be done in area. Commission decided to proceed with Change Order No. 2 as presented.

Motion by Commissioner Sandstede, Supported by Commissioner Stokes, to approve Change Order No. 2 in the amount of \$2,001,118.89

Motion carried unanimously.

**Item 4.** Electrical Project Permitting Process

The Commission received a presentation from Lisa Crum of Crum Energy Law regarding the Electrical Project Permitting Process.

**Item 5.** Additional Topics

Commission were provided updates and briefly discussed several topics including; Updates on the Industrial Development Authority, Feedback from MMUA conversation, Commissioners on Committees, and the need for a second working session during April to review HPU's CY 2024 Audit Report.

# MINUTES OF THE PROCEEDINGS

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

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## Adjournment

Motion by Commissioner Stokes, supported by Commissioner Bayliss, to adjourn the meeting at 7:06 p.m.

Motion carried unanimously

Attest:

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Jeff Hart, Chair

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Jesse Babich, Commission Secretary

Meeting materials are available at  
The next meeting is a regular meeting scheduled for Tuesday, April 22<sup>nd</sup>, 2025  
at 5:00 p.m. at the Hibbing City Hall, 401 E. 21<sup>st</sup> St., Hibbing MN 55746.

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# MINUTES OF THE PROCEEDINGS

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

Minutes of the regular meeting of the Public Utilities Commission, Hibbing, Minnesota, 1902 E. 6<sup>th</sup> Ave., Hibbing, MN 55746, held on April 22<sup>nd</sup>, 2025. Meeting held at Hibbing City Hall, 401 E. 21<sup>st</sup> St., Hibbing MN. Chair Hart called the meeting to order at 5:01 p.m. In attendance were Chair Hart, Commissioner Babich, Commissioner Stokes, Commissioner Sandstede, Legal Counsel, Andy Borland; General Manager Luke Peterson, Utility Resources Manager Stefanie Dickinson, Electrical Operations Supervisor Samantha Adams, Human Resources Coordinator Krista Raatsi, Safety Coordinator Travis Marsh, Customer Communications & Programs Manager Eliot Dixon. Also in attendance were, Bolton & Menk Rep. Josh Stier, Baker Tilly Rep. Bethany Ryers, HPAT Reps. Ron Wirkula and Caleb Hill; HPU Employees Rich Kampsula. Warren Kampen, and George Pogachnik; and Community Members Mark Reger & Doug Hoff. Absent was Commissioner Bayliss

### **Item 2. ADDS/DELETES**

### **Item 3. APPROVAL OF MINUTES**

Motion by Commissioner Stokes, supported by Commissioner Sandstede, to approve the regular meeting minutes of February 25<sup>th</sup> & March 20<sup>th</sup>, 2025.

Motion carried unanimously.

### **Item 4. CITIZENS FORUM –**

### **Item 5. CONSENT AGENDA**

- Item 5.A.** Approving invoices >\$1,000 & approve the bills & ACH transfers >\$10,000 dated March 13<sup>th</sup> – April 16<sup>th</sup>, 2025
- Item 5.B.** Approve the payroll paid & overtime report for the March 20<sup>th</sup>, April 3<sup>rd</sup>, & April 17<sup>th</sup>, 2025 pay dates.
- Item 5.C.** Approve 2025 Q2 Travel Requests
- Item 5.D.** Approve Management Performance Adjustments
- Item 5.E.** Authorize Submittal of the Annual Power Plan per the terms of the Boswell Purchase and Market Energy Services Agreement with Minnesota Power

Commissioner Stokes requested item 5.D. be pulled for further discussion.

Motion by Commissioner Stokes, supported by Chair Hart, to approve Consent Agenda items 5.A., 5.B., 5.C., & 5.E. as presented.

Motion carried unanimously.

# MINUTES OF THE PROCEEDINGS

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

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### Item 5.D. – Approve Management Performance Adjustments

Commission discussed status of HPU Class & Compensation Study being performed by Abdo. HPU General Manager Luke Peterson stated that the Study was close to being finalized. Commission discussed waiting on adjustments until Class & Comp Study was finalized and presented to the Commission. Commissioner Sandstede requested an update on the delivery of the Study from Abdo from Staff.

Motion by Commissioner Stokes, supported by Chair Hart, to table item 5.D. until the next action meeting.

Motion carried unanimously.

### Item 6. FINANCIALS & RISK MANAGEMENT

#### Item 6.A. Approve March 2025 Interim Financials

Motion by Commissioner Babich, supported by Commissioner Stokes, to approve the March 2025 Interim Financials as presented.

Motion carried unanimously.

#### Item 6.B. Approve Purchase of HREC Coal supply from DTE Energy in the amount of \$41,885

Motion by Chair Hart, supported by Commissioner Stokes, to approve purchase of HREC coal supply from DTE Energy in the amount of \$41,885

Motion carried unanimously.

#### Item 6.C. Approve Purchase of Stainless-Steel Condensate Piping for 23<sup>rd</sup> St. from domestic supplier in the amount of \$40,990

Motion by Commissioner Stokes, supported by Commissioner Babish, to approve the purchase of the condensate piping from the domestic supplier in the amount of \$40,990.

Motion carried unanimously.

#### Item 6.D. HREC Capital Improvements – Budgeted Expenses

##### Item 6.D.i - Approve Novaspect Common Cabinet Commissioning in the amount of \$30,993.91

Motion by Chair Hart, supported by Commissioner Babich, to Approve Novaspect Common Cabinet Commissioning in the amount of \$30,993.91.

Motion carried unanimously.

# MINUTES OF THE PROCEEDINGS

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

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Item 6.D.ii - Approve Purchase of Three (3) NPA EX 657 Automatic Valves from Novaspect in the amount of \$37,743.26

Motion by Commissioner Stokes, supported by Commissioner Babich, to approve purchase of three (3) NPU EX 657 Automatic Valves from Novaspect in the amount of \$37,743.26.

Motion carried unanimously.

Item 6.D.iii - Approve Purchase of Two (2) Fisher 1' EZ 667 Automatic Valves from Novaspect in the amount of \$18,032.08

Motion by Chair Hart, supported by Commissioner Stokes, to approve purchase of two (2) Fisher 1' EZ 667 Automatic Valves from Novaspect in the amount of \$18,032.08.

Motion carried unanimously.

Item 6.E. Award Watermain Capital Improvement Project – 17<sup>th</sup> St. E., 12<sup>th</sup> Ave., 5<sup>th</sup> Ave., & 6<sup>th</sup> Ave. to Bougalis Inc in the amount of \$3,038,585

Motion by Commissioner Stokes, Supported by Commissioner Sandstede, to award 17<sup>th</sup> St. E., 12<sup>th</sup> Ave., 5<sup>th</sup> Ave. , & 6<sup>th</sup> Ave. Watermain Project to Bougalis Inc. in the amount of \$3,038,585

Motion carried unanimously.

Item 6.F. Authorize RFP 25-10: Distribution Goundline Inspection

Commission discussed the inspection process and historical implementation of the pole replacement following a similar inspection in 2015.

Motion by Commissioner Babich, supported by Commissioner Sandstede to authorize RFP 25-10: Distribution Groundline Inspection.

Motion carried unanimously.

Item 6.G.- Approve Bolton & Menk Construction Services for the 2025 Construction Season

Commission discussed scope of 2025 water projects and Bolton & Menk's pricing.

Motion by Commissioner Stokes, supported by Commissioner Babich to approve Bolton & Menk Construction Services for 2025 Construction Season.

Motion carried 3-1  
"No" - Sandstede

# MINUTES OF THE PROCEEDINGS

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

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### Item 7. POLICY & GOVERNANCE-

#### Item 7.A. Adopt Policy manual for Federal Grant Compliance

Motion by Commissioner Sandstede, supported by Commissioner Babich, to adopt policy manual for Federal Grant Compliance.

Motion carried unanimously.

#### Item 7.B. Accept Notice of Retirement: Terry Garrity

Commission acknowledged and thanked Mr. Garrity for his 40+ years of service to the utility and the community of Hibbing.

Motion by Commissioner Stokes, Supported by Chair Hart, to accept Terry Garrity's notice of retirement.

Motion carried unanimously.

#### Item 7.C. Declare a Vacancy, Approve job description and internal posting for an Electrical Maintenance and Instrumentation Crew Leader

Motion by Commissioner Stokes, supported by Commissioner Sandstede, to declare vacancy, approve job description, and internal posting for an Electrical Maintenance and Instrumentation Crew Leader.

Motion carried unanimously.

#### Item 7.D. Approve Updated Job Description and External Posting for Accounting Analyst

Commission discussed location of position advertisement and contacting applicants from the previous round of advertising.

Motion by Commissioner Babich, supported by Commissioner Stokes, to approve updated job description and external posting for Accounting Analyst.

Motion carried unanimously.

#### Item 7.E. Approve Hiring of Electrical Maintenance & Instrumentation Technician

Motion by Commissioner Stokes, supported by Commissioner Sandstede, to approve hiring of Doug Hoff as an Electrical Maintenance & Instrumentation Technician.

Motion carried unanimously.

# MINUTES OF THE PROCEEDINGS

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

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### **Item 7.F.** Approve Hiring of 2025 Summer Student Recommendations

HPU General Manager Luke Peterson stated that HPU is still accepting student applications and would be willing to hire additional students based upon need throughout the summer.

Motion by Commissioner Sandstede, supported by Commissioner Stokes to approve hiring of Summer Student recommendations.

Motion carried unanimously.

### **Item 8. OLD BUSINESS**—

#### **Item 8.A.** Approve Advertising Externally for Electrical Maintenance & Instrumentation Technician from March 20<sup>th</sup>, 2025 Meeting

Motion by Commissioner Stokes, supported by Commissioner Babich to approve advertising externally for an Electrical Maintenance & Instrumentation Technician.

Motion carried unanimously.

### **Item 9. NEW BUSINESS** –

#### **Item 9.A.** Committees

Commission discussed establishing of new Utility Committees and process to have Commissioners added to Utility Committees.

Motion by Commissioner Stokes, supported by Commissioner Babich to form HPU Personnel Committee consisting of 2 Commissioners and 2 Management Members.

Motion carried unanimously.

Motion by Commissioner Sandstede, supported by Commissioner Stokes to direct HPU Commission Chair to appoint Commissioners to all Utility Committees.

Motion carried unanimously.

Motion by Commissioner Stokes, supported by Commissioner Babich, to permit the appointment of two commissioners to all Utility Committees.

Motion carried unanimously.

### **Item 10. ADJOURNMENT**

Motion by Commissioner Stokes, supported by Commissioner Babich, to adjourn the meeting at 6:14 p.m.

Motion carried unanimously

# **MINUTES OF THE PROCEEDINGS**

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

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Attest:

\_\_\_\_\_  
Jeff Hart, Chair

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Jesse Babich, Commission Secretary

**Meeting materials are available at**  
**The next meeting is a working meeting scheduled for Tuesday, May 14<sup>th</sup>, 2025**  
**at 5:00 p.m. at the Hibbing City Hall, 401 E. 21<sup>st</sup> St., Hibbing MN 55746.**

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Item 5.A – Approve Invoices > \$10,000 & approve the bills & ACH transfers



Item 5.A – Approve Invoices > \$10,000 & approve the bills & ACH transfers

May 27<sup>th</sup>, 2025

Jeff Hart  
Commission Chair  
1902 E. 6<sup>th</sup> Avenue  
Hibbing, MN 55746

RE: Item 5.A – Approve Invoices > \$10,000 & approve the bills & ACH transfers dated April 17<sup>th</sup> – May 21<sup>st</sup>, 2025

Dear Commissioners;

Per HPU's Authorization and approval Matrix approved at the April 26<sup>th</sup>, 2022 Commission Meeting, please find attached a register of invoices, bills, and payments since the last Regular Meeting held by the Commission on April 22<sup>nd</sup>, 2025.

Sincerely;



Luke J. Peterson



Report Criteria:

Detail report type printed  
 [Report].Invoice Amount = {>}10000  
 Check.Voided = No

Vendor Number	Name	Invoice Number	Description	Seq	Invoice Date	Invoice Amount	Check Amount	Check Number	Check Issue Date
25402	BAKER TILLY VIRCHOW	BT3122539	March 2025 Financial Services; YE, Journal Entries & Lease Schedules	1	03/31/2025	28,147.75	28,147.75	61452	04/21/2025
		BT3122539	Inventory, Asset retirements, Budget Formats, Attend Commission Meeting	2	03/31/2025	26,910.00	26,910.00	61452	04/21/2025
Total BAKER TILLY VIRCHOW KRAUSE, LLP:						55,057.75	55,057.75		
2014	BARR ENGINEERING CO	23692705.03	TG-5 SRV AS-Builts	1	04/04/2025	16,450.00	16,450.00	61453	04/21/2025
Total BARR ENGINEERING CO:						16,450.00	16,450.00		
25653	BCBS RETIREE	2504013971	RETIREE ACTIVE COVERAGE 05/01/25-05/31/25	1	04/09/2025	10,653.00	10,653.00	42120253	04/21/2025
Total BCBS RETIREE:						10,653.00	10,653.00		
25641	BOLTON & MENK, INC	0359653	2025 Wartermain Improvements - 30" Water Main	1	04/02/2025	42,610.00	42,610.00	61455	04/21/2025
		0359654	2025 Wartermain Improvements - 17TH, 5TH, & 6TH	1	04/02/2025	77,400.00	77,400.00	61455	04/21/2025
		0359657	Steam System Prof Svcs from2/15-3/14/2025	1	04/02/2025	21,949.00	21,949.00	61455	04/21/2025
Total BOLTON & MENK, INC:						141,959.00	141,959.00		
5141	BOUGALIS INC	7108.2	41ST ST "Mosquito Squad" Project	1	04/28/2025	16,200.00	16,200.00	61539	05/01/2025
Total BOUGALIS INC:						16,200.00	16,200.00		
24656	CEMSOURCE	4537	RATA Retesting Boilers 1 & 3	1	04/10/2025	19,127.50	19,127.50	61458	04/21/2025
Total CEMSOURCE:						19,127.50	19,127.50		
23236	DVS RENEWAL	04242024	TABS 2026 KENWORTH	1	04/24/2024	10,403.99	10,403.99	61535	04/24/2025
Total DVS RENEWAL:						10,403.99	10,403.99		
25942	Geislinger & Sons, Inc.	PAY APP #1	2025 Capital Watermain Improvement-Sliplining (41st ST to Wegner)-SVC 1/13-2/27/25	1	02/27/2025	57,475.00	57,475.00	61590	05/01/2025
		PAY APP #2	2025 Capital Watermain Improvement-Sliplining (41st ST to Wegner)-SVC 1/13-2/27/25	1	02/27/2025	712,469.42	712,469.42	61615	05/07/2025

Vendor Number	Name	Invoice Number	Description	Seq	Invoice Date	Invoice Amount	Check Amount	Check Number	Check Issue Date
Total Geislinger & Sons, Inc.:						769,944.42	769,944.42		
155	HECIMOVICH MECHANIC	4472	Turbine 3	1	03/27/2025	21,664.82	21,664.82	61477	04/21/2025
		4475	Plant Maintenance--Boilers and Turbine 3	1	04/03/2025	21,952.52	21,952.52	61477	04/21/2025
		4485	Distribution (Steam)--7th Ave, 2nd E 25th, 2nd W 26th, Sammys	1	04/15/2025	14,468.76	14,468.76	61477	04/21/2025
Total HECIMOVICH MECHANICAL CONTRACTING INC:						58,086.10	58,086.10		
23045	HIBBING ACH, CITY OF	238-MAR25-	March Sewer billing	1	04/16/2025	317,146.82	317,146.82	50120252	05/01/2025
		238-MAR25-	March Storm water billing	2	04/16/2025	25,670.25	25,670.25	50120252	05/01/2025
		238-MAR25-	March garbage billing	1	04/16/2025	253,535.45	253,535.45	50120252	05/01/2025
Total HIBBING ACH, CITY OF:						596,352.52	596,352.52		
25760	IRON RANGE ENGINEERI	93	Engineering Services 2025--Substation	2	04/08/2025	30,203.51	30,203.51	61480	04/21/2025
Total IRON RANGE ENGINEERING AND CONSULTING:						30,203.51	30,203.51		
25127	KINECT ENERGY INC AC	392626	Purchased Gas for April 2025	1	05/05/2025	487,242.72	487,242.72	52020251	05/20/2025
Total KINECT ENERGY INC ACH DO NOT MAIL:						487,242.72	487,242.72		
25948	MIDCONTINENT INDEPE	HPUC2025.	Membership application 2025	1	04/29/2025	15,000.00	15,000.00	42920251	04/29/2025
Total MIDCONTINENT INDEPENDENT SYSTEM:						15,000.00	15,000.00		
20364	MINNESOTA POWER ACH	0763465287	Monthly Power Invoice for March 2025	1	04/15/2025	472,050.42	472,050.42	43020251	04/30/2025
Total MINNESOTA POWER ACH DO NOT MAIL:						472,050.42	472,050.42		
25272	MN PEIP	1511034	ACTIVE EMPLOYEE HEALTH COVERAGE 05/01/25-05/31/25	1	04/25/2025	172,531.32	172,531.32	42120254	04/21/2025
		1517964	ACTIVE EMPLOYEE HEALTH COVERAGE 06/1/25-06/30/25	1	05/10/2025	172,531.32	172,531.32	52020253	05/20/2025
Total MN PEIP:						345,062.64	345,062.64		
23039	MN REVENUE SALES TA	04212025	MONTHLY SALES TAX MAR 2025	1	04/21/2025	133,971.00	133,971.00	42120251	04/21/2025
		05202025	MONTHLY SALES TAX APR 2025	1	05/20/2025	120,446.00	120,446.00	52020252	05/20/2025

Vendor Number	Name	Invoice Number	Description	Seq	Invoice Date	Invoice Amount	Check Amount	Check Number	Check Issue Date
Total MN REVENUE SALES TAX:						254,417.00	254,417.00		
24442	MPCA	1000020289	Air Annual Fee for 2023 submitted data	1	04/10/2025	21,596.07	21,596.07	61568	05/01/2025
Total MPCA:						21,596.07	21,596.07		
21451	OHMAN INDUSTRIES INC	1250	TG 3 Rotor Repair	1	03/14/2025	129,948.04	129,948.04	61497	04/21/2025
Total OHMAN INDUSTRIES INC:						129,948.04	129,948.04		
1252	RESCO	3070188	CROSSARM, SOLID,UNDRILLED 4x8x18, plus Delivery-DELIVER TO 1800 1st AVENUE HIBBING, 55746.	1	04/23/2025	15,670.44	15,670.44	61578	05/01/2025
Total RESCO:						15,670.44	15,670.44		
25784	RICE LAKE CONTRACTIN	PAY APP #10	South Water Treatment Plant Rehab Project	1	01/31/2025	584,385.57	584,385.57	61619	05/14/2025
		PAY APP #11	South Water Treatment Plant Rehab Project	1	03/04/2025	370,117.77	370,117.77	61619	05/14/2025
Total RICE LAKE CONTRACTING CORP:						954,503.34	954,503.34		
25697	SAVANNA PALLETS	INV160640	2025 Wood Supply--Shipped 4/5	1	04/08/2025	77,277.44	77,277.44	61506	04/21/2025
		INV160833	2025 Wood Supply--Shipped 4/15	1	04/15/2025	68,397.31	68,397.31	61506	04/21/2025
		INV161084	2025 Wood Supply--Shipped 4/19	1	04/22/2025	60,804.36	60,804.36	61580	05/01/2025
		INV161312	2025 Wood Supply	1	04/29/2025	38,835.72	38,835.72	61580	05/01/2025
Total SAVANNA PALLETS:						245,314.83	245,314.83		
25836	TAMMY MATTONEN CON	JANUARY.20	Accounting Consulting SVCS JAN 2025	1	02/10/2025	13,430.00	13,430.00	61591	05/01/2025
Total TAMMY MATTONEN CONSULTING LLC:						13,430.00	13,430.00		
20292	US BANK OPERATIONS C	LOAN PMT #	Principal Payment--Loan Payment #235	2	04/18/2025	75,000.00	75,000.00	61585	05/01/2025
Total US BANK OPERATIONS CTR:						75,000.00	75,000.00		
24198	VC3 (CW TECHNOLOGY	INV3561244	Novaspect Server & VPN	1	04/25/2025	10,404.00	10,404.00	61586	05/01/2025
Total VC3 (CW TECHNOLOGY:						10,404.00	10,404.00		
21182	VIKING AUTOMATIC SPRI	1025-F41273	Fire Suppression Deluge Valves and Installation	1	04/08/2025	15,125.00	15,125.00	61521	04/21/2025

Vendor Number	Name	Invoice Number	Description	Seq	Invoice Date	Invoice Amount	Check Amount	Check Number	Check Issue Date
Total VIKING AUTOMATIC SPRINKLER:						15,125.00	15,125.00		
25856	VIRGINIA TRANSFORME	84301	10 MVA Transformer -with 5 percent retainer	1	02/08/2025	222,340.00	222,340.00	61422001	04/04/2025
		84425	10 MVA Transformer - Freight - M234701A Rev 1 - FOB Destination (Hibbing, MN 55746) - 1st Ave Substation	1	02/13/2025	17,299.27	17,299.27	61422001	04/04/2025
		84459	10 MVA Transformer - M234701A Rev 1 - 1st Ave Substation	1	02/13/2025	245,880.00	245,880.00	61286001	03/27/2025
		84987	10 MVA Transformer - Assembly and Testing - M234701A Rev 1 - 1st Ave Substation	1	03/07/2025	43,000.00	43,000.00	61286001	03/27/2025
Total VIRGINIA TRANSFORMER CORP:						528,519.27	528,519.27		
1539	WESCO RECEIVABLES C	183187	elbows and jacket seal kits for substation project at Ansley	1	04/15/2025	21,447.44	21,447.44	61522	04/21/2025
		239165	SUBSTATION FUSE MOUNTS	1	04/10/2025	12,210.00	12,210.00	61522	04/21/2025
Total WESCO RECEIVABLES CORP:						33,657.44	33,657.44		
1573	ZIEGLER INC	SI000627988	Replace hydraulic hoses/lines, engine cooling system, battery, A/C System, Travel	1	04/11/2025	16,138.01	16,138.01	61524	04/21/2025
Total ZIEGLER INC:						16,138.01	16,138.01		
Grand Totals:						5,357,517.01	5,357,517.		

Report Criteria:

Detail report type printed  
 [Report].Invoice Amount = {>}10000  
 Check.Voided = No



## Item 3 – Approval of Minutes



Item 3 – Approval of Minutes : April 8<sup>th</sup> & April 22<sup>nd</sup>, 2025

May 27<sup>th</sup>, 2025

Jeff Hart  
Commission Chair  
1902 E. 6<sup>th</sup> Avenue  
Hibbing, MN 55746

RE: Item 3 – Approval of Minutes: April 8<sup>th</sup> & April 22<sup>nd</sup>, 2025

Dear Commissioners;

Please find attached for your approval draft minutes from the Commission Meetings of April 8<sup>th</sup> & April 22<sup>nd</sup>, 2025.

Sincerely;



Luke J. Peterson



Report Criteria:  
Employee Transaction.Check Issue Date = 05/01/2025  
Pay Code.Pay Code = 1-19, 25

Payroll Type	Amount
Total REGULAR WAGES:	166,867.12
Total REGULAR WAGES - FOREMAN:	2,021.60
Total REGULAR WAGES - LEAD:	413.52
Total OVERTIME WAGES:	9,323.83
Total OVERTIME WAGES - FOREMAN:	503.59
Total SUNDAY PREMIUM:	1,355.70
Total VACATION PAY:	11,506.67
Total SICK LEAVE - REGULAR:	4,688.60
Total COMP TIME EARNED:	.00
Total COMP TIME USED:	1,161.84
Total PERSONAL HOLIDAY:	3,379.26
Total HOLIDAY PAY:	20,624.30
Total SHIFT DIFFERENTIAL .75/HR:	441.38
Total HOLIDAY WORKED:	5,437.22
Total LONGEVITY:	3,382.64
Total STANDBY:	8,035.43
Total CERTIFICATE/LICENSE:	804.23
<b>Grand Totals:</b>	<b>239,946.93</b>

Report Criteria:

Employee Transaction.Check Issue Date = 05/15/2025

Pay Code.Pay Code = 1-19, 25

Payroll Type	Amount
Total REGULAR WAGES:	182,089.46
Total REGULAR WAGES - FOREMAN:	2,214.60
Total REGULAR WAGES - LEAD:	659.66
Total OVERTIME WAGES:	10,799.22
Total OVERTIME WAGES - FOREMAN:	1,598.02
Total OVERTIME WAGES - LEAD:	121.42
Total SUNDAY PREMIUM:	1,455.75
Total VACATION PAY:	14,535.51
Total SICK LEAVE - REGULAR:	8,086.80
Total UNEXCUSED SICK LEAVE:	.00
Total COMP FROM STADBY:	.00
Total COMP TIME EARNED:	.00
Total PERSONAL HOLIDAY:	3,016.32
Total SHIFT DIFFERENTIAL .75/HR:	436.50
Total LONGEVITY:	3,428.35
Total STANDBY:	6,898.03
Total LEAVE PAYOUT (NO RETIREMENT):	32,402.82
Total CERTIFICATE/LICENSE:	804.23
<b>Grand Totals:</b>	<b>268,546.69</b>



Item 5.C



Item 5.C – Approve Resolution 25-03: Resolution Authorizing the Issuance and Sale of a \$458,551 Taxable Utility Revenue Notes, Series 2025A

May 27<sup>th</sup>, 2025

Jeff Hart  
Commission Chair  
1902 E. 6<sup>th</sup> Avenue  
Hibbing, MN 55746

RE: Item 5.C – Approve Resolution 25-03: Resolution Authorizing the Issuance and Sale of a \$458,551 Taxable Utility Revenue Notes, Series 2025A

Dear Commissioners;

Resolution 25-03 will authorize HPU to issue the sale of \$458,551 of Taxable Utility Revenue Notes to support the financing of HPU's 2024 Lead Service Line Projects completed last year.

Sincerely;



Luke J. Peterson



**PUBLIC UTILITY COMMISSION  
RESOLUTION NO. 25-03**

**RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF A \$458,551  
TAXABLE UTILITY REVENUE NOTE, SERIES 2025A**

BE IT RESOLVED, by the City of Hibbing Public Utilities Commission, Minnesota, as follows:

Section 1. Definitions. Capitalized terms used in this Resolution but not defined or required to be capitalized by the rules of grammar have the following meanings:

*Acts*: together, together, the City Utility Act, the Municipal Debt Act and the Enabling Act.

*Authorized Managers*: the General Manager and the Director of Finance of the Issuer.

*Authorized Officers*: the Chairperson, Vice Chairperson and/or Secretary of the Issuer and any person acting on their behalf pursuant to Section 3.05B of this Resolution.

*Authorized Officials*: together, the Authorized Officers and the Authorized Managers.

*Bond Counsel*: Fryberger, Buchanan, Smith & Frederick, P.A., bond counsel to the Issuer.

*City*: the City of Hibbing, Minnesota.

*City Utility Act*: Minnesota Statutes, Sections 412.321 through 412.391, as amended.

*Closing Date*: the date of delivery of the Note to the Lender.

*Code*: the Internal Revenue Code of 1986, as amended.

*Commissioners*: the members of the Issuer.

*Compliance Policy*: the Pre- and Post-Issuance Compliance Policy and Procedures by the Issuer.

*Council*: the governing body of the City.

*Debt Service*: collectively, principal and interest and any service charge or premium, if any due on obligations payable from the Net Revenues.

*Debt Service Account*: the Public Utilities Revenue Debt Service Account in the Fund created in Sections 5.01 and 5.02 hereof.

*Enabling Act*: Laws of Minnesota 1949, Chapter 422, as amended by Laws of Minnesota 1951, Chapter 680, and Laws of Minnesota 1971, Chapter 381, as such laws may be further amended.

*Fiscal Year:* the fiscal year applicable to the operations of the Issuer, as the same may be modified from time to time, currently December 31.

*Fund:* the Water and Light Fund created in Section 3, subdivision 2 of the Enabling Act and further described in Section 5.01 hereof.

*GAAP:* generally accepted accounting principles, consistently applied.

*Gross Revenues:* all operating and nonoperating revenues of the Public Utilities, including but not limited to receipts from rates, fees, charges and rentals established by the Issuer for the availability, benefit and use of the Public Utilities, including any availability and benefit to the Issuer and the City, and from any penalties and interest thereon and from any sales of property constituting a part of the Public Utilities and from the investment and reinvestment of all of the foregoing (other than contributions restricted in writing by the donor as to use so as not to be available for operating expenses or payment of Debt Service), all determined in accordance with GAAP.

*Issuer:* the City of Hibbing Public Utilities Commission, Minnesota.

*Lender:* the Minnesota Public Facilities Authority.

*Loan Agreement:* the Loan Agreement between the Issuer and the Lender.

*LSLR Grant:* means the grant pursuant to the Project Order from the Lender to the Issuer in the amount of the Note, which will be used to pay the principal of the Note.

*Master Agreement:* Minnesota Public Facilities Authority Master Loan (Bond Purchase) and/or Grant Agreement between the Lender, the Issuer and the City in substantially the form attached hereto as **Exhibit B**.

*Municipal Debt Act:* Minnesota Statutes, Chapter 475, as amended, including Sections 475.61, Subdivision 5.

*Net Revenues:* for any month, revenues in excess of the current, reasonable and necessary costs of operation and maintenance of the Public Utilities, specifically, Gross Revenues less: (i) the amount estimated to be necessary for payment of claims to be due and payable from the Fund during such month; (ii) accruals for recurring expenses, such as insurance premiums, which are payable less frequently than monthly; and (iii) an operating reserve in an amount not exceeding one-twelfth of the total operating expenses (exclusive of interest and depreciation) of the Public Utilities for the last Fiscal Year, all determined in accordance with GAAP.

*Note:* the Taxable Grant Anticipation Revenue Note, Series 2025, as described in Section 3.

*Operating Account:* the Public Utilities Operating Account in the Fund created in Sections 5.01 and 5.06 hereof.

*Payment Date:* each day on which a payment of principal of or interest on the Note is due and payable.

*Project:* upgrades to the water system portion of the Public Utilities, including the replacement of lead service lines for the water utility, as described in the Project Order.

*Project Account:* the 2025 Public Utilities Project Account in the Fund created in Sections 5.01 and 5.03 hereof.

*Project Costs:* has the meaning given in the Loan Agreement.

*Project Order:* means the Project Order ID Hibbing-PUC LSLR 01 (MDH Project ID 1690022-13) between the Lender, the Issuer and the City in substantially the form attached hereto as **Exhibit C**.

*Public Utilities:* the City's water, gas, steam heat and electric systems.

*Replacement Reserve Account:* the Reserve for Replacement Fund required by Section 4 of the Enabling Act and described in Sections 5.01 and 5.05 hereof.

*State:* the State of Minnesota.

*Surplus Account:* the Public Utilities Surplus Account in the Fund created in Sections 5.01 and 5.07 hereof.

## Section 2. Recitals; Note Purpose; Approval of the Project.

### 2.01 Authority; Findings; Promise.

A. The City Utility Act authorizes the City to own and operate the Public Utilities as revenue-producing facilities and public utilities and to establish the Issuer to exercise full and exclusive control of the Public Utilities with the powers granted in the Acts.

B. The Enabling Act authorizes the Issuer to issue revenue obligations payable from the Net Revenues to pay for expansions, extensions, additions, changes, modifications and improvements of any or all of the Public Utilities.

C. The Issuer intends to issue the Note as a taxable revenue anticipation note in order to finance the Project and pay costs associated with the financing.

D. The principal of the Note shall be paid primarily from the LSLR Grant, Net Revenues, or long-term definitive obligations which the Issuer shall offer for sale in advance of the maturity of the Note if not paid from the LSLR Grant or Net Revenues.

E. Pursuant to the Project Order, the Lender will award a grant to the Issuer in the amount of the Note, which will be used to pay the principal of the Note.

F. The Issuer finds that it has established and promises to maintain, rates and charges for services and products of the Public Utilities which will provide Net Revenues sufficient to meet current principal and interest payments on the Note and all other obligations payable from the Net Revenues, together with the LSLR Grant.

### 2.02 The Project. The Project is approved.

2.03 Ratification. The actions of the Commissioners, the General Manager and the Director of Finance previously taken with respect to the Note, the Master Agreement, the Project Order, and the Project are ratified.

Section 3. Authorization and Sale of the Note; Master Agreement; Findings.

3.01 Note Purpose. Under the Enabling Act, the Issuer is authorized to issue its revenue note to provide funds for the payment of costs of improvements to the Public Utilities. The Issuer has applied for and received a commitment from the Lender for a grant and loan for the Project.

3.02 Designation of Note and Master Agreement/Project Order. The Issuer authorizes the issuance and sale of a taxable grant anticipation note to be designated the "Taxable Grant Anticipation Note, Series 2025A" in the principal amount of \$458,551 (the "Note") for the Project to the Lender, in substantially the form attached hereto as **Exhibit A**, pursuant to the Master Agreement and Project Order which are authorized and approved.

3.03 Limited Obligation. The Note and the interest accruing thereon are payable solely from the LSLR Grant, the Net Revenues, or long-term definitive obligations which the Issuer shall offer for sale in advance of maturity of the Note if not paid from LSLR Grant or Net Revenues, and the Note does not give rise to a charge against the general credit or taxing powers of the City or Issuer and neither the full faith and credit nor the taxing powers of the City are pledged for the payment of the Note or interest thereon.

3.04 Sale. All acts, conditions and things which are required by the Constitution, the Acts and laws of the State to be done, to exist, to happen and to be performed precedent to and in the valid issuance of the Note have been done, do exist, have happened and have been performed, in due form, time and manner as required by law.

3.05 Proceedings; Absent or Disabled Officers.

A *Proceedings*. The Authorized Officials are authorized and directed to prepare and furnish to the Lender and to Bond Counsel, certified copies of all proceedings and records of the Issuer relating to the legality and marketability of the Note, as such facts appear from the official books and records in the officers' custody or are otherwise known to them. All such certified copies, certificates, and affidavits, including any heretofore furnished, constitute representations of the Issuer as to the correctness of the facts recited therein and the action stated therein to have been taken.

B. *Absent or Disabled Officers*. In the event of the absence or disability of one or both of the Authorized Officers, such officers of the Issuer as, in the opinion of the Issuer's attorney, may act in their behalf, shall without further act or authorization, execute and deliver the Note, the Master Agreement, and Project Order and do all things and execute all instruments and documents required to be done or executed by such absent or disabled officers.

Section 4. Terms of the Note.

4.01 The Note to be issued hereunder shall be dated as of the date of delivery to Lender, shall be issued in the principal amount of \$458,551, in fully registered form and lettered and numbered R-1. The Note shall not bear interest. The Note is payable as to principal only on the Maturity Date, as set forth on **Exhibit A** to the Note. If the principal only payments are paid by check and mailed to the registered holder of the Note, such payment shall be mailed by the Issuer at least five business days prior to the payment date.

4.02 The Note shall be prepared for execution in accordance with the approved form and shall be signed by the manual signature of the Chair and attested by the manual signature of the Issuer Secretary. In case any officer whose signature shall appear on the Note shall cease to be an officer before delivery of the Note, such signature shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery. The Master Agreement and the Project Order shall be prepared for execution in accordance with the approved form and shall be signed by the manual or electronic signature of the Chair and attested by the manual or electronic signature of the Issuer Secretary or General Manager. All actions of the officers of the Issuer and the Authorized Managers regarding the Master Agreement and Project Order are ratified, confirmed and approved as of the date of the Master Agreement or Project Order.

4.03. The Issuer will cause to be kept at its offices a register in which, subject to such reasonable regulations as the Issuer may prescribe, the Issuer shall provide for the registration of transfers of ownership of the Note. The Note shall be initially registered in the name of the Lender and shall be transferable upon the register by the Lender in person or by its agent duly authorized in writing, upon surrender of the Note, together with a written instrument of transfer satisfactory to the Issuer Secretary, duly executed by the Lender or its duly authorized agent.

4.04. Delivery of the Note shall be made at a place mutually satisfactory to the Issuer and the Lender. The Note shall be furnished by the Issuer without cost to the Lender. The Note, when prepared in accordance with this Resolution and executed, shall be delivered to the Lender by and under the direction of the Issuer Secretary. Disbursement of the proceeds of the Note shall be made pursuant to the Master Agreement and Project Order.

4.05. In the event of an inconsistency between a provision of this Resolution and a provision of the Master Agreement, the provision of the Master Agreement shall govern.

Section 5. Covenants, Accounts and Representations.

5.01 Water and Light Fund.

A. *Fund Established.* The Issuer covenants with the holder of the Note that, until the Note is fully paid or discharged as provided in this Resolution, it will maintain in the official books and records of the Issuer the separate and special Water and Light Fund required by the Enabling Act (the "Fund"), into which it will pay as received all Gross Revenues; and will maintain separate and accurate bookkeeping accounts in the Fund to record all receipts and disbursements for the acquisition, betterment, operation, maintenance and financing of the Public Utilities, as provided in this Section.

B. *Accounts Established.* The following accounts shall be maintained as separate and distinct bookkeeping accounts in the Fund: the Public Utilities Revenue Debt Service Account, the 2025 Public Utilities Project Account, the Replacement Reserve Account, the Public Utilities Operating Account and the Public Utilities Surplus Account.

5.02 Debt Service Account. The Issuer will maintain the Debt Service Account as a separate account in the Fund, as follows:

A. *Pledge of LSLR Grant and Net Revenues.* In order to provide for payment of principal of and interest on the Note, the Issuer irrevocably pledges and appropriates the LSLR Grant to the Debt Service Account for payment of the principal the Note. If proceeds of the LSLR Grant are insufficient to pay principal of the Note when due, the Issuer Secretary shall transfer from the Operating Account to the Debt Service Account amounts of Net Revenues which together with proceeds of additional temporary obligations or definitive obligations are sufficient for payment of principal then due on the Note.

B. *Sufficiency of Net Revenues.* The Issuer represents and covenants that Net Revenues, together with the other funds of the Issuer pledged herein, are and shall be during the term of the Note in an amount sufficient to pay the principal of the Note when due and the principal and interest on all other notes and bonds made payable from the Net Revenues.

5.03 Project Account. Each disbursement of proceeds of the Note which is received pursuant to the terms of the Master Agreement and Project Order shall be credited to the Project Account. Monies on deposit in the Project Account shall be used from time to time to pay the capital costs of the Project, including but not limited to costs of planning, engineering, legal, financial advisory, and other professional services, printing and publication costs, and costs of issuance of the Note, as such payments become due. Upon completion of the Project, any amounts left in the Project Account shall be transferred to the Debt Service Account.

5.04 [Intentionally Omitted].

5.05 Replacement Reserve Account. The Issuer covenants to maintain the Replacement Reserve Account as required by Section 4 of the Enabling Act.

5.06 Operating Account. Gross Revenues shall be credited to the Operating Account in the Fund, at the times and in the amounts required to pay promptly as incurred and allowed all expenses which in accordance with GAAP constitute current, reasonable and necessary costs of the operation and maintenance of the Public Utilities, and to maintain prudent working capital reserves, and moneys in the Operating Account shall be used for no other purpose. To the Operating Account shall also be credited, so far as needed, any funds other than Gross Revenues which shall be appropriated by the City or the Commissioners for this purpose.

5.07 Surplus Account. All Gross Revenues from time to time received in excess of the current requirements stated above shall be credited to the Surplus Account, and the Surplus Account may be used to pay the cost of necessary replacements and capital improvements to the Public Utilities, and for such other purposes as may be authorized by law, except that all revenues from time to time on hand in the Surplus Account shall be available and shall be used to cover deficiencies in meeting the requirements of any of the preceding accounts in this Section 5.

5.08 Investments. Monies on deposit in the Fund and the accounts therein may be invested in securities permitted by Minnesota Statutes, Chapter 118A; provided, that any such investments shall mature at such times and in such amounts as will permit for payment of Project Costs and/or payment of Debt Service when due.

Section 6. Covenants.

6.01 Revenue Covenant. The Issuer covenants with the Lender that so long as any amount due under the Note and any other obligations payable from the Net Revenues remains outstanding and unpaid:

(a) the Issuer shall operate and maintain the Public Utilities or cause the Public Utilities to be operated and maintained as revenue producing conveniences free from competition from like enterprises of the Issuer within its jurisdiction;

(b) the Issuer will establish, maintain and collect rates and charges for services and products of the Public Utilities at the times and in the amounts required to produce Net Revenues adequate to pay all of the principal when due, the principal of interest on all the obligations payable from the Net Revenues, and to maintain the Replacement Reserve Account; and

(c) the rates and charges, and any appropriations determined by the Commissioners necessary to be made in its annual budget, will be revised whenever necessary for these purposes.

Adopted: May 27, 2025.

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Chairperson

ATTEST:

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Secretary

**EXHIBIT A**  
(Form of Note)  
**UNITED STATES OF AMERICA**  
**STATE OF MINNESOTA**  
**COUNTY OF ST. LOUIS**

**CITY OF HIBBING PUBLIC UTILITIES COMMISSION**  
**TAXABLE GRANT ANTICIPATION REVENUE NOTE, SERIES 2025A**

**R-1**

**\$458,551**

**Date of Note:** \_\_\_\_\_, **2025**  
**Final Maturity Date:** \_\_\_\_\_, **202**\_\_

FOR VALUE RECEIVED, the CITY OF HIBBING PUBLIC UTILITIES COMMISSION, St. Louis County, Minnesota, duly organized and existing under the laws of the State of Minnesota (the "Issuer"), and whose office address is 1902 E. 6<sup>th</sup> Avenue, Hibbing, Minnesota 55746, for value received, promises to pay to the MINNESOTA PUBLIC FACILITIES AUTHORITY, its successors or registered assigns (the "Lender") at its offices in St. Paul, Minnesota, or such other place as the Lender may designate in writing, the principal sum of Four Hundred Fifty-Eight Thousand Five Hundred Fifty-one Dollars (\$458,551) or such portion thereof as is disbursed to the Issuer (the "Loan"), pursuant to the Minnesota Public Facilities Authority Master Loan (Bond Purchase) and/or Grant Agreement between the Issuer and the Lender dated February 28, 2025 (the "Master Agreement") and Project Order ID Hibbing-PUC LSLR 01 (MDH Project ID 1690022-13) (the "Project Order").

No interest shall be payable on this Note. Principal on this Note is payable on the Maturity Date. Principal is payable in lawful money of the United States of America by check or draft directly to the registered owner hereof shown on this Note registration records maintained by the Issuer, and shall be made upon presentation and surrender of this Note when due. If the principal payment is paid by check and mailed to the Lender, such payment shall be mailed by the Issuer at least five business days prior to the payment date.

This Note is issued pursuant to the authority contained in the Enabling Act (as defined in the Resolution), and all other laws and provisions thereto enabling, for the purpose of providing funds for improvements to the water utility system consisting of replacement of lead pipes. The Note is payable primarily from a grant to be received by the Issuer pursuant to the Project Order (the "Grant"), and if the Grant is insufficient to pay the Note, from the net revenues to be derived from the operation of the public utilities of the Issuer, and from the proceeds of permanent revenue bonds or additional temporary revenue bonds which the Issuer shall offer for sale in advance of the maturity of this Note, all as set forth in the Resolution dated May 27, 2025, to which reference is made for a full statement of rights and powers thereby conferred. In the Resolution, the Issuer has pledged and appropriated the Grant proceeds and net revenues to be derived from the operation of its public utilities in excess of normal, reasonable and current costs of the operation and maintenance of the public utilities, for the payment of the principal when due of the Note, and the net revenues of the principal and interest on all other bonds and notes heretofore or hereafter issued and made payable from said net

revenues, and has covenanted and agreed that it will impose and collect just and equitable charges for all use and for the availability of all facilities of the public utilities at the times and in the amounts required to pay the normal, reasonable and current expenses of operating and maintaining such facilities, and also to produce net revenues, together with the Grant, at least adequate at all times to pay the principal due on the Note.

This Note is subject to redemption at the written consent of Lender, in whole or in part on such dates and at such prices and upon such other terms as are specified in the Master Agreement and Project Order.

This Note is transferable by the registered owner hereof upon surrender of this Note for transfer at the office of the Issuer duly endorsed and accompanied by a written instrument of transfer in form satisfactory to the Issuer and executed by the registered owner hereof or the owner's attorney duly authorized in writing. The Issuer may deem and treat the person in whose name this Note is last registered upon the books of the Issuer, with such registration noted on this Note, as the absolute owner hereof for the purpose of receiving payment of or on account of the principal balance, redemption price or interest and for all other purposes; all such payments so made to the registered holder or upon the order thereof shall be valid and effectual to satisfy and discharge the liability upon this Note to the extent of the sum or sums so paid, and the Issuer shall not be affected by any notice to the contrary.

IT IS CERTIFIED AND RECITED that all acts and conditions required by the laws and the Constitution of the State of Minnesota to be done and to exist precedent to and in the issuance of this Note in order to make it a valid and binding special obligation of the Issuer in accordance with its terms have been done and do exist in form, time, and matter as so required; and that the issuance of this Note does not cause the indebtedness of the Issuer to exceed any constitutional or statutory limitation.

Additional provisions of this Note are contained in the Master Agreement and Project Order and such provisions shall for all purposes have the same effect as though fully set forth at this place.

IN WITNESS WHEREOF, the Issuer has caused this Note to be executed in its name by the manual signatures of its Chair and Issuer Secretary as of the date of Note set forth above.

---

Chair

Attest:

---

Secretary

**PROVISIONS AS TO REGISTRATION**

The ownership of the unpaid principal balance of this Note and the interest accruing thereon is registered on the books of the City of Hibbing Public Utilities Commission, Minnesota, in the names of the holders last noted below.

<b>Date of Registration</b>	<b>Name and Address of Registered Owner</b>	<b>Signature of Secretary</b>
<p align="center">__/__/2025</p>	<p>State of Minnesota                      Public Facilities Authority                      First National Bank Building                      332 Minnesota Street, Suite E200                      St. Paul, MN 55101-1351                      Federal Tax I.D. No.: 41-6007162</p>	<p align="center">_____</p>

**ASSIGNMENT**

For value received, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ the within Note and all rights thereunder, and does hereby irrevocably constitute and appoint \_\_\_\_\_ attorney to transfer the said Note on the books kept for registration of the within Note, with full power of substitution in the premises.

Dated: \_\_\_\_\_

\_\_\_\_\_  
NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Note in every particular, without alteration or enlargement or any change whatever.

The Secretary will not effect transfer of this Note unless the information concerning the assignee requested below is provided.

Name and Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Taxpayer Identification No.: \_\_\_\_\_

08951|000017|1DW3314.DOCX

**EXHIBIT B**  
**(Master Loan (Bond Purchase) and/or Grant Agreement)**

DocuSign Envelope ID: 36175031-3586-4BE5-A177-4D9D55399E2F  
The logo for the Minnesota Public Facilities Authority, featuring the word "MINNESOTA" in a stylized font with a blue and green color scheme, and "PUBLIC FACILITIES AUTHORITY" in a smaller, blue font below it.

**State of Minnesota**  
**Lead Service Line Replacement Program**  
**Master Loan (Bond Purchase) and/or Grant Agreement**  
**Hibbing PUC\_LSLR\_00**

This Master Loan (Bond Purchase) and/or Grant Agreement (“Master Contract”) is between the State of Minnesota, acting through its Chair of the Public Facilities Authority (“Authority”) and the Hibbing PUC (“Recipient”). The Authority and Recipient may be referred to jointly as “Parties.”

**RECITALS**

1. Pursuant to Minnesota Statutes § 446A.04, Subd. 6a: the Authority may make and contract to make loans and grants to eligible recipients to finance projects that the eligible recipient may construct or acquire. The Authority may acquire or contract to acquire notes and bonds issued by eligible recipients to finance those projects.
2. Pursuant to Minnesota Statutes §§ 446A.077 and 446A.081 the Authority is empowered to enter into this Master Contract and subsequent Project Orders to provide grants and zero percent loans to eligible recipients for eligible costs under the Authority’s Lead Service Line Replacement Program.
3. The Authority will issue a “Project Order” pursuant to this Master Contract to encumber specific loan and/or grant dollar amounts for each Project.
4. The Recipient represents that it is duly qualified and agrees to perform all services described in this Master Contract and all Project Orders to the satisfaction of the Authority. Pursuant to Minnesota Statutes § 16B.98, Subd. 1, the Recipient agrees to minimize administrative costs as a condition of this Master Contract. For this Master Contract, no administrative costs will be allowed without prior Authority approval.
5. The Recipient agrees to comply with the grants management policies and procedures created pursuant to Minnesota Statutes § 16B.97, Subd. 4(a)(1).
6. The Recipient acknowledges that payments by the Authority to the Recipient under this Master Contract may be made from federal funds obtained by the Authority through Section 1452 of the Safe Drinking Water Act as amended. The Recipient is responsible for complying with all federal requirements imposed from time to time on these funds and accepts full financial responsibility for any requirements imposed by the Recipient’s failure to comply with federal requirements. Exhibit A contains a not necessarily complete list of federal requirements.

Master Contract\_Hibbing PUC\_LSLR\_00

page 1 of 12

## DEFINITIONS

**Defined Terms.** As used in this Master Contract and each Project Order, each of the following terms will have the meaning set forth below after each term (each meaning to be equally applicable to both the singular and plural forms of the terms defined), unless the context specifically indicates otherwise:

“Act” means Minnesota Statutes, Chapter 446A, as amended.

“Authority” means the Minnesota Public Facilities Authority as created pursuant to the Act.

“Debt Grant” means a grant under a specific Project Order for Project Order Costs-Debt Service.

“Loan” means the portion of a specific Project Order paid out to the Recipient as a Loan under the Act that is evidenced by a Note and to be repaid by a Debt Grant.

“LSLR” means Lead Service Line Replacement.

“LSLR Substantial Completion Date” for a Project Order means the date the Recipient certifies to the MDH and the Authority, on a form prescribed by the Authority, that no further Project Costs except Project Costs-Post Substantial Completion for the Project Order will be submitted.

“LSLR Program” means the program created pursuant to Minnesota Statutes §§ 446A.077 and 446A.081.

“Master Contract” means this Master Loan (Bond Purchase) and/or Grant Agreement, between the Authority and the Recipient as amended or supplemented by each Project Order for each Project that has been approved by the Authority for funding under the LSLR Program.

“MDH” means the Minnesota Department of Health.

“MDH Project Certification” means MDH’s approval to the Authority that all applicable technical requirements have been met in accordance with Minnesota Rules part 4720.9060, and includes the list of associated property addresses for lead service line replacement.

“Note” means each Taxable Grant Anticipation Revenue Note issued by a Recipient to the Authority, to evidence its obligation to repay the Loan from a specific Project Order, from proceeds of a Debt Grant from that same Project Order.

“Parties” means collectively the Authority and the Recipient.

“Project” means the LSLR activities spelled out under a specific Project Order.

“Project Costs” means eligible LSLR Program costs for a Project, within these categories:

1. “Project Costs-Construction” means costs related to construction activities, including but not limited to planning, design, and engineering, and site restoration, as described in Minnesota Statutes § 446A.077, Subd. 4(a)(1) and 4(a)(4).
2. “Project Costs-Debt Service” means the required debt service payments under a specific Project Order as pursuant to Minnesota Statutes § 446A.077, Subd. 4(a)(2) as required under the terms of the Note.
3. “Project Costs-Non-Construction” means costs under specific Project Orders related to providing information to residents on the benefits of removing lead service lines as pursuant to Minnesota Statutes § 446A.077, Subd. 4(a)(3) and other eligible non-construction costs including but not limited to water testing and temporary lead abatement costs.

4. “Project Costs-Post Substantial Completion” means those Project Costs-Construction and Project Costs-Non-Construction incurred after the LSLR Substantial Completion Date.

“Project Grant” means a grant under a specific Project Order to reimburse the recipient for Project Order Costs-Construction and Project Order Costs-Non-Construction.

“Project Order” means a LSLR Program contract issued by the Authority to the Recipient pursuant to this Master Contract to:

- identify the scope of a Project (both budget and explicit property addresses),
- encumber dollar amounts for Project Costs,
- describe the Loan (if any) repayment terms,
- identify the Project Order Managers.

“Project Order Manager” means (i) for the Authority, the authorized representative(s) of the Authority identified in a Project Order, and (ii) for the Recipient, the authorized representative(s) of the Recipient identified in a Project Order.

“Recipient” means the City of Hibbing.

“Recipient Resolution” means both (i) the resolution of the governing body of the Recipient authorizing the execution and delivery of this Master Contract, and (ii) a resolution of the governing body of the Recipient accepting a specific Project Order and authorizing the execution and delivery of a specific Project Order and providing for the issuance of the related Note and Loan for such Project related to such Project Order.

## STANDARD TERMS AND CONDITIONS

### 1 Term of Master Contract

#### 1.1 Effective date

February 6, 2025, or the date the Authority obtains all required signatures under Minnesota Statutes § 16C.05, Subd. 2, whichever is later. Per Minnesota Statutes § 16B.98, Subd. 7, no payments will be made to the Recipient until this Master Contract is fully executed.

#### 1.2 Expiration date

June 30, 2033, or until all obligations have been satisfactorily fulfilled, whichever occurs first.

#### 1.3 Project Order Contracts

The term of work under Project Order contracts issued under this Master Contract may not extend beyond the expiration date of this Master Contract.

#### 1.4 Survival of Terms

The following clauses survive the expiration or cancellation of this Master Contract: 8. Liability; 9. State Audits; 10. Government Data Practices and Intellectual Property; 12. Publicity and Endorsement; 13. Governing Law, Jurisdiction, and Venue; and 15 Data Disclosure.

**2 Recipient's Duties**

The Recipient, who is not a state employee, will complete work under the LSLR Project as detailed in each Project Order issued pursuant to this Master Contract, in compliance with applicable federal and state laws, regulations or rules.

**3 Time**

The Recipient must comply with all the time requirements described in this Master Contract and each Project Order.

**4 Consideration and Payments**

**4.1 Consideration**

The Authority will pay for all services satisfactorily performed by the Recipient under each Project Order issued pursuant to this Master Contract as follows:

**(a) Project Order disbursements**

Each disbursement request and related invoice backup must be for a specific Project Order.

**(b) Delivery of Note**

If a Project Order includes a Loan, then no funds will be disbursed by the Authority to the Recipient until the Recipient has delivered its Note to the Authority for that Project Order.

**(c) Reimbursement for Project Costs**

**(1) Construction**

Reimbursement for costs related to Project Costs-Construction for each property address will be paid only after that property's LSLR has been fully completed including any publicly and privately owned portions.

**(2) Non-Construction**

Reimbursement for costs related to Project Costs-Non-Construction will be paid after the Authority approves the related disbursement request.

**(3) Debt Service**

The Debt Grant will be paid only after MDH and the Authority have accepted the Recipient's certification of the LSLR Substantial Completion Date for a Project Order, and arrangements are made for the Recipient to immediately pay to the Authority, upon receipt of the Debt Grant, the agreed upon amount to pay off the Loan.

**(d) Total obligation of the Authority**

Each Project Order will identify the total obligation of the Authority pursuant to that Project Order, detailing the portions of the total obligation for a) Project Costs-Construction, b) Project Costs-Non-Construction, and c) Project Costs-Debt Service.

**4.2 Payment**

All Recipient disbursement requests will be promptly paid after Authority approval and must be submitted on forms prescribed by the Authority and include all requested backup. The Authority may withhold or disallow all or part of the amount requested if the Authority determines the request is not in compliance with this Master Contract and the applicable Project Order, and/or applicable federal and state laws, regulations or rules as then in effect.

#### **4.3 State Contracting and Bidding Requirements**

Pursuant to Minnesota Statutes § 471.345, grantees that are municipalities as defined in Subd. 1 must follow the law.

(a) For projects that include construction work of \$25,000 or more, prevailing wage rules apply pursuant to Minnesota Statutes §§ 177.41 through 177.44. These rules require that the wages of laborers and workers should be comparable to wages paid for similar work in the community as a whole.

(b) The grantee must not contract with vendors who are suspended or debarred in Minnesota: <https://mn.gov/admin/osp/government/suspended-debarred/index2.jsp>

### **5 Conditions of Payment**

All services provided by the Recipient under this Master Contract and each Project Order must be performed to the Authority's satisfaction, as determined at the sole discretion of the Authority's Authorized Representative and in accordance with all applicable federal, state, and local laws, ordinances, rules, and regulations. The Recipient will not receive payment for work found by the Authority to be unsatisfactory or performed in violation of federal, state, or local law.

### **6 Authorized Representatives and Project Order Managers**

#### **6.1 Authorized Representatives**

The Authority's Authorized Representative is Peter Bradshaw, Senior Loan Officer, 651-259-7689, [peter.bradshaw@state.mn.us](mailto:peter.bradshaw@state.mn.us), or his/her successor, and has the responsibility to monitor the Recipient's performance and the authority to accept the services provided under this Master Contract. If the services are satisfactory, the Authority's Authorized Representative will certify acceptance on each invoice submitted for payment.

The Recipient's Authorized Representative is Luke J. Peterson, General Manager - Hibbing PUC, (218) 421 - 3926, [Luke.Peterson@hpuc.com](mailto:Luke.Peterson@hpuc.com), or his/her successor. If the Recipient's Authorized Representative changes at any time during this Master Contract, the Recipient must immediately notify the Authority.

#### **6.2 Project Order Managers**

Project Order Managers will be identified in each Project Order.

The Authority's Project Order Manager will be the Authority's primary contact for the Project and will review disbursement requests.

The Recipient's Project Order Manager will be the individual authorized to sign off on disbursement requests. If the Recipient's Project Order Manager changes at any time during the Project Order contract, the Recipient must immediately notify the Authority.

### **7 Assignment Amendments, Waiver, and Master Contract Complete**

#### **7.1 Assignment**

The Recipient shall not assign or transfer any rights or obligations under this Master Contract without the prior written consent of the Authority. The rights of the Authority may be approved by the same parties who executed and approved this Master Contract, or their successors in office.

### **7.2 Amendments**

Any amendments to this Master Contract must be in writing and will not be effective until it has been executed and approved by the same parties who executed and approved the original Master Contract, or their successors in office.

### **7.3 Waiver**

If the Authority fails to enforce any provision of this Master Contract, that failure does not waive the provision or the Authority's right to enforce such provision in the future. Except where required by law, the Authority may waive any provision of this Master Contract or a Project Order in a writing signed by the Authority's Project Order Manager.

### **7.4 Contract Complete**

This Master Contract and any Project Order contracts contain all negotiations and agreements between the Authority and the Recipient. No other understanding regarding this Master Contract and subsequent Project Order, whether written or oral, may be used to bind either party.

### **7.5 Nature of Project Orders**

The Project Orders are supplements to this Master Contract. This Master Contract and the Project Orders shall be interpreted together. No other understanding regarding this Master Contract and subsequent Project Order, whether written or oral, may be used to bind either party.

## **8 Liability**

Each party shall be responsible for its own acts and omissions and the results thereof to the extent authorized by law and shall not be responsible for the other party's acts and omissions and the results thereof. The Authority's liability is governed by the Minnesota Tort Claims Act, Minnesota Statutes § 3.736 and other applicable laws. The Recipient's liability shall be governed by the provisions of Minnesota Statutes, Chapter 466 or other applicable law.

## **9 State Audits**

Under Minnesota Statutes § 16B.98, Subd. 8, the Recipient's books, records, documents, and accounting procedures and practices of the Recipient or other party relevant to this Master Contract or transaction are subject to examination by the Commissioner of Administration, by the Authority and/or the State Auditor or Legislative Auditor, as appropriate, for a minimum of six years from the end of this Master Contract, receipt and approval of all final reports, or the required period of time to satisfy all state and program retention requirements, whichever is later.

## **10 Government Data Practices and Intellectual Property Rights**

### **10.1 Government Data Practices**

The Recipient and Authority must comply with the Minnesota Government Data Practices Act, Minnesota Statutes, Chapter 13, as it applies to all data provided by the Authority under this Master Contract, and as it applies to all data created, collected, received, stored, used, maintained, or disseminated by the Recipient under this Master Contract. The civil remedies of Minnesota Statutes § 13.08 apply to the release of the data referred to in this clause by either the Recipient or the Authority. If the Recipient receives a request to release

the data referred to in this Clause, the Recipient must immediately notify the Authority. The Authority will give the Recipient instructions concerning the release of the data to the requesting party before the data is released. The Recipient's response to the request shall comply with applicable law.

#### **11 Workers Compensation**

The Recipient certifies that it is in compliance with Minnesota Statutes § 176.181, Subd. 2, pertaining to workers' compensation insurance coverage. The Recipient's employees and agents will not be considered State employees. Any claims that may arise under the Minnesota Workers' Compensation Act on behalf of these employees and any claims made by any third party as a consequence of any act or omission on the part of these employees are in no way the Authority's obligation or responsibility.

#### **12 Publicity and Endorsement, State Requirements**

##### ***12.1 Publicity***

Any publicity regarding the subject matter of this Master Contract must identify the Authority as the sponsoring agency and must not be released without prior written approval from the Authority's Authorized Representative. For purposes of this provision, publicity includes notices, informational pamphlets, press releases, research, reports, signs, and similar public notices prepared by or for the Recipient individually or jointly with others, or any subcontractors, with respect to the program, publications, or services provided resulting from this Master Contract. All projects primarily funded by state grant appropriations must publicly credit the State of Minnesota, including on the Recipient's website when practicable.

##### ***12.2 Endorsement***

The Recipient must not claim that the Authority endorses its products or services.

#### **13 Governing Law, Jurisdiction, and Venue**

Minnesota law, without regard to its choice-of-law provisions, governs this Master Contract. Venue for all legal proceedings out of this Master Contract, or its breach, must be in the appropriate state or federal court with competent jurisdiction in Ramsey County, Minnesota.

#### **14 Termination**

##### ***14.1 (a) Termination by the Authority***

The Authority may immediately terminate this Master Contract with or without cause, upon 30 days' written notice to the Recipient. Upon termination, the Recipient will be entitled to payment, determined on a pro rata basis, for services satisfactorily performed.

##### ***(b) Termination by The Commissioner of Administration***

The Commissioner of Administration may unilaterally cancel this Master Contract if further performance under the agreement would not serve agency purposes or is not in the best interest of the Authority.

##### ***14.2 Termination for Cause***

The Authority may immediately terminate this Master Contract if the Authority finds that there has been a failure to comply with the provisions of this Master Contract, that reasonable progress has not been made or that the purposes for which the funds were

granted have not been or will not be fulfilled. The Authority may take action to protect the interests of the State of Minnesota, including the refusal to disburse additional funds and requiring the return of all or part of the funds already disbursed.

**14.3 Termination for Insufficient Funding**

The Authority may immediately cease awarding Project Orders under this Master Contract if:

- (a) Funding for federal grants to the Authority for the LSLR Program are withdrawn.
- (b) It does not obtain funding from the Minnesota Legislature or existing funding is withdrawn.
- (c) Or, if funding cannot be continued at a level sufficient to allow for the payment of the services covered here. Termination must be by written or fax notice to the Recipient. The Authority is not obligated to pay for any services that are provided after notice and effective date of termination. However, the Recipient will be entitled to payment, determined on a pro rata basis, for services satisfactorily performed to the extent that funds are available. The Authority will not be assessed any penalty if the Master Contract is terminated because of the decision of the Minnesota Legislature, or other funding source, not to appropriate funds. The Authority must provide the Recipient notice of the lack of funding within a reasonable time of the Authority's receiving that notice.

**15 Data Disclosure**

Under Minnesota Statutes § 270C.65, Subd. 3, and other applicable law, the Recipient consents to disclosure of its social security number, federal employer tax identification number, and/or Minnesota tax identification number, already provided to the Authority, to federal and state tax agencies and state personnel involved in the payment of state obligations. These identification numbers may be used in the enforcement of federal and state tax laws which could result in action requiring the Recipient to file state tax returns and pay delinquent state tax liabilities, if any.

*The remainder of this page is left blank intentionally*

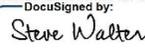
Recipient name: Hibbing PUC  
Authority Contract ID: Hibbing PUC\_LSLR\_00

The Authority and the Recipient have caused this Master Contract to be duly executed by their duly authorized undersigned representatives. Statutory Cities must execute this Project Order contract as provided in Minnesota Statutes § 412.201, as amended. Home Rule Charter Cities must execute this Master Contract as provided in Minnesota Statutes, Chapter 410, as amended.

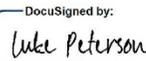
**Minnesota Public Facilities Authority:**

By   
Name/ Matt Varilek, or delegate; Chair  
Title [matt.varilek@state.mn.us](mailto:matt.varilek@state.mn.us)  
Date 02/14/2025

**Encumbered:** Individual signing certifies that funds have been encumbered as required by MN Statute § 16A and 16C.

DocuSigned by:  
By   
Name/Title Steve Walter, A CFO  
[steve.walter@state.mn.us](mailto:steve.walter@state.mn.us)  
SWIFT N/A: no \$ encumbered for this  
Date/ID Master Contract

**Recipient:**

DocuSigned by:  
By   
Name/ Luke J. Peterson, General Manager - Hibbing PUC  
Title Luke.Peterson@hpuc.com  
Date 2/28/2025

Signed by:  
By   
Name/Title Jeff Hart, Commission Chair  
[jeffh@hpuc.com](mailto:jeffh@hpuc.com)  
Date 2/26/2025

### **Exhibit A, Additional State and Federal Requirements**

In addition to requirements stated in the body of this Master Contract, the Recipient must comply with certain state and federal laws, rules and regulations, including but not limited to those identified in this exhibit.

#### **State:**

Minnesota Statutes § 181.59, Discrimination on Account of Race, Creed, or Color Prohibited in Contract.

Minnesota Statutes § 16C.285, Responsible Contractor Requirements.

Minnesota Statutes § 574 .26 to 574.32, the Public Contractors' Performance and Payment Bond Act, as applicable.

Minnesota Statutes § 290.9705, Surety Deposits Required for Construction Contracts.

Minnesota Statutes § 363A.36, Certificates of Compliance for Public Contracts.

#### **Federal:**

Section 1452 of the Safe Drinking Water Act (Public Law 93-523) as amended.

Safe Drinking Water Act amendments of 1990 (42 U.S. Code § 7601). Encourages recipients to award construction, supply and professional service contracts to minority, women's business enterprises (MBE/WBE's) and small businesses and requires recipients to utilize affirmative steps in procurement.

Safe Drinking Water Act amendments of 2018 by America's Water Infrastructure Act that requires all of the iron and steel products used in the CWSRF and DWSRF Projects are to be produced in the United States ("Use of American Iron and Steel Requirement"), unless (i) the Borrower has requested and obtained a waiver from the Environmental Protection Agency pertaining to the Project or (ii) the MPFA has otherwise advised the Borrower in writing that the American Iron and Steel Requirement is not applicable to the project.

Safe Drinking Water Act amendments related to Federal Build America, Buy America (BABA): The Recipient is subject to the Buy America Sourcing requirements under the BABA provisions of the Infrastructure Investment and Jobs Act (IIJA) (PUBLIC LAW 117-58 §§70911-70917) unless the project has been granted a waiver from the EPA.

National Environmental Policy Act (PUBLIC LAW 91-190 (1970)); National Historic Preservation Act (PUBLIC LAW 89-665 as amended, 80 Stat. 917 (1966)); Archeological and Historic Preservation Act (PUBLIC LAW 93-291(1974)); Protection of Wetlands, Executive Order No. 11990 (1977), as amended by Executive Order No. 12608 (1997); Flood Plain Management, Executive Order No 11988 (1977), as amended by Executive Order No. 12148 (1979); Farmland Protection Policy Act (PUBLIC LAW No 97-98 (1981)); Coastal Zone Management Act (PUBLIC LAW 92-583 (1972), as amended); Coastal Barriers Resources Act

**EXHIBIT C**  
(Project Order)

**State of Minnesota**  
**Lead Service Line Replacement Program**  
**Project Order ID Hibbing-PUC\_LSLR\_01**  
**MDH Project ID 1690022-13**

This Project Order contract is issued under *Master Loan (Bond Purchase) and/or Grant Agreement* ID Hibbing-PUC\_LSLR\_00 between the Authority and the Hibbing-PUC (“Recipient”). Capitalized terms used but not defined in this Project Order have the meaning ascribed to them in the Master Contract. All of the duties, obligations, policies, procedures, and terms of the Master Contract associated with this Project Order are incorporated herein by this reference.

**1 Term of Project Order**

**1.1 Effective date:**

April 23, 2025, or the date the Authority obtains all required signatures under Minnesota Statutes § 16C.05, Subd. 2, whichever is later. Per Minnesota Statutes § 16B.98 Subd. 7, no payments will be made to the Recipient until this Project Order is fully executed. Notwithstanding the effective date of this Project Order, the Authority shall reimburse the Recipient for all eligible Project Order costs incurred by the Recipient on or after July 1, 2023.

**1.2 Expiration date:**

June 30, 2027, or until all obligations have been satisfactorily fulfilled, whichever occurs first.

**2 Scope of Project Order**

**2.1 Activities:**

Reimbursement is limited to the project activity identified in Exhibit A attached hereto.

**2.2 Total Obligation:**

The total obligation of the Authority for all reimbursements to the Recipient under this Project Order will not exceed \$1,375,653.00 as detailed in Exhibit A.

**3 Loan Repayment Terms**

Unless repaid earlier, the Recipient must repay the Loan (if any), in the amounts and on the dates set forth in Exhibit B attached hereto (notwithstanding the rate of disbursement of the Loan).

**4 Project Order Managers**

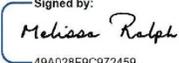
The Authority’s Project Order Manager is Peter Bradshaw, Loan Officer Sr, 651.259.7689, Peter.Bradshaw@state.mn.us.

The Recipient’s Project Order Manager is Luke J. Peterson, General Manager - Hibbing PUC, 218.421.3926, Luke.Peterson@hpuc.com.

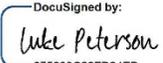
Recipient name: Hibbing-PUC  
Authority Contract ID: Hibbing-PUC\_LSLR\_01

The Authority and the Recipient have caused this Project Order contract to be duly executed by their duly authorized undersigned representatives. Statutory Cities must execute this Project Order contract as provided in Minnesota Statutes § 412.201, as amended. Home Rule Charter Cities must execute this Project Order contract as provided in Minnesota Statutes, Chapter 410, as amended.

**1. State Encumbrance verification:** *Individual certifies that funds have been encumbered as required by MN Statute § 16A.15.*

Signed by:  
By   
Name Melissa Ralph  
Date 4/30/2025  
Title MPFA Encumbrance Group Signer

**2. Recipient:**

DocuSigned by:  
By   
Name Luke Peterson  
Date 5/2/2025  
Title General Manager - Hibbing PUC

Signed by:  
By   
Name Jeff Hart  
Date 5/2/2025  
Title Commission Chair

**3. State Agency-MN Public Facilities Authority.**

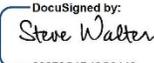
DocuSigned by:  
By   
Name Steve Walter  
Date 5/2/2025  
Title Executive Director

Exhibit A: Scope of Project Order ID Hibbing-PUC\_LSLR\_01

Project-related cost (may be combination of grant and loan):

Project Order Costs: \$917,102.00

Construction: Replacing lead drinking water service lines for the property addresses listed in the MDH Project Certification, as amended, including any related design and engineering, inspection, project compliance costs, and other eligible items.

Non-Construction: Providing information to residents on the benefits of replacing lead service lines; post-construction testing, abatement, and site restoration efforts.

Debt Grant to repay the Project Order Costs-Debt Service: \$458,551.00

Total obligation of the Authority: \$1,375,653.00

Original Encumbrance worksheet for this Project Order (specific funding sources are subject to change):

Description	Allotment	BFY	Fund	Appr	BusFinID	Account	Amount
Loan for Project Order Costs	DW LOA Federal IIA-2 LSLR MPFA-LSLF-L-087-FY25	2025	8201	B241710	B243F223	140004	\$458,551.00
Grant for Project Order Costs	DW LOA Federal IIA-2 LSLR MPFA-LSLF-G-087-FY25	2025	8201	B241710	B243F223	441352	\$458,551.00
Grant to repay the Loan	LSLR State MPFA-LSLR-G-087-FY25	2024	1000	B241720	B2439000	441352	\$458,551.00
Total							\$1,375,653.00

Note: This Project Order encumbers \$1,375,653.00 for the Authority to pay out to the Recipient. This includes the approved budget for project costs of \$917,102.00, plus a grant of \$458,551.00 from the Authority to be used by the Recipient to repay the portion of the project costs paid out as a loan.

Exhibit B: Pro Forma Loan Schedule for Project Order ID Hibbing-PUC\_LSLR\_01

Hibbing-PUC_LSLR_01		MPFA-LSLF-L-067-FY25		458,551.00			
Rate: 0%		LSLR 11690022-13 25 addresses					
Maturity: 06/30/27		Term:		final loan amount: 458,551.00			
Date	Effective	Source	Disbursement	Repayment	Interest	Principal	Loan Balance
projected	06/25/25		57,000.00				57,000.00
projected	05/28/25		57,000.00		-		114,000.00
projected	06/25/25		57,000.00		-		171,000.00
projected	07/23/25		57,000.00		-		228,000.00
projected	08/27/25		57,000.00		-		285,000.00
projected	09/23/25		57,000.00		-		342,000.00
projected	10/28/25		57,000.00		-		399,000.00
projected	11/25/25		59,551.00		-		458,551.00
	06/30/27			458,551.00	-	458,551.00	-
totals			458,551.00	458,551.00	-	458,551.00	

Notes:

Per 446A.081 Subd. 8 Loan conditions: (h) .... The interest rate for loans to replace lead service lines shall be zero percent with principal payments commencing not later than 18 months after completion of the project.

This will be backed by a temporary-obligation Grant Anticipation Note. The award of the grant to repay the loan will occur simultaneously, and in the same contract, with the loan.

When disbursement of the loan portion of this Project Order is complete, that is when the Recipient would request disbursement of the grant to repay the loan.

Upon receipt of that grant, the Recipient will immediately repay the loan.





Item 5.D



Item 5.D – Approve Resolution 25-04: Resolution to Join the U.S. Highway 169 Range Gateway Coalition

May 27<sup>th</sup>, 2025

Jeff Hart  
Commission Chair  
1902 E. 6<sup>th</sup> Avenue  
Hibbing, MN 55746

RE: Item 5.D – Approve Resolution 25-04: Resolution to Join the U.S. Highway 169 Range Gateway Coalition

Dear Commissioners;

Resolution 25-04 will authorize HPU to join the U.S. Highway 169 Range Gateway Coalition. This organization is an advocacy group that seeks the completion of an improved Highway 169. This highway is the primary route for vehicle traffic across the Iron Range. HPU's membership is a sign of support for the group's advocacy goals and the benefits this roadway brings to our city and region.

Sincerely;



Luke J. Peterson



HIBBING PUBLIC UTILITIES COMMISSION RESOLUTION 25-04  
RESOLUTION TO JOIN THE  
U.S. HIGHWAY 169 RANGE GATEWAY COALITION

WHEREAS, safety and freight movement along the U.S. Highway 169 Corridor in Northern Minnesota are vital to the health, well-being, and economic vitality of the region; and

WHEREAS, residents of Northern Minnesota have advocated for completion of the Cross Range Expressway, a four-lane highway to connect communities along Highway 169 between Grand Rapids and Virginia; and

WHEREAS, significant safety and freight movement challenges persist on Highway 169, including the area identified as the Cross Range Expressway and extending south into Aitkin County; and

WHEREAS, Highway 169 investments will be best achieved through collaboration and coordination among multiple stakeholders, including local governments, businesses, and nonprofits who advocate together for the same goal; and

WHEREAS, the U.S. Highway 169 Range Gateway Coalition is a nonprofit advocacy organization whose mission is to promote safety along the U.S. Highway 169 Corridor throughout Northern Minnesota through legislative advocacy and public awareness; and

WHEREAS, the Hibbing Public Utilities Commission supports the mission of the U.S. Highway 169 Range Gateway Coalition to advocate for funding of projects to improve the Highway 169 corridor.

NOW THEREFORE BE IT RESOLVED BY THE HIBBING PUBLIC UTILITIES COMMISSION:

1. That the Hibbing Public Utilities Commission hereby agrees to join the U.S. Highway 169 Range Gateway Coalition

Adopted this the 27<sup>th</sup> day of May, 2025

\_\_\_\_\_  
Jeff Hart  
Commission Chair

\_\_\_\_\_  
Jesse Babich  
Commission Secretary





Item 5.E



Item 5.E – Approve Exempt Employee 2025 Salaries Effective Jan 1

May 27<sup>th</sup>, 2025

Jeff Hart  
Commission Chair  
1902 E. 6<sup>th</sup> Avenue  
Hibbing, MN 55746

RE: Item 5.E – Approve Exempt Employee 2025 Salaries Effective Jan 1

Dear Commissioners;

As part of our commitment to maintaining a competitive and equitable compensation structure, I am recommending annual salary adjustments January 1, 2025. These adjustments reflect the performance of our employees in line with the annual performance evaluations completed for 2024 performance, HPU's Compensation Philosophy and endorsed by the Personnel Committee following its creation in April of 2025.

With the performance adjustments, the recommended 2025 salaries for the positions are listed below:

---

Manager of Energy Supply	\$108,875
Customer Service & Finance Supervisor	\$80,988
Director of Elec. Ops and Maintenance	\$82,828
Director of Plant Ops of Maintenance	\$79,643
Customer Comm & Programs Specialist	\$64,864
Acct /Human Resource Coordinator	\$72,800
HR & Safety Coordinator	\$70,537

These annual adjustments are a vital part of sustaining a motivated and high-performing team that can continue delivering reliable and responsive service to our community.

Thank you for your consideration and continued support

Sincerely;

*Luke J. Peterson*

Luke J. Peterson



Item 5.F



Item 5.F – Approve Request for Contribution: Project Care Free Clinic annual fundraiser in the amount of \$500

May 27<sup>th</sup>, 2025

Jeff Hart  
Commission Chair  
1902 E. 6<sup>th</sup> Avenue  
Hibbing, MN 55746

RE: Item 5.F – Approve Request for Contribution: Project Care Free Clinic annual fundraiser in the amount of \$500

Dear Commissioners;

Project Care Free Clinic is seeking a \$500 contribution to support the organization's annual "Spirit of Giving" Fundraiser on September 12<sup>th</sup>. Project Care Free Clinic offers free medical services to uninsured or underinsured residents of Hibbing and to other communities across the Range. A \$500 contribution would qualify HPU as a Gold Sponsor and would allow for HPU's logo to be featured on the event advertisement and materials.

Sincerely;



Luke J. Peterson





## REQUEST FOR CONTRIBUTION

The Hibbing Public Utilities Commission (HPUC) has the statutory right to contribute annually a sum not to exceed one percent of the previous year's gross revenues, or \$20,000, whichever is less.

Any party wishing to make request for contribution from the Hibbing Public Utilities Commission must complete this form and submit it to the office of the General Manager, 1902 E. 6<sup>th</sup> Ave., Hibbing, MN 55746. Applicants may request up to \$500 in funds as related to the below statutory requirements. Larger requests may be considered for the Commission's End-of-Year Charitable Contributions. Requests will be brought to the Commission for discussion and action at the most practical regularly scheduled meeting of the Commission following receipt of the application form.

PURPOSE: By statute, HPUC contribution must be for the purpose of advertising, improving and developing the tourist, recreational, industrial, commercial, or vocational resources of the City of Hibbing.

### REQUESTING PARTY INFORMATION:

NAME OF ORGANIZATION: Project Care Free Clinic

CHECK PAYABLE TO: \_\_\_\_\_

CONTACT NAME: Steph Senich PHONE NO. \_\_\_\_\_

ADDRESS: 3112 E 6<sup>th</sup> Ave Hibbing

DATE: 5/21/25

PROJECT DESCRIPTION: (Please provide project description including scope, estimated project costs, location, schedule, etc.)

PCFC offers free medical care to un-insured & under insured residents of the Iron Range. We operate solely on donations + fundraising

AMOUNT OF REQUEST: \$500-

REASON FOR REQUEST: (Please describe the ways in which the request meets the statutory purpose, describe under PURPOSE above):

Help make spirits of giving a successful event to keep providing free medical care.



REQUEST FOR CONTRIBUTION

HPUC DISPOSITION: (Not to be filled out by applicant)

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\_\_\_\_\_  
Commission Secretary

\_\_\_\_\_  
Date

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Item 5.G



Item 5.G – Approve Request for Contribution: Hibbing Rotary Club  
in the amount of \$500

May 27<sup>th</sup>, 2025

Jeff Hart  
Commission Chair  
1902 E. 6<sup>th</sup> Avenue  
Hibbing, MN 55746

RE: Item 5.G – Approve Request for Contribution: Hibbing Rotary Club in the  
amount of \$500

Dear Commissioners;

The Rotary Club of Hibbing hosted its 32<sup>nd</sup> Rotary Fishing Raffle Fundraiser on May 1. The request for sponsorship was submitted after the April meeting packet. In a measure of good faith and hope of its \$500 sponsorship request, HPU was listed as a sponsor at the event.

The Rotary is an excellent organization that supports youth and international exchanges in Hibbing.

Sincerely;



Luke J. Peterson





## REQUEST FOR CONTRIBUTION

The Hibbing Public Utilities Commission (HPUC) has the statutory right to contribute annually a sum not to exceed one percent of the previous year's gross revenues, or \$20,000, whichever is less.

Any party wishing to make request for contribution from the Hibbing Public Utilities Commission must complete this form and submit it to the office of the General Manager, 1902 E. 6<sup>th</sup> Ave., Hibbing, MN 55746. Applicants may request up to \$500 in funds as related to the below statutory requirements. Larger requests may be considered for the Commission's End-of-Year Charitable Contributions. Requests will be brought to the Commission for discussion and action at the most practical regularly scheduled meeting of the Commission following receipt of the application form.

PURPOSE: By statute, HPUC contribution must be for the purpose of advertising, improving and developing the tourist, recreational, industrial, commercial, or vocational resources of the City of Hibbing.

### REQUESTING PARTY INFORMATION:

NAME OF ORGANIZATION: Hibbing Chisholm Breakfast Rotary

CHECK PAYABLE TO: same

CONTACT NAME: Celia Cameron PHONE NO. 218 733 5727

ADDRESS: 2521 First Avenue Hibbing, MN 55746

DATE: \_\_\_\_\_

PROJECT DESCRIPTION: (Please provide project description including scope, estimated project costs, location, schedule, etc.)

Rotary Big Fish Raffle

AMOUNT OF REQUEST: \$500

REASON FOR REQUEST: (Please describe the ways in which the request meets the statutory purpose, describe under PURPOSE above):

Community Fundraising event



REQUEST FOR CONTRIBUTION

HPUC DISPOSITION: (Not to be filled out by applicant)

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\_\_\_\_\_  
Commission Secretary

\_\_\_\_\_  
Date

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**HIBBING-CHISHOLM  
BREAKFAST ROTARY CLUB**



# 32nd Rotary

# Fishing Raffle Fundraiser

**HIBBING NAT'L GUARD ARMORY  
THURSDAY, MAY 1st • 5:30-7:30 P.M.**

ADULTS **\$10** CHILD **\$5**

*Ticket admits 1 person  
for a RIGATONI/  
MEATBALL DINNER  
and DOOR PRIZES*

## Door Prizes

Weekend at Nelson's Resort      Kayak

- Adult Fishing Package \$250 value
- Child's Fishing Package \$150 value
- Mike Lesch custom-made Fishing Rods
- Cash Prizes \$300      \$200      \$100



*Do not have to be present to win door prizes*

**~THANK YOU TO OUR FISHING RAFFLE SPONSORS ~**

**Tickets available from any Rotary member  
or call 218-929-9280**





Item 6.A



Item 6.A – Approve March 2025 Interim Financials

May 27, 2025

Jeff Hart  
Commission Chair  
1902 E. 6<sup>th</sup> Avenue  
Hibbing, MN 55746

RE: Item 6.A – Approve April 2025 Interim Financials

Dear Commissioners;

Please find enclosed financials as of April 30, 2025.

The month ended April 30, operating revenue totals \$14 million which compares with \$12.7 million in the same period last year. The increase of \$1.3 million versus 2024 reflects the impact of a colder weather during the 24/25 heating season. Operating expenses total \$11.4 million which compares with the same amount in 2024 due to higher fuel and purchased gas expense offset by offset expenses elsewhere. Operating Income (revenues – minus expenses) total \$ 2.5 million for the month ended April 30 compared with \$1.6 million for the same period in 2024.

Total change in net position stands at \$2.7 million compared with \$1.6 million for the same period last year at this time.

I look forward to answering any questions you may have on these financials at our meeting.

Sincerely;



Luke J. Peterson



# Hibbing Public Utilities Commission

Financial Statements and  
Supplementary Information

April 30, 2025 and December 31, 2024

# Hibbing Public Utilities Commission

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Table of Contents

April 30, 2025 and December 31, 2024

	<u>Page</u>
<b>Accountants' Compilation Report</b>	1
<b>Financial Statements</b>	
Statements of Net Position	3
Statements of Revenues, Expenses and Changes in Net Position	5
Statements of Cash Flows	6
<b>Other Information</b>	
Schedules of Departmental Revenues and Expenses	8

## Accountants' Compilation Report

To the Commissioners of  
Hibbing Public Utilities Commission

Management is responsible for the accompanying financial statements of the Hibbing Public Utilities Commission, which comprise the statements of net position as of April 30, 2025 and December 31, 2024 and the related statements of revenues, expenses and changes in net position and cash flows for the four months and year then ended, in accordance with accounting principles generally accepted in the United States of America. We have performed compilation engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

Management has elected to omit substantially all the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Accounting principles generally accepted in the United States of America require the following:

- That the component unit, the Laurentian Energy Authority, be blended into the Hibbing Public Utilities Commission's financial statements.
- That the effects of Governmental Accounting Standards Board (GASB) No. 68, *Accounting and Financial Reporting for Pensions* and GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, be considered and included in the financial statements. Management has not adjusted the balances for April 30, 2025 because actuarial information is not yet available.

The items above have not been completed in accordance with generally accepted accounting principles. The effects of these departures from accounting principles generally accepted in the United States of America on financial position, results of operations and cash flows have not been determined.

Management has elected to omit the management's discussion and analysis, pension-related schedules and other postemployment benefit-related schedules that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting and for placing the financial statements in an appropriate operational, economic or historical context.

The accompanying Schedule of Departmental Revenues and Expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

We are not independent with respect to Hibbing Public Utilities Commission.

*Baker Tilly US, LLP*

Madison, Wisconsin  
May 22, 2025

# Hibbing Public Utilities Commission

## Statements of Net Position

April 30, 2025 and December 31, 2024

	<u>April 30, 2025</u>	<u>December 31, 2024</u>
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash	\$ 1,051,499	\$ 4,447,094
Investments	26,381,949	26,119,909
Restricted assets:		
Cash held for fuel assistance recipients	32,170	70,788
Cash held for customer deposits	467,826	461,999
Accounts receivable, net of allowance for doubtful accounts of \$138,723 and \$58,000, respectively	3,007,958	2,458,960
Unbilled revenues	2,387,564	2,387,564
Other receivable	208,571	771,830
Current maturities notes receivable, steam conversion program	40,000	40,000
Current portion of lease receivable	82,078	82,014
Inventories	1,516,725	1,326,496
Prepaid expense	927,160	747,445
	<u>36,103,500</u>	<u>38,914,099</u>
<b>Noncurrent Assets</b>		
Restricted assets:		
Bond reserve account	793,739	783,347
Notes receivable, Steam conversion program	160,822	174,059
Lease receivable	436,438	439,674
Investment in joint venture	787,540	812,882
Regulatory assets	3,815,619	4,035,931
Capital assets:		
Plant in service	175,167,409	174,589,777
Accumulated depreciation/amortization	(97,597,091)	(95,944,137)
Construction work in progress	14,605,280	8,500,209
	<u>98,169,756</u>	<u>93,391,742</u>
Total noncurrent assets	<u>98,169,756</u>	<u>93,391,742</u>
Total assets	<u>134,273,256</u>	<u>132,305,841</u>
<b>Deferred Outflows of Resources</b>		
Related to net pension liability	861,143	861,143
Related to postemployment benefits liability	674,169	674,169
Related to the purchase of LEA	155,798	170,246
	<u>1,691,110</u>	<u>1,705,558</u>
Total deferred outflows of resources	<u>1,691,110</u>	<u>1,705,558</u>
Total assets and deferred outflows of resources	<u>\$ 135,964,366</u>	<u>\$ 134,011,399</u>

# Hibbing Public Utilities Commission

## Statements of Net Position

April 30, 2025 and December 31, 2024

	<u>April 30, 2025</u>	<u>December 31, 2024</u>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 3,862,905	\$ 5,267,622
Accrued interest	142,511	98,582
Accrued expenses	29,980	252,451
Due to City of Hibbing	769,385	1,162,904
Compensated absences payable	484,327	400,080
Current portion of lease liability	203,198	201,246
Current portion of long-term debt, bonds and notes payable	596,939	596,939
Current liabilities payable from restricted assets:		
Third-party advances for fuel assistance	32,170	70,788
Customer deposits payable	467,826	461,999
	<u>6,589,241</u>	<u>8,512,611</u>
Total current liabilities		
<b>Noncurrent Liabilities</b>		
Compensated absences payable	971,499	1,077,137
Total post employment liability	14,541,066	14,541,066
Net pension liability	2,508,776	2,508,776
Long-term debt, bonds and notes payable	7,248,800	5,911,437
Unamortized discount	(818)	(1,282)
Lease liability	247,183	311,160
	<u>25,516,506</u>	<u>24,348,294</u>
Total noncurrent liabilities		
Total liabilities	<u>32,105,747</u>	<u>32,860,905</u>
<b>Deferred Inflows of Resources</b>		
Related to net pension liability	1,672,882	1,672,882
Related to postemployment benefits liability	3,580,052	3,580,052
Related to leases	518,516	521,688
	<u>5,771,450</u>	<u>5,774,622</u>
Total deferred inflows of resources		
<b>Net Position</b>		
Net investments in capital assets	84,049,620	80,294,569
Restricted for debt service	624,415	615,127
Unrestricted	13,413,134	14,466,176
	<u>98,087,169</u>	<u>95,375,872</u>
Total net position		
Total liabilities, deferred inflows of resources and net position	<u>\$ 135,964,366</u>	<u>\$ 134,011,399</u>

## Hibbing Public Utilities Commission

Statements of Revenues, Expenses and Changes in Net Position  
Four Months Ended April 30, 2025 and Year Ended December 31, 2024

	<u>April 30, 2025</u>	<u>December 31, 2024</u>
<b>Operating Revenue</b>		
Charges for services	\$ 13,750,218	\$ 30,249,624
Other	207,216	605,157
Total operating revenues	<u>13,957,434</u>	<u>30,854,781</u>
<b>Operating Expenses</b>		
Operation and maintenance	9,550,883	24,601,433
Depreciation and amortization	1,887,714	5,300,138
Total operating expenses	<u>11,438,597</u>	<u>29,901,571</u>
Operating income (loss)	<u>2,518,837</u>	<u>953,210</u>
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	302,310	1,352,466
Miscellaneous nonoperating income (expense)	2,671	21,278
Equity in net income of joint venture	(25,343)	(96,147)
Interest expense	(87,178)	(162,473)
Total nonoperating revenues (expenses)	<u>192,460</u>	<u>1,115,124</u>
Income before contributions	2,711,297	2,068,334
<b>Capital Contributions</b>	<u>-</u>	<u>1,350,272</u>
Change in net position	2,711,297	3,418,606
<b>Net Position, Beginning</b>	<u>95,375,872</u>	<u>91,957,266</u>
<b>Net Position, Ending</b>	<u><u>\$ 98,087,169</u></u>	<u><u>\$ 95,375,872</u></u>

# Hibbing Public Utilities Commission

## Statements of Cash Flows

Four Months Ended April 30, 2025 and Year Ended December 31, 2024

	<b>April 30, 2025</b>	<b>December 31, 2024</b>
<b>Cash Flows From Operating Activities</b>		
Receipts from customers	\$ 13,404,921	\$ 30,762,561
Principal collected from steam conversion loan program	13,237	55,179
Payments to suppliers	(7,967,062)	(18,868,697)
Payments for payroll and benefits	(1,916,997)	(6,026,532)
	<u>3,534,099</u>	<u>5,922,511</u>
Net cash from operating activities	<u>3,534,099</u>	<u>5,922,511</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Payments for additions to property, plant and equipment	(8,791,064)	(21,342,598)
Capital contributions received	575,272	775,000
Principal and interest paid on leases	(71,149)	(230,343)
Proceeds from debt issued	1,412,363	6,546,060
Principal payments on long-term debt	(75,000)	(337,684)
Interest paid	(42,785)	(62,499)
	<u>(6,992,363)</u>	<u>(14,652,064)</u>
Net cash from capital and related financing activities	<u>(6,992,363)</u>	<u>(14,652,064)</u>
<b>Cash Flows From Investing Activities</b>		
Investments income received	84,032	1,017,640
Investments matured	218,278	22,633,700
Investments purchased	(272,432)	(13,533,448)
	<u>29,878</u>	<u>10,117,892</u>
Net cash from investing activities	<u>29,878</u>	<u>10,117,892</u>
Net change in cash	(3,428,386)	1,388,339
<b>Cash, Beginning</b>	<u>4,979,881</u>	<u>3,591,542</u>
<b>Cash, Ending</b>	<u>\$ 1,551,495</u>	<u>\$ 4,979,881</u>
<b>Cash is Presented on the Statements of Net Position</b>		
Cash	\$ 1,051,499	\$ 4,447,094
Restricted assets	1,293,735	1,316,134
	<u>2,345,234</u>	<u>5,763,228</u>
Total cash and restricted assets	<u>2,345,234</u>	<u>5,763,228</u>
Less noncash equivalents included in restricted assets	(793,739)	(783,347)
	<u>\$ 1,551,495</u>	<u>\$ 4,979,881</u>

# Hibbing Public Utilities Commission

## Statements of Cash Flows

Four Months Ended April 30, 2025 and Year Ended December 31, 2024

	<u>April 30, 2025</u>	<u>December 31, 2024</u>
<b>Reconciliation of Operating Income to Net Cash From Operating Activities</b>		
Operating income (loss)	\$ 2,518,837	\$ 953,210
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Other nonoperating income (loss)	2,671	(10,771)
Depreciation and amortization	1,887,714	5,300,138
Change in operating assets, deferred outflows or resources, liabilities and deferred inflows of resources:		
Accounts receivable	(548,998)	185,857
Unbilled revenue	-	(74,915)
Other receivable	(12,013)	(196,558)
Inventories	(190,229)	(111,449)
Prepaid expenses	(179,715)	(42,247)
Receivable for steam conversion loan program	13,237	55,179
Lease receivable	3,172	72,636
Regulatory assets	-	(684,245)
Accounts payable	712,767	1,300,377
Compensated absences payable	(21,391)	288,711
Accrued expenses	(222,471)	19,960
Due to City of Hibbing	(393,519)	605,197
Third-party advances for fuel assistance	(38,618)	15,222
Customer deposits payable	5,827	4,167
Accrued post employment benefits	-	(1,586,971)
Net pension liability	-	(98,351)
Deferred inflows of resources	(3,172)	(72,636)
Net cash from operating activities	<u>\$ 3,534,099</u>	<u>\$ 5,922,511</u>
<b>Noncash Capital and Related Financing Activities</b>		
Unrealized gain on investments	<u>\$ 218,278</u>	<u>\$ 334,826</u>
Capital purchased on account	<u>\$ -</u>	<u>\$ 2,117,485</u>
Noncash lease asset additions	<u>\$ -</u>	<u>\$ 80,636</u>

## **OTHER INFORMATION**

## Hibbing Public Utilities Commission

Schedules of Departmental Revenues and Expenses  
 Periods Ended April 30, 2025 and December 31, 2024

	Four Months Ended April 30, 2025				
	Electric	Steam	Gas	Water	Total
<b>Operating Revenue</b>					
Charges for services	\$ 6,274,542	\$ 1,387,470	\$ 5,113,370	\$ 974,836	\$ 13,750,218
Other operating revenues	115,282	33,333	22,913	35,688	207,216
Others					
Total operating revenues	6,389,824	1,420,803	5,136,283	1,010,524	13,957,434
<b>Operating Expenses</b>					
Operation and maintenance	5,394,889	1,023,397	2,615,669	516,928	9,550,883
Depreciation and amortization	1,130,487	318,183	118,298	320,746	1,887,714
Total operating expenses	6,525,376	1,341,580	2,733,967	837,674	11,438,597
Operating (loss) income	\$ (135,552)	\$ 79,223	\$ 2,402,316	\$ 172,850	\$ 2,518,837
	Year Ended December 31, 2024				
	Electric	Steam	Gas	Water	Total
<b>Operating Revenue</b>					
Charges for services	\$ 17,237,531	\$ 2,227,237	\$ 7,706,682	\$ 3,078,174	\$ 30,249,624
Other operating revenues	321,949	98,087	80,623	104,498	605,157
Total operating revenues	17,559,480	2,325,324	7,787,305	3,182,672	30,854,781
<b>Operating Expenses</b>					
Operation and maintenance	15,601,212	2,405,133	4,971,322	1,623,766	24,601,433
Depreciation	3,207,675	990,250	391,512	710,701	5,300,138
Total operating expenses	18,808,887	3,395,383	5,362,834	2,334,467	29,901,571
Operating (loss) income	\$ (1,249,407)	\$ (1,070,059)	\$ 2,424,471	\$ 848,205	\$ 953,210





Item 6.B



Item 6.B – Approve 2025 Rate Adjustment & 2025 Budget

May 27, 2025

Jeff Hart  
Commission Chair  
1902 E. 6<sup>th</sup> Avenue  
Hibbing, MN 55746

RE: Item 6.B – Approve 2025 Rate Adjustment & 2025 Budget

Dear Commissioners;

As requested by the City of Hibbing and agreed to by Commission Resolution for its 2023 A Public Facilities Authority financing, HPU contracted Baker Tilly to perform the required rate study and has had several conversations with staff and the Commission since, including the May 12<sup>th</sup> Special Meeting.

Based on those discussions, and the public town hall meeting held on May 20<sup>th</sup> to discuss these rate changes, I am recommending Commission adopt the Baker Tilly Recommendation presented in the attached memo and commensurate budget

Budget and billing impacts for these options are outlined in the following presentation for Commission review.

Sincerely;



Luke J. Peterson



# ***2025 BUDGET & RATES PRESENTATION***



# 2025 BUDGET

- 2025 Projections are based on actual results Jan-March 2025 April-December 2024.
- Expenses are projected to increase at an anticipated 2.5% inflation rate when future costs are not known.
- Projections are offered for 2 alternative rate study options.
  - Option 1 – Rate increases are designed to shift expenses to the utility that incurred the expense over a 5 year period.
  - Option 2 – Gas rates do not decrease in this proposal

# OPERATING TRENDS

## REVENUES

\$ Million

Utility	2024 Actual	2025 Budget	2025 Budget	Comments
		Option # 1	Option # 2	
Electric	\$17.50	\$18.30	\$18.20	Actual revenue increase \$300K January - March in 2025.
Water	3.2	3.4	3.3	Higher Water Income Option #1
Gas	7.7	8.3	8.4	Higher Gas Income Option #2
Steam	2.3	2.5	2.5	
Total	\$30.90	\$32.50	\$32.50	Option #1 and #2 - revenue neutral

# OPERATING TRENDS

## OPERATING EXPENSES

\$ Million

Utility	2024 Actual	2025 Budget	Comments
		Option #1 & #2	
Electric	\$19.1	\$19.9	
Water	2.3	2.9	\$600K increase in depreciation in 2025.
Gas	5.4	5.5	
Steam	3.4	3.9	
<b>Total</b>	<b>\$30.3</b>	<b>\$32.2</b>	In 2024, expenses are offset by a \$1M pension valuation adjustment.

# OPERATING TRENDS

## OPERATING INCOME

\$ Million

Utility	2024 Actual	2025 Budget	2025 Budget
		Option # 1	Option # 2
Electric	(\$1.6)	(\$1.6)	(\$1.7)
Water	\$0.8	\$0.5	\$0.4
Gas	\$2.4	\$2.7	\$2.9
Steam	(\$1.1)	(\$1.4)	(\$1.4)
Total	\$0.6	\$0.3	\$0.3

# ELECTRIC EXPENSES

## Electric operating budget 2025

<b><i>Elect Distribution</i></b>	
Direct Staffing costs	1,652,442
Admin Allocation	1,900,354
Capitalized Wages	(846,557)
Depreciation - Distribution Only 19%	501,600
Metering	357,483
Vehicle/Transportation	231,926
Distribution maintenance	372,250
<b>Total Electric Distribution</b>	<b>4,169,497</b>
<b><i>Elect Power Supply</i></b>	
Cost of Production	8,078,200
Purchased Power / MISO	4,643,779
Transmission	2,356,232
<b>Total Power Supply</b>	<b>15,078,212</b>
Deferred Asset Expense	646,090
<b>Total Electric Expense</b>	<b>19,893,799</b>

# WATER EXPENSES

## Water operating budget 2025

<i><b>Water Distribution</b></i>	
Direct water employees	1,056,669
Admin Allocation	476,923
Capitalized Wages	(523,702)
Depreciation	1,020,000
Metering staff costs	345,748
Maint of Structures	35,585
Vehicle/Transportation	51,686
Maint of property	288,784
Chemicals	118,750
<b>Total Water Expense</b>	<b>\$ 2,870,443</b>

# GAS EXPENSES

## Gas operating budget 2025

<b><i>Gas Distribution</i></b>	
Direct Staffing costs	457,005
Admin Allocation	403,856
Capitalized wages	(26,888)
Depreciation	366,000
Metering staff costs	226,509
Vehicle/Transportation	43,768
Purchased gas	3,903,115
Licensing & Permits	34,100
Maintenance of services, mains and meters	130,079
	0
<b>Total Gas Expense</b>	<b>5,537,544</b>

# STEAM EXPENSES

## Steam expenses budget 2025

<i><b>District Energy steam</b></i>	
Direct Staffing costs	521,896
Capitalized wages	(24,777)
Admin Allocation	225,759
Power Production Cost Allocation	1,930,837
Depreciation	1,018,800
Allocated metering staffing costs	63,810
Safety - Workman's comp	48,252
Vehicle/Transportation	29,885
Uncollectable accounts	18,900
Materials & Supplies	64,000
<b>Total District Energy</b>	<b>3,897,363</b>

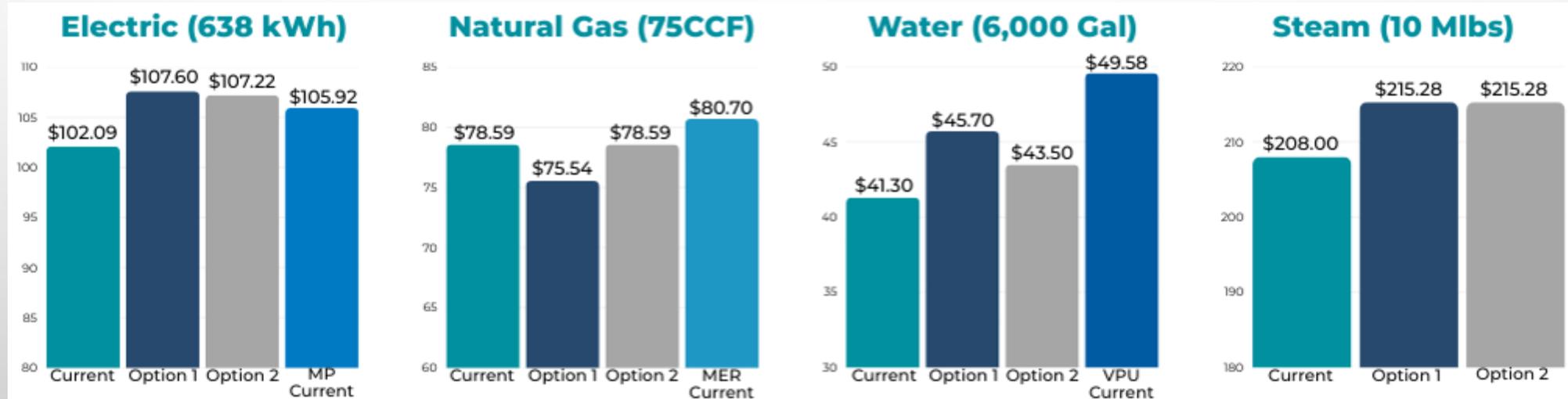
# RATE DESIGN GOALS

- **Revenue Sufficiency:** Rates should generate enough revenue to cover the utility's total cost of service as well as covering debt service payments and providing for infrastructure maintenance and improvements.
- **Fairness:** Rates should be fair and equitable, ensuring that no customer class is unduly burdened or favored.
- **Efficiency:** Rates should promote the efficient use of resources and encourage conservation where appropriate.
- **Simplicity:** Rate structures should be simple and understandable to customers, facilitating ease of administration and compliance.
- **Stability:** Rates should provide revenue stability for the utility and rate stability for customers, avoiding frequent or drastic changes.
- **Reflective of Costs:** Rates should reflect the cost of providing service to different customer classes.
- **Non-Discrimination:** Rates should not discriminate against any customer or group of customers.
- **Public Acceptability:** Rates should be acceptable to the public and policymakers, balancing economic and social objectives

# RATE STUDY

- Proposed rate increases provide for inflation, future debt service payments, deferred expenses and infrastructure improvements. Increases are phased in over a 5 year period.
- Projections are offered for 2 alternative rate study options.
  - Option 1 – Rate increases are designed to shift expenses to the utility that incurred the expense over a 5 year period.
  - Option 2 – Gas rates do not decrease in this proposal

# CUSTOMER BILL RATE CHANGE IMPACTS



# BUDGET AND RATE OPTION # 1

Rate increases – Electric 5.4%, Water 11.25%, Gas -4.5%, Steam 3.5%

	2024 Actual	2025 Budget	2026 Projection	2027 Projection
<b>Operating Revenues</b>				
Electric	17,559,480	18,256,032	19,229,917	20,256,393
Water	3,183,722	3,360,881	3,637,166	4,027,970
Gas	7,787,305	8,310,169	7,938,560	7,544,241
Steam	2,325,324	2,525,305	2,612,956	2,703,674
Total operating revenues	30,855,831	32,452,387	33,418,599	34,532,278
<b>Operating Expenses</b>				
Electric	19,183,548	19,893,799	20,903,644	21,426,235
Water	2,334,467	2,870,443	2,942,204	3,015,759
Gas	5,362,834	5,537,544	5,675,983	5,817,882
Steam	3,395,383	3,897,363	3,482,297	3,569,354
Total operating expenses	30,276,232	32,199,149	33,004,128	33,829,230
<b>Operating Income (Loss)</b>	<b>579,599</b>	<b>253,238</b>	<b>414,471</b>	<b>703,048</b>

# BUDGET AND RATE OPTION # 2

Rate increases – Electric 5%, Water 5.3%, Gas -0%, Steam 3.5%

	2024 Actual	2025 Budget	2026 Projection	2027 Projection
<b>Operating Revenues</b>				
Electric	17,559,480	18,221,256	19,121,262	20,066,270
Water	3,183,722	3,271,846	3,358,532	3,528,835
Gas	7,787,305	8,435,888	8,435,888	8,435,888
Steam	2,325,324	2,525,305	2,612,956	2,703,674
Total operating revenues	30,855,831	32,454,295	33,528,638	34,734,667
<b>Operating Expenses</b>				
Electric	19,183,548	19,893,799	20,903,644	21,426,235
Water	2,334,467	2,870,443	2,942,204	3,015,759
Gas	5,362,834	5,537,544	5,675,983	5,817,882
Steam	3,395,383	3,897,363	3,482,297	3,569,354
Total operating expenses	30,276,232	32,199,149	33,004,128	33,829,230
<b>Operating Income (Loss)</b>	<b>579,599</b>	<b>255,146</b>	<b>524,510</b>	<b>905,437</b>

# Memo

---

To: Luke Peterson, Tammy Mattonen

From: Bethany Ryers and Russ Hissom

c.c. Amanda Lasinski

Date: May 23, 2025

Subject: Updated proposed HPU electric, gas, steam, and water rates

---

Attached to this draft memo are the proposed electric, gas, steam, and water rates for 2025. The overall rate changes for each utility are as follows:

Utility	Overall Rate Change
<b>Electric</b>	5.40%
<b>Gas</b>	-4.50%
<b>Steam</b>	3.50%
<b>Water</b>	11.25%

The proposed rates are based on the draft January 2, 2025 Baker Tilly Study – *Forecasted Electric, Gas, Steam, and Water Revenue Requirement, Cost of Service, and Rate Design*.

The electric rate increases have been modified between the customer classes to adjust for interclass subsidies.

The attached schedules detail the proposed rates. If you have questions, don't hesitate to contact us.

## Proposed Electric Rates

<u>Rate Class</u>	<u>2024</u> <u>Current Rates</u>	<u>2025</u> <u>Rates</u>
<b>Residential and Senior Discount</b>		
Energy	\$ 0.140800	\$ 0.153403
Customer Charge	\$ 12.259	\$ 12.921
Fuel Adjustment	\$ -	\$ -
Senior Discount	\$ (1.50)	\$ (1.50)
<b>Res Water Heating &amp; Electric Heat</b>		
Energy	\$ 0.140800	\$ 0.153403
Customer Charge	\$ 12.259	\$ 12.921
Fuel Adjustment	\$ -	\$ -
Senior Discount	\$ (1.50)	\$ (1.50)
<b>General Service</b>		
Energy	\$ 0.139900	\$ 0.144900
Customer Charge	\$ 13.151	\$ 13.861
Fuel Adjustment	\$ -	\$ -
<b>Commercial - Small Power Service</b>		
Energy Charge	\$ 0.131000	\$ 0.140135
Demand Charge		
8 kW	\$ 12.904	
Over 8 kW	\$ 11.290	
All demand		\$ 12.250
Customer Charge	\$ 20.500	\$ 21.607
Fuel Adjustment	\$ -	\$ -
Primary Metering Discounts		
1,000	\$ (0.0013)	\$ (0.0013)
7,000	\$ (0.0012)	\$ (0.0012)
Over 8,000	\$ (0.0012)	\$ (0.0012)
Demand Deduction		
500	\$ (0.1500)	\$ (0.1500)
Over 500	\$ (0.1000)	\$ (0.1000)
Net Energy	\$ (0.1310)	\$ (0.1310)

Proposed Electric Rates

<u>Rate Class</u>	<u>2024</u> <u>Current Rates</u>	<u>2025</u> <u>Rates</u>
<b>Commercial - Power Service Rate</b>		
Energy	\$ 0.128700	\$ 0.140135
Demand Charge	\$ 12.0110	\$ 12.6105
Demand Deduction		
500	\$ (0.1500)	\$ (0.1500)
Over 500	\$ (0.1000)	\$ (0.1000)
Customer Charge	\$ 20.500	\$ 21.607
Fuel Adjustment	\$ -	\$ -
Primary Meter Discounts		
20,000	\$ (0.0012)	\$ (0.0012)
Over 20,000	\$ (0.0011)	\$ (0.0011)
Net Energy	\$ (0.1287)	\$ (0.1287)
<b>Commercial - Large Power Service</b>		
Energy Charge	\$ 0.109600	\$ 0.120518
Demand Charge		
First 750 kW of billing demand or less/month	\$ 7,714.750	
Over 750 kW	\$ 11.333	
All demand		\$ 10.8418
Customer Charge	\$ 41.000	\$ 43.214
Fuel Adjustment	\$ -	\$ -
Primary Meter Discount		
225,000	\$ (0.0010)	\$ (0.0010)
Over 225,000	\$ (0.0010)	\$ (0.0010)
Curtailable Credits		
<b>Security Lighting</b>		
Street Lighting		
100W HPS	\$ 14.250	\$ 15.019
48W LED	\$ 14.250	\$ 15.019
250W HPS	\$ 25.066	\$ 26.419
133W LED	\$ 25.066	\$ 26.419
Light Pole	\$ 9.880	\$ 10.414
<b>Municipal Service Rate</b>		
Energy Charge	\$ 0.154600	\$ 0.167948
Demand Charge	\$ 11.700	\$ 12.332
Customer Charge	\$ 20.500	\$ 21.607
Fuel Adjustment	\$ -	\$ -
Net Energy	\$ (0.1546)	\$ (0.1629)

## Proposed Gas Rates

Rate Class	Current Rates		Proposed Rates	
		2024		2025
<b>Residential</b>				
Commodity Charge		\$0.91010	\$	0.86915
Customer Charge	\$	10.76	\$	10.76
Purchased Gas Adjustment	\$	0.1200	\$	-
<b>Residential Heat</b>				
Commodity Charge		\$0.91010	\$	0.86915
Customer Charge	\$	10.76	\$	10.76
Purchased Gas Adjustment	\$	0.1200	\$	-
<b>Commercial</b>				
Commodity Charge		\$0.91000	\$	0.86905
Customer Charge	\$	15.14	\$	15.14
Purchased Gas Adjustment	\$	0.1200	\$	-
<b>Commercial Heat</b>				
Commodity Charge		\$0.91000	\$	0.86905
Customer Charge	\$	15.14	\$	15.14
Purchased Gas Adjustment	\$	0.1200	\$	-
<b>Interruptible</b>				
Commodity Charge		\$0.77390	\$	0.73907
Customer Charge	\$	58.97	\$	58.97
Purchased Gas Adjustment	\$	0.1200	\$	-

## Proposed Steam Rates

Rate Class	Current Rates	Proposed Rates
	2024	2025
<b>Residential (15 psig)</b>		
Base Charge	\$ 22.57	\$23.36
Winter (October - April) per M lbs.	\$ 19.05	\$19.72
Summer (June - September) per M lbs.	\$ 22.86	\$23.66
<b>Commerical/General Service (15 psig)</b>		
Base Charge	\$ 22.57	\$23.36
Winter (October - April) per M lbs.	\$ 19.05	\$19.72
Summer (June - September) per M lbs.	\$ 22.86	\$23.66
<b>Live Steam (175 psig)</b>		
Base Charge	\$ 21.74	\$22.50
All steam consumed	\$ 16.66	\$17.24
<b>Health Services (15 psig)</b>		
Base Charge	\$ 22.23	\$23.01
Winter (October - April) per M lbs. (1)	\$ 17.16	\$17.76
Summer (June - September) per M lbs.	\$ 20.58	\$21.30
<b>School District (15 psig)</b>		
Base Charge	\$ 22.23	\$23.01
Winter (October - April) per M lbs. (2)	\$ 18.10	\$18.73
Summer (June - September) per M lbs.	\$ 21.72	\$22.48
<b>Lee Center (15 psig)</b>		
Base Charge	\$ 20.52	\$21.24
All steam consumed	\$ 19.05	\$19.72
<b>HRA (15 psig)</b>		
Base Charge	\$ 20.52	\$21.24
All steam consumed	\$ 19.05	\$19.72

**Proposed Water Rates**

	<u>Current Rates</u>	<u>Proposed Rates</u>
	<u>2024</u>	<u>2025</u>
<b>Single Family Residential</b>		
First 6,000 gallons	\$ 3.90	\$4.30
Next 7,000 - 12,000 gallons	\$ 4.17	\$4.60
Next 13,000 - 24,000 gallons	\$ 4.44	\$4.90
Over 24,000 gallons	\$ 4.75	\$5.30
Base Charge/Customer Charge	\$ 17.90	\$19.90
<b>Multi Unit Residential</b>		
All Usage	\$ 4.05	\$4.50
Base Charge/Customer Charge	\$ 17.90	\$19.90
<b>Commercial</b>		
All Usage	\$ 4.05	\$4.50
Base Charge/Customer Charge	\$ 17.90	\$19.91
Meter Charge:		
1"	\$ 19.17	\$21.30
1.5"	\$ 24.20	\$26.90
2"	\$ 30.25	\$33.70
3"	\$ 72.61	\$80.80
4"	\$ 108.93	\$121.20
6"	\$ 151.29	\$168.30
<b>Wellhead</b>	<b>\$ 1.69</b>	<b>\$1.90</b>

Draft

# **HIBBING PUBLIC UTILITIES**

Forecasted Electric, Gas, Steam, and Water  
Revenue Requirement, Cost of Service, and Rate Design

Prepared as of  
January 2, 2025

**HIBBING PUBLIC UTILITIES  
ELECTRIC, GAS, STEAM, AND WATER RATE STUDY**

**TABLE OF CONTENTS**

**EXECUTIVE SUMMARY.....4**  
    Introduction ..... 4  
    Rate study methodology and rate design philosophy..... 4

**Electric Utility .....5**  
    Revenue requirement ..... 5  
    Operating income and return on ratebase ..... 5  
    Cost of service analysis ..... 6  
    Proposed rate increases ..... 6  
    Customer rate comparisons at the proposed rates ..... 7

**Gas Utility.....8**  
    Revenue requirement ..... 8  
    Operating income and return on ratebase ..... 8  
    Cost of service analysis ..... 9  
    Proposed rate changes..... 10  
    Customer rate comparisons at the proposed rates ..... 11

**Steam Utility .....12**  
    Revenue requirement ..... 12  
    Cash flows ..... 12  
    Cost of service analysis ..... 13  
    Proposed rate changes..... 13  
    Customer rate comparisons at the proposed rates ..... 14

**Water Utility .....15**  
    Revenue requirement ..... 15  
    Operating income and return on ratebase ..... 15  
    Cost of service analysis ..... 16  
    Proposed rate changes..... 16  
    Customer rate comparisons at the proposed rates ..... 17

**Appendices.....18**  
    Appendix A ..... 19  
    Proposed Electric Rates..... 19  
    Appendix B ..... 20  
    Proposed Gas Rates ..... 20  
    Appendix C ..... 21  
    Proposed Steam Rates ..... 21  
    Appendix D ..... 22  
    Proposed Water Rates..... 22  
    Appendix E ..... 23  
    Customer Rate Comparison at FY 2025 – 2029 Proposed Rates ..... 23

**HIBBING PUBLIC UTILITIES  
ELECTRIC, GAS, STEAM, AND WATER RATE STUDY**

**Table 1 – Electric Revenue Requirement FY 2025 –2029, 5**  
**Table 10 – Customer Rate Comparison at FY 2025 – 2029 Proposed Rates - Gas, 11**  
**Table 11 – Steam Revenue Requirement FY 2025 –2029, 12**  
**Table 12 – Steam Sources and Uses of Cash FY 2025 –2029, 12**  
**Table 13 – Steam Cost of Service Analysis, 13**  
**Table 14 – Recommended Rate Increases - Steam, 13**  
**Table 15 – Customer Rate Comparison at FY 2025 – 2029 Proposed Rates - Steam, 14**

**Table 16 – Water Revenue Requirement FY 2025 –2029, 15**  
**Table 17 – Water Operating income and Return on Ratebase FY 2025 –2029, 15**  
**Table 18 – Water Cost of Service Analysis, 16**  
**Table 19 – Recommended Rate Increases - Water, 16**  
**Table 2 – Electric Operating income and Return on Ratebase FY 2025 –2029, 6**  
**Table 20 – Customer Rate Comparison at FY 2025 – 2029 Proposed Rates - Water, 17**  
**Table 3 – Electric Cost of Service Analysis, 6**

**Table 4 – Recommended Rate Increases - Electric, 6**  
**Table 5 – Customer Rate Comparison at FY 2025 – 2029 Proposed Rates - Electric, 7**  
**Table 6 – Gas Revenue Requirement FY 2025 – 2029, 8**  
**Table 7 – Gas Operating income and Return on Ratebase FY 2025 – 2029, 8**  
**Table 8 – Gas Cost of Service Analysis, 9**  
**Table 9 – Recommended Rate Decreases - Gas, 10**

# HIBBING PUBLIC UTILITIES ELECTRIC, GAS, STEAM, AND WATER RATE STUDY

## EXECUTIVE SUMMARY

### *Introduction*

The Hibbing Public Utilities retained Baker Tilly Advisory Group (Baker Tilly) to forecast the revenue requirement for fiscal years 2024 - 2029, analyze cost of service, and design rates for the electric, gas, steam, and water utilities.

Baker Tilly based the studies for each utility using industry methods in analyzing the cost of service for each utility and designing customer rates. Note this report is not considered a financial forecast as defined by the American Institute of Certified Professional Accountants (AICPA) standards, rather it is a consulting engagement.

### *Rate study methodology and rate design philosophy*

A utility rate study is used to determine the costs of providing service to customers and design customer rates to recover those costs. A study consists of three main steps:

1. Determine the revenue requirement, which includes operation and maintenance expenses, capital outlay, and debt service.
2. Prepare a cost of service analysis to allocate the revenue requirement to each customer class based on their consumption of the various services.
3. Design rates that recover the revenue requirement.

Rates are designed to recover the full cost of service over a 5-year phase in for each utility, but revenues from each customer class may exceed or fall short of their cost of service. Utilities have decades of history embedded in their rate structures and sudden changes in rates are not part of the fundamentals of rate design. Rate principles commonly followed in the utility industry include:

1. **Revenue Sufficiency:** Rates should generate enough revenue to cover the utility's total cost of service, including a reasonable return on investment.
2. **Fairness:** Rates should be fair and equitable, ensuring that no customer class is unduly burdened or favored.
3. **Efficiency:** Rates should promote the efficient use of resources and encourage conservation where appropriate.
4. **Simplicity:** Rate structures should be simple and understandable to customers, facilitating ease of administration and compliance.
5. **Stability:** Rates should provide revenue stability for the utility and rate stability for customers, avoiding frequent or drastic changes.
6. **Reflective of Costs:** Rates should reflect the cost of providing service to different customer classes, ensuring that each class pays its fair share.
7. **Non-Discrimination:** Rates should not discriminate against any customer or group of customers.
8. **Public Acceptability:** Rates should be acceptable to the public and policymakers, balancing economic and social objectives.

A key principle of rate design is to ensure smooth transitions and avoid undue rate shock, i.e. rates should be adjusted incrementally and steadily rather than through abrupt changes. This is the approach taken in designing the proposed rates in this study.

The specific analysis and rate recommendations for each utility are discussed separately in this report.

**HIBBING PUBLIC UTILITIES  
ELECTRIC, GAS, STEAM, AND WATER RATE STUDY**

**Electric Utility**

***Revenue requirement***

The revenue requirement identifies the necessary customer revenues to operate the utility for a specified period. The period of the revenue requirement is Fiscal Years (FY) 2025 – 2029.

The revenue requirement for FY 2025 – 2029 is shown in the following table:

**Table 1 – Electric Revenue Requirement FY 2025 – 2029**

	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Operation and maintenance	\$ 17,399,816	\$ 17,834,811	\$ 18,280,681	\$ 18,737,698	\$ 19,206,141
Depreciation	3,270,418	3,270,418	3,270,418	3,270,418	3,270,418
Amortization of deferred outflow - LEA	43,344	43,344	43,344	40,214	-
Return on Ratebase	3,080,084	2,916,563	2,753,042	2,589,522	2,426,001
Total Revenue Requirement	<u>\$ 23,793,662</u>	<u>\$ 24,065,136</u>	<u>\$ 24,347,486</u>	<u>\$ 24,637,852</u>	<u>\$ 24,902,559</u>

The revenue requirement remains fairly stable for the forecast period. Expenses are increased at the rate of inflation. We recommend that HPU adopt a floating electric cost adjustment (ECA) to offset fluctuations in purchased power and generation costs per unit above or below the base cost of purchased power and generation in this study, which is \$0.08400/kWh.

***Operating income and return on ratebase***

Utilities should achieve a rate of return on their rate base that is close to their cost of capital. Achieving this return ensures that cash flows can cover operating expenses, fund asset replacements through depreciation, service debt, and address inflationary increases in the historical cost of assets since their initial installation. Consistently earning less than the utility's cost of capital will gradually (or quickly) erode the utility's ability to maintain reliable service for customers.

A benchmark rate of return of 5% was used in developing the revenue requirement. The rate of return is based on the calculation - Net Book Value of Fixed Assets times Cost of Capital. The Cost of Capital used is 5%, which equates to a balance of the current Fed Funds Rate and a return on equity. The monies collected in rates for the return on ratebase are used to cover inflationary increases in the cost of plant assets recovered through depreciation, as depreciation is based on the asset's cost in the year it was installed. The rate of return also provides funds to pay debt service.

The forecasted operating income and return on ratebase for FY 2025 – 2029 is shown in the following table. The forecast revenues are based on the recommended rate changes in Table 4.

# HIBBING PUBLIC UTILITIES ELECTRIC, GAS, STEAM, AND WATER RATE STUDY

**Table 2 – Electric Operating Income and Return on Ratebase FY 2025 – 2029**

	Forecasted				
	2025	2026	2027	2028	2029
<b>Operating Revenues</b>					
Customer revenues	\$ 19,829,359	\$ 20,870,493	\$ 21,967,849	\$ 23,124,462	\$ 24,343,531
Other operating revenues	516,616	516,616	516,616	516,616	516,616
<b>Total Operating Revenues</b>	<b>\$ 20,345,975</b>	<b>\$ 21,387,109</b>	<b>\$ 22,484,465</b>	<b>\$ 23,641,078</b>	<b>\$ 24,860,148</b>
<b>Expenses</b>					
Operation and maintenance	\$ 17,399,816	\$ 17,834,811	\$ 18,280,681	\$ 18,737,698	\$ 19,206,141
Depreciation	3,270,418	3,270,418	3,270,418	3,270,418	3,270,418
Amortization of deferred outflow - LEA	43,344	43,344	43,344	40,214	-
<b>Total Operating Expenses</b>	<b>\$ 20,713,578</b>	<b>\$ 21,148,573</b>	<b>\$ 21,594,443</b>	<b>\$ 22,048,330</b>	<b>\$ 22,476,559</b>
<b>Operating Income</b>	<b>\$ (367,603)</b>	<b>\$ 238,536</b>	<b>\$ 890,022</b>	<b>\$ 1,592,747</b>	<b>\$ 2,383,589</b>
<b>Net Investment Ratebase</b>	<b>\$ 61,601,684</b>	<b>\$ 58,331,266</b>	<b>\$ 55,060,848</b>	<b>\$ 51,790,430</b>	<b>\$ 48,520,012</b>
<b>Rate of Return</b>	<b>-0.60%</b>	<b>0.41%</b>	<b>1.62%</b>	<b>3.08%</b>	<b>4.91%</b>

### Cost of service analysis

The cost of service analysis was based on industry standards in allocating costs based on customer load curves. The cost of service detail is shown in the electric rate model used to prepare this study. The results of the cost of service analysis shows that revenues from current rates are 23.85% below the cost of service. This varies by customer class as shown in the following table:

**Table 3 – Electric Cost of Service Analysis**

	Rate Classes								
	Forecasted 2025	Residential and Senior Discount	Residential Water Heating and Electric Heat	General Service	Commercial - Small Power Service	Commercial - Power Service Rate	Commercial - Large Power Service	Security Lighting	Municipal Service Rate
<b>Total Revenue Required</b>	\$ 23,324,518	\$ 7,750,714	\$ 2,294,459	\$ 1,195,167	\$ 3,765,226	\$ 6,274,598	\$ 1,404,561	\$ 81,007	\$ 558,786
<b>Revenue Forecast at Present Rates</b>	18,833,444	4,797,558	3,452,923	673,957	2,767,977	5,470,668	1,130,007	22,826	517,528
<b>Rate Change Required</b>	<b>\$ 4,491,074</b>	<b>\$ 2,953,156</b>	<b>\$ (1,158,464)</b>	<b>\$ 521,210</b>	<b>\$ 997,249</b>	<b>\$ 803,930</b>	<b>\$ 274,554</b>	<b>\$ 58,181</b>	<b>\$ 41,258</b>
<b>Percent Change Required</b>	<b>23.85%</b>	<b>61.56%</b>	<b>-33.55%</b>	<b>77.34%</b>	<b>36.03%</b>	<b>14.70%</b>	<b>24.30%</b>	<b>254.89%</b>	<b>7.97%</b>

### Proposed rate increases

To move towards the cost of service, the recommended overall annual rate increases are shown in the following table:

**Table 4 – Recommended Rate Increases – Electric**

Year	Rate Adjustment
2025	5.40%
2026	5.40%
2027	5.40%
2028	5.40%
2029	5.40%

## HIBBING PUBLIC UTILITIES ELECTRIC, GAS, STEAM, AND WATER RATE STUDY

### *Customer rate comparisons at the proposed rates*

The following table shows the dollar and percentage changes in monthly customer bills at various levels of electric usage using the proposed rates in the previous table:

**Table 5 – Customer Rate Comparison at FY 2025 – 2029 Proposed Rates - Electric**

Rate Class	Monthly Consumption (Average)	Bill at Current Rates	Proposed 2025 Rates			Proposed 2026 Rates			Proposed 2027 Rates		
			Monthly Bill	\$ over 2024	% over 2024	Monthly Bill	\$ over 2024	% over 2024	Monthly Bill	\$ over 2024	% over 2024
Residential and Senior Discount	638	\$ 102.09	\$ 107.60	\$ 5.51	5.40%	\$ 113.41	\$ 11.32	11.09%	\$ 119.54	\$ 17.45	17.09%
Res Water Heating & Electric Heat	757	\$ 118.84	\$ 125.26	\$ 6.42	5.40%	\$ 132.03	\$ 13.18	11.09%	\$ 139.16	\$ 20.31	17.09%
General Service	810	\$ 126.47	\$ 133.30	\$ 6.83	5.40%	\$ 140.50	\$ 14.03	11.09%	\$ 148.08	\$ 21.61	17.09%
Commercial - Small Power Service	3,742	\$ 527.93	\$ 556.44	\$ 28.51	5.40%	\$ 586.49	\$ 58.56	11.09%	\$ 618.16	\$ 90.23	17.09%
Commercial - Power Service Rate	37,043	\$ 4,894.10	\$ 5,158.38	\$ 264.28	5.40%	\$ 5,436.93	\$ 542.83	11.09%	\$ 5,730.53	\$ 836.43	17.09%
Commercial - Large Power Service	112,062	\$ 12,557.27	\$ 13,235.36	\$ 678.09	5.40%	\$ 13,950.07	\$ 1,392.80	11.09%	\$ 14,703.38	\$ 2,146.11	17.09%
Security Lighting	1	\$ 14.25	\$ 15.02	\$ 0.77	5.40%	\$ 15.83	\$ 1.58	11.09%	\$ 16.68	\$ 2.44	17.09%
Municipal Service Rate	286	\$ 74.33	\$ 78.35	\$ 4.01	5.40%	\$ 82.58	\$ 8.24	11.09%	\$ 87.04	\$ 12.70	17.09%

Rate Class	Monthly Consumption (Winter or Average)	Bill at Current Rates	Proposed 2028 Rates			Proposed 2029 Rates		
			Monthly Bill	\$ over 2024	% over 2024	Monthly Bill	\$ over 2024	% over 2024
Residential and Senior Discount	638	\$ 102.09	\$ 125.99	\$ 23.90	23.4%	\$ 132.80	\$ 30.71	30.1%
Res Water Heating & Electric Heat	757	\$ 118.84	\$ 146.67	\$ 27.83	23.4%	\$ 154.59	\$ 35.75	30.1%
General Service	810	\$ 126.47	\$ 156.08	\$ 29.61	23.4%	\$ 164.51	\$ 38.04	30.1%
Commercial - Small Power Service	3,742	\$ 527.93	\$ 651.54	\$ 123.61	23.4%	\$ 686.72	\$ 158.79	30.1%
Commercial - Power Service Rate	37,043	\$ 4,894.10	\$ 6,039.98	\$ 1,145.88	23.4%	\$ 6,366.13	\$ 1,472.04	30.1%
Commercial - Large Power Service	112,062	\$ 12,557.27	\$ 15,497.36	\$ 2,940.09	23.4%	\$ 16,334.21	\$ 3,776.95	30.1%
Security Lighting	1	\$ 14.25	\$ 17.59	\$ 3.34	23.4%	\$ 18.54	\$ 4.29	30.1%
Municipal Service Rate	286	\$ 74.33	\$ 91.74	\$ 17.40	23.4%	\$ 96.69	\$ 22.36	30.1%

The recommended electric rates for FY 2025–2029 are detailed in Appendix A.

# HIBBING PUBLIC UTILITIES ELECTRIC, GAS, STEAM, AND WATER RATE STUDY

## Gas Utility

### *Revenue requirement*

The revenue requirement identifies the necessary customer revenues to operate the gas utility for FY 2025 – 2029.

The revenue requirement for FY 2025 – 2029 is shown in the following table:

**Table 6 – Gas Revenue Requirement FY 2025 – 2029**

	2025	2026	2027	2028	2029
Operation and Maintenance - Purchased Gas	\$ 4,136,809	\$ 4,240,000	\$ 4,346,000	\$ 4,455,000	\$ 4,566,000
Other Operation and Maintenance Expense	1,129,091	1,157,000	1,186,000	1,216,000	1,246,000
Depreciation	305,921	305,921	305,921	305,921	305,921
Return on Ratebase	<u>213,491</u>	<u>198,195</u>	<u>182,899</u>	<u>167,603</u>	<u>152,307</u>
<b>Total Revenue Requirement</b>	<b>\$ 5,785,312</b>	<b>\$ 5,901,116</b>	<b>\$ 6,020,820</b>	<b>\$ 6,144,524</b>	<b>\$ 6,270,228</b>

The revenue requirement increases slightly over the forecast period, with inflationary increases in operating expenses and purchased gas. We recommend that HPU adopt a floating purchased gas adjustment to offset any purchased gas cost per unit above or below the base cost of gas in this study, which is \$0.50807/CCF.

### *Operating income and return on ratebase*

A benchmark rate of return of 5% was used in developing the revenue requirement. A 5% return is based on the cost of debt and equity as of the date of this report.

The forecasted operating income and return on ratebase for FY 2025 – 2029 is shown in the following table. The forecast revenues are based on the recommended rate changes in Table 9.

**Table 7 – Gas Operating Income and Return on Ratebase FY 2025 – 2029**

	Forecasted				
	2025	2026	2027	2028	2029
<b>Operating Revenues</b>					
Customer Revenues	\$ 7,410,220	\$ 7,109,329	\$ 6,821,979	\$ 6,547,559	\$ 6,285,488
PGA	-	-	-	-	-
<b>Total Operating Revenues</b>	<b>\$ 7,410,220</b>	<b>\$ 7,109,329</b>	<b>\$ 6,821,979</b>	<b>\$ 6,547,559</b>	<b>\$ 6,285,488</b>
<b>Expenses</b>					
Operation and Maintenance - Purchased Gas	4,136,809	4,240,000	4,346,000	4,455,000	4,566,000
Other Operation and Maintenance Expense	1,129,091	1,157,000	1,186,000	1,216,000	1,246,000
Depreciation	<u>305,921</u>	<u>305,921</u>	<u>305,921</u>	<u>305,921</u>	<u>305,921</u>
<b>Total Operating Expenses</b>	<b>5,571,821</b>	<b>5,702,921</b>	<b>5,837,921</b>	<b>5,976,921</b>	<b>6,117,921</b>
<b>Operating Income</b>	<b>\$ 1,838,399</b>	<b>\$ 1,406,408</b>	<b>\$ 984,058</b>	<b>\$ 570,638</b>	<b>\$ 167,567</b>
<b>Net Investment Ratebase</b>	<b>\$ 4,269,817</b>	<b>\$ 3,963,896</b>	<b>\$ 3,657,975</b>	<b>\$ 3,352,054</b>	<b>\$ 3,046,133</b>
<b>Rate of Return on Ratebase</b>	<b><u>43.06%</u></b>	<b><u>35.48%</u></b>	<b><u>26.90%</u></b>	<b><u>17.02%</u></b>	<b><u>5.50%</u></b>

## HIBBING PUBLIC UTILITIES ELECTRIC, GAS, STEAM, AND WATER RATE STUDY

Gas revenues will continue to decrease annually until FY 2029, at which point a 5% return on the rate base is achieved.

### *Cost of service analysis*

The cost of service analysis was based on industry standards in allocating costs based on customer consumption. The cost of service detail is shown in the gas rate model used to prepare this study. The results of the cost of service analysis shows that revenues from current rates are 21% above the cost of service. This varies by customer class as shown in the following table:

**Table 8 – Gas Cost of Service Analysis**

	Forecasted 2025	Rate Classes				
		Residential	Residential Heat	Commercial	Commercial Heat	Interruptible
<b>Total Revenue Required</b>	\$ 5,801,669	\$ 161,766	\$ 2,998,569	\$ 462,958	\$ 2,021,007	\$ 157,370
<b>Revenue Forecast at Present Rates (A)</b>	<u>7,410,220</u>	<u>232,090</u>	<u>3,962,205</u>	<u>567,531</u>	<u>2,482,475</u>	<u>165,918</u>
<b>Rate Change Required</b>	<u>\$ (1,608,551)</u>	<u>\$ (70,324)</u>	<u>\$ (963,636)</u>	<u>\$ (104,573)</u>	<u>\$ (461,468)</u>	<u>\$ (8,548)</u>
<b>Percent Change Required</b>	<u>-21.71%</u>	<u>-30.30%</u>	<u>-24.32%</u>	<u>-18.43%</u>	<u>-18.59%</u>	<u>-5.15%</u>

# HIBBING PUBLIC UTILITIES ELECTRIC, GAS, STEAM, AND WATER RATE STUDY

## *Proposed rate changes*

To move towards the cost of service, the recommended overall annual rate decreases are shown in the following table:

**Table 9 – Recommended Rate Decreases - Gas**

<b>Year</b>	<b>Rate Adjustment</b>
<b>2025</b>	-4.50%
<b>2026</b>	-4.50%
<b>2027</b>	-4.50%
<b>2028</b>	-4.50%
<b>2029</b>	-4.50%

## HIBBING PUBLIC UTILITIES ELECTRIC, GAS, STEAM, AND WATER RATE STUDY

### *Customer rate comparisons at the proposed rates*

The following table shows the dollar and percentage changes in monthly customer bills at various levels of natural gas consumption using the proposed rate changes in the previous table:

**Table 10 – Customer Rate Comparison at FY 2025 – 2029 Proposed Rates - Gas**

Rate Class	Monthly Consumption (Average)	Current Rates	Proposed 2025 Rates			Proposed 2026 Rates			Proposed 2027 Rates		
			Monthly Bill	\$ over 2024	% over 2024	Monthly Bill	\$ over 2024	% over 2024	Monthly Bill	\$ over 2024	% over 2024
Residential	40	\$ 46.92	\$ 45.29	\$ (1.63)	-3.47%	\$ 43.74	\$ (3.18)	-6.78%	\$ 42.26	\$ (4.67)	-9.94%
Residential Heat	75	\$ 78.59	\$ 75.54	\$ (3.05)	-3.88%	\$ 72.62	\$ (5.97)	-7.59%	\$ 69.84	\$ (8.75)	-11.14%
Commercial	386	\$ 366.12	\$ 350.33	\$ (15.79)	-4.31%	\$ 335.24	\$ (30.88)	-8.43%	\$ 320.84	\$ (45.28)	-12.37%
Commercial Heat	535	\$ 501.89	\$ 479.98	\$ (21.90)	-4.36%	\$ 459.07	\$ (42.82)	-8.53%	\$ 439.09	\$ (62.80)	-12.51%
Interruptible	9,274	\$ 7,236.25	\$ 6,913.27	\$ (322.98)	-4.46%	\$ 6,604.83	\$ (631.42)	-8.73%	\$ 6,310.26	\$ (925.98)	-12.80%

Rate Class	Monthly Consumption (Winter or Average)	Current Rates	Proposed 2028 Rates			Proposed 2029 Rates		
			Monthly Bill	\$ over 2024	% over 2024	Monthly Bill	\$ over 2024	% over 2024
Residential	40	\$ 46.92	\$ 40.84	\$ (6.08)	-13.0%	\$ 39.49	\$ (7.44)	-15.8%
Residential Heat	75	\$ 78.59	\$ 67.18	\$ (11.41)	-14.5%	\$ 64.64	\$ (13.95)	-17.7%
Commercial	386	\$ 366.12	\$ 307.08	\$ (59.04)	-16.1%	\$ 293.95	\$ (72.18)	-19.7%
Commercial Heat	535	\$ 501.89	\$ 420.01	\$ (81.88)	-16.3%	\$ 401.79	\$ (100.10)	-19.9%
Interruptible	9,274	\$ 7,236.25	\$ 6,028.95	\$ (1,207.29)	-16.7%	\$ 5,760.31	\$ (1,475.94)	-20.4%

The recommended gas rates for FY 2025–2029 are detailed in Appendix B.

# HIBBING PUBLIC UTILITIES ELECTRIC, GAS, STEAM, AND WATER RATE STUDY

## Steam Utility

### *Revenue requirement*

The revenue requirement identifies the necessary customer revenues to operate the steam utility for FY 2025 – 2029. As steam is a by-product of electric generation, it provides a financial benefit to the electric utility. The steam generation expense is an allocation of overall electric generation costs. The allocation is based on an annual evaluation by an independent engineering firm. The steam generation cost allocation is 39% of total electric generation expense for the FY 2025 – 2029 period.

The revenue requirement for FY 2025 – 2029 is shown in the following table:

**Table 11 – Steam Revenue Requirement FY 2025 – 2029**

	Forecasted				
	2025	2026	2027	2028	2029
Operation and maintenance expenses	\$ 2,823,700	\$ 2,894,000	\$ 2,966,000	\$ 3,040,000	\$ 3,116,000
Capital additions	9,450	-	-	-	-
<b>Total Revenue Requirement</b>	<b>\$ 2,833,150</b>	<b>\$ 2,894,000</b>	<b>\$ 2,966,000</b>	<b>\$ 3,040,000</b>	<b>\$ 3,116,000</b>

The revenue requirement is based on the cash basis, where rates are set to recover operation and maintenance expenses and routine capital additions. This will lead to operating losses, but rates are set at a level to be cash flow neutral, meaning the costs of operating the steam utility are recovered.

### *Cash flows*

The forecasted sources and uses of cash are shown in the following table. The forecast revenues are based on the recommended rate changes in Table 14.

**Table 12 – Steam Sources and Uses of Cash FY 2025 – 2029**

	Forecasted				
	2025	2026	2027	2028	2029
<b>Sources of cash</b>					
Customer sales	\$ 2,684,810	\$ 2,778,779	\$ 2,876,036	\$ 2,976,697	\$ 3,080,882
Other operating revenues	50,000	50,000	50,000	50,000	50,000
<b>Total Sources of Cash</b>	<b>\$ 2,734,810</b>	<b>\$ 2,828,779</b>	<b>\$ 2,926,036</b>	<b>\$ 3,026,697</b>	<b>\$ 3,130,882</b>
<b>Uses of Cash</b>					
Operation and maintenance expenses	2,823,700	2,894,000	2,966,000	3,040,000	3,116,000
Capital additions	9,450	-	-	-	-
<b>Total Uses of Cash</b>	<b>2,833,150</b>	<b>2,894,000</b>	<b>2,966,000</b>	<b>3,040,000</b>	<b>3,116,000</b>
<b>Net Cash Flows</b>	<b>\$ (98,340)</b>	<b>\$ (65,221)</b>	<b>\$ (39,964)</b>	<b>\$ (13,303)</b>	<b>\$ 14,882</b>

The recommended steam rates brings the net cash flows of the utility to nearly zero in FY 2029, as the sources of cash will meet the uses of cash needed.

# HIBBING PUBLIC UTILITIES ELECTRIC, GAS, STEAM, AND WATER RATE STUDY

## *Cost of service analysis*

The cost of service analysis was based on industry standards in allocating costs based on customer steam consumption. The cost of service detail is shown in the steam rate model used to prepare this study. The results of the cost of service analysis shows that revenues from current rates are 7% below the cost of service on a cash basis. This varies by customer class as shown in the following table:

**Table 13 – Steam Cost of Service Analysis**

	Forecasted 2025	Rate Classes						Steam - Live
		Residential	Commercial	Hospital	School	Lee Center	Housing & Devel	
<b>Total Revenue Required</b>	2,773,700	1,234,986	715,932	205,981	403,189	42,264	87,873	83,475
<b>Revenue Forecast at Present Rates</b>	2,594,020	1,193,797	677,502	176,072	357,854	39,280	81,665	67,851
<b>Rate Change Required</b>	\$ 179,680	\$ 41,189	\$ 38,429	\$ 29,910	\$ 45,335	\$ 2,984	\$ 6,208	\$ 15,625
<b>Indicated Rate Change</b>	6.93%	3.45%	5.67%	16.99%	12.67%	7.60%	7.60%	23.03%

## *Proposed rate changes*

To move towards the cost of service, the recommended overall annual rate increases are shown in the following table:

**Table 14 – Recommended Rate Increases - Steam**

Year	Rate Adjustment
<b>2025</b>	3.50%
<b>2026</b>	3.50%
<b>2027</b>	3.50%
<b>2028</b>	3.50%
<b>2029</b>	3.50%

These annual rate increases will move the steam utility to positive cash flows in FY 2029 and keep pace with the rate of inflation for operation and maintenance expenses.

## HIBBING PUBLIC UTILITIES ELECTRIC, GAS, STEAM, AND WATER RATE STUDY

### *Customer rate comparisons at the proposed rates*

The following table shows the dollar and percentage changes in monthly customer bills at various levels of steam consumption using the proposed rate changes in the previous table:

**Table 15 – Customer Rate Comparison at FY 2025 – 2029 Proposed Rates - Steam**

Rate Class	Monthly Consumption (Winter or Average)	Current Rates	Proposed 2025 Rates			Proposed 2026 Rates			Proposed 2027 Rates		
			Monthly Bill	\$ over 2024	% over 2024	Monthly Bill	\$ over 2024	% over 2024	Monthly Bill	\$ over 2024	% over 2024
Residential	10	\$ 208.00	\$ 215.28	\$ 7.28	3.50%	\$ 222.81	\$ 14.81	7.12%	\$ 230.61	\$ 22.61	10.87%
Commercial	57	\$ 1,111.87	\$ 1,150.79	\$ 38.92	3.50%	\$ 1,191.07	\$ 79.19	7.12%	\$ 1,232.75	\$ 120.88	10.87%
Hospital	744	\$ 12,787.84	\$ 13,235.41	\$ 447.57	3.50%	\$ 13,698.65	\$ 910.81	7.12%	\$ 14,178.11	\$ 1,390.27	10.87%
School	681	\$ 12,345.74	\$ 12,777.85	\$ 432.10	3.50%	\$ 13,225.07	\$ 879.33	7.12%	\$ 13,687.95	\$ 1,342.20	10.87%
Lee Center	171	\$ 3,273.31	\$ 3,387.87	\$ 114.57	3.50%	\$ 3,506.45	\$ 233.14	7.12%	\$ 3,629.17	\$ 355.87	10.87%
Housing and Development	178	\$ 3,402.69	\$ 3,521.78	\$ 119.09	3.50%	\$ 3,645.05	\$ 242.36	7.12%	\$ 3,772.62	\$ 369.93	10.87%
Steam-Live	338	\$ 5,654.21	\$ 5,852.11	\$ 197.90	3.50%	\$ 6,056.93	\$ 402.72	7.12%	\$ 6,268.92	\$ 614.71	10.87%

Rate Class	Monthly Consumption (Winter or Average)	Current Rates	Proposed 2028 Rates			Proposed 2029 Rates		
			Monthly Bill	\$ over 2024	% over 2024	Monthly Bill	\$ over 2024	% over 2024
Residential	10	\$ 208.00	\$ 238.68	\$ 30.68	14.8%	\$ 247.04	\$ 39.04	18.8%
Commercial	57	\$ 1,111.87	\$ 1,275.90	\$ 164.03	14.8%	\$ 1,320.56	\$ 208.68	18.8%
Hospital	744	\$ 12,787.84	\$ 14,674.34	\$ 1,886.50	14.8%	\$ 15,187.94	\$ 2,400.10	18.8%
School	681	\$ 12,345.74	\$ 14,167.03	\$ 1,821.28	14.8%	\$ 14,662.87	\$ 2,317.13	18.8%
Lee Center	171	\$ 3,273.31	\$ 3,756.20	\$ 482.89	14.8%	\$ 3,887.66	\$ 614.35	18.8%
Housing and Development	178	\$ 3,402.69	\$ 3,904.66	\$ 501.97	14.8%	\$ 4,041.33	\$ 638.64	18.8%
Steam-Live	338	\$ 5,654.21	\$ 6,488.33	\$ 834.13	14.8%	\$ 6,715.43	\$ 1,061.22	18.8%

The recommended steam rates for FY 2025–2029 are detailed in Appendix C.

**HIBBING PUBLIC UTILITIES  
ELECTRIC, GAS, STEAM, AND WATER RATE STUDY**

**Water Utility**

***Revenue requirement***

The revenue requirement identifies the necessary customer revenues to operate the water utility for FY 2025 – 2029.

The revenue requirement for FY 2025 – 2029 is shown in the following table:

**Table 16 – Water Revenue Requirement FY 2025 – 2029**

	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Operations and Maintenance	\$ 1,914,000	\$ 1,962,000	\$ 2,011,000	\$ 2,061,000	\$ 2,113,000
Depreciation	993,660	1,069,828	1,145,996	1,222,164	1,298,332
Return on Ratebase	<u>1,728,900</u>	<u>1,675,409</u>	<u>1,618,109</u>	<u>1,557,001</u>	<u>1,492,084</u>
<b>Total Revenue Requirement</b>	<b><u>\$ 4,636,560</u></b>	<b><u>\$ 4,707,237</u></b>	<b><u>\$ 4,775,105</u></b>	<b><u>\$ 4,840,165</u></b>	<b><u>\$ 4,903,416</u></b>

The revenue requirement increases slightly over the forecast period, with inflationary increases in operating expenses.

***Operating income and return on ratebase***

A benchmark rate of return of 5% was used in developing the revenue requirement. A 5% return is based on the cost of debt and equity as of the date of this report.

The forecasted operating income and return on ratebase for FY 2025 – 2029 is shown in the following table. The forecast revenues are based on the recommended rate changes in Table 19.

**Table 17 – Water Operating Income and Return on Ratebase FY 2025 – 2029**

	<u>Forecasted</u>				
	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
<b>Operating Revenues</b>					
Customer Revenues	\$ 3,129,089	\$ 3,481,875	\$ 3,875,146	\$ 4,310,814	\$ 4,802,086
Other operating revenue	<u>105,705</u>	<u>105,705</u>	<u>105,705</u>	<u>105,705</u>	<u>105,705</u>
<b>Total Operating Revenues</b>	<b><u>\$ 3,234,794</u></b>	<b><u>\$ 3,587,580</u></b>	<b><u>\$ 3,980,851</u></b>	<b><u>\$ 4,416,519</u></b>	<b><u>\$ 4,907,791</u></b>
<b>Expenses</b>					
Operations and Maintenance	\$ 1,914,000	\$ 1,962,000	\$ 2,011,000	\$ 2,061,000	\$ 2,113,000
Depreciation	<u>993,660</u>	<u>1,069,828</u>	<u>1,145,996</u>	<u>1,222,164</u>	<u>1,298,332</u>
<b>Total Operating Expenses</b>	<b><u>\$ 2,907,660</u></b>	<b><u>\$ 3,031,828</u></b>	<b><u>\$ 3,156,996</u></b>	<b><u>\$ 3,283,164</u></b>	<b><u>\$ 3,411,332</u></b>
<b>Operating Income</b>	<b><u>\$ 327,134</u></b>	<b><u>\$ 555,752</u></b>	<b><u>\$ 823,855</u></b>	<b><u>\$ 1,133,355</u></b>	<b><u>\$ 1,496,459</u></b>
<b>Net Investment Ratebase</b>	<b><u>\$ 34,578,001</u></b>	<b><u>\$ 33,508,173</u></b>	<b><u>\$ 32,362,177</u></b>	<b><u>\$ 31,140,013</u></b>	<b><u>\$ 29,841,681</u></b>
<b>Rate of Return on Ratebase</b>	<u>0.95%</u>	<u>1.66%</u>	<u>2.55%</u>	<u>3.64%</u>	<u>5.01%</u>

## HIBBING PUBLIC UTILITIES ELECTRIC, GAS, STEAM, AND WATER RATE STUDY

The operating revenues are based on an annual increase in rates of 11.25%. By the end of FY 2029, the utility should attain a return of 5%, barring any major changes in operations or increases in depreciation and the net investment ratebase.

### ***Cost of service analysis***

The cost of service analysis was based on industry standards in allocating costs based on customer load curves. The cost of service detail is shown in the water rate model used to prepare this study. The results of the cost of service analysis shows that revenues from current rates are 65% below the cost of service. This varies by customer class as shown in the following table:

**Table 18 – Water Cost of Service Analysis**

	Forecasted Cost	Rate Classes		
		Residential	Multi-Unit	Commercial
Base	\$ 1,959,705	\$ 1,443,993	\$ 283,641	\$ 232,070
Max Day	1,057,454	794,073	155,979	107,402
Max Hour (System)	407,494	306,613	60,228	40,654
Max Hour (Distribution)	407,494	306,613	60,228	40,654
Equivalent Meters	431,198	300,545	67,698	62,955
Billing & Collection	<u>385,014</u>	<u>284,525</u>	<u>64,297</u>	<u>36,191</u>
Cost of Service	\$ 4,648,360	\$ 3,436,362	\$ 692,071	\$ 519,926
Revenue At Present Rates	<u>2,821,228</u>	<u>2,070,798</u>	<u>433,103</u>	<u>317,327</u>
Rate Change Required	\$ <u>1,827,132</u>	\$ <u>1,365,564</u>	\$ <u>258,968</u>	\$ <u>202,599</u>
Percent Change Required	<u>65%</u>	<u>66%</u>	<u>60%</u>	<u>64%</u>

### ***Proposed rate changes***

To move towards the cost of service, the recommended overall annual rate increases are shown in the following table:

**Table 19 – Recommended Rate Increases - Water**

Year	Rate Adjustment
2025	11.25%
2026	11.25%
2027	11.25%
2028	11.25%
2029	11.25%

## HIBBING PUBLIC UTILITIES ELECTRIC, GAS, STEAM, AND WATER RATE STUDY

### *Customer rate comparisons at the proposed rates*

The following table shows the dollar and percentage changes in monthly customer bills at various levels of water consumption using the proposed rate changes in the previous table:

**Table 20 – Customer Rate Comparison at FY 2025 – 2029 Proposed Rates - Water**

Rate Class	Monthly Consumption (Average)	Current Rates	Proposed 2025 Rates			Proposed 2026 Rates			Proposed 2027 Rates		
			Monthly Bill	\$ over 2024	% over 2024	Monthly Bill	\$ over 2024	% over 2024	Monthly Bill	\$ over 2024	% over 2024
Residential	6,000	\$ 41.30	\$ 45.70	\$ 4.40	10.65%	\$ 50.90	\$ 9.60	23.24%	\$ 56.40	\$ 15.10	36.56%
Residential	9,000	\$ 53.81	\$ 59.50	\$ 5.69	10.57%	\$ 66.20	\$ 12.39	23.03%	\$ 73.50	\$ 19.69	36.59%
Residential	15,000	\$ 79.91	\$ 88.30	\$ 8.39	10.50%	\$ 98.40	\$ 18.49	23.14%	\$ 109.30	\$ 29.39	36.78%
Commercial - 1" meter	6,000	\$ 61.37	\$ 68.21	\$ 6.84	11.15%	\$ 75.85	\$ 14.48	23.60%	\$ 84.65	\$ 23.28	37.93%

Rate Class	Monthly Consumption (Winter or Average)	Current Rates	Proposed 2028 Rates			Proposed 2029 Rates		
			Monthly Bill	\$ over 2024	% over 2024	Monthly Bill	\$ over 2024	% over 2024
Residential	6,000	\$ 41.30	\$ 62.80	\$ 21.50	52.1%	\$ 70.10	\$ 28.80	69.7%
Residential	9,000	\$ 53.81	\$ 81.70	\$ 27.89	51.8%	\$ 91.10	\$ 37.29	69.3%
Residential	15,000	\$ 79.91	\$ 121.50	\$ 41.59	52.0%	\$ 135.50	\$ 55.59	69.6%
Commercial - 1" meter	6,000	\$ 61.37	\$ 94.02	\$ 32.65	53.2%	\$ 104.60	\$ 43.23	70.4%

The recommended water rates for FY 2025–2029 are detailed in Appendix D.

**HIBBING PUBLIC UTILITIES  
ELECTRIC, GAS, STEAM, AND WATER RATE STUDY**

**Appendices**

# HIBBING PUBLIC UTILITIES ELECTRIC, GAS, STEAM, AND WATER RATE STUDY

## *Appendix A Proposed Electric Rates*

Rate Class	Current Rates		Proposed Rates				
	2024	2025	2026	2027	2028	2029	
<b>Residential and Senior Discount</b>							
Energy	\$ 0.14080	\$ 0.14840	\$ 0.15642	\$ 0.16486	\$ 0.17377	\$ 0.18315	
Customer Charge	\$ 12.26	\$ 12.92	\$ 13.62	\$ 14.35	\$ 15.13	\$ 15.95	
<b>Res Water Heating &amp; Electric Heat</b>							
Energy	\$ 0.14080	\$ 0.14840	\$ 0.15642	\$ 0.16486	\$ 0.17377	\$ 0.18315	
Customer Charge	\$ 12.26	\$ 12.92	\$ 13.62	\$ 14.35	\$ 15.13	\$ 15.95	
<b>General Service</b>							
Energy	\$ 0.13990	\$ 0.14745	\$ 0.15542	\$ 0.16381	\$ 0.17266	\$ 0.18198	
Customer Charge	\$ 13.15	\$ 13.86	\$ 14.61	\$ 15.40	\$ 16.23	\$ 17.11	
<b>Commercial - Small Power Service</b>							
Energy Charge	\$ 0.13100	\$ 0.13807	\$ 0.14553	\$ 0.15339	\$ 0.16167	\$ 0.17040	
Demand Charge							
8,000	\$ 12.90	\$ 13.60	\$ 14.34	\$ 15.11	\$ 15.93	\$ 16.79	
Over 8,000	\$ 11.29	\$ 11.90	\$ 12.54	\$ 13.22	\$ 13.93	\$ 14.69	
Customer Charge	\$ 20.50	\$ 21.61	\$ 22.77	\$ 24.00	\$ 25.30	\$ 26.67	
<b>Commercial - Power Service Rate</b>							
Energy	\$ 0.1287	\$ 0.1356	\$ 0.1430	\$ 0.1507	\$ 0.1588	\$ 0.1674	
Demand Charge	\$ 12.01	\$ 12.66	\$ 13.34	\$ 14.06	\$ 14.82	\$ 15.62	
Demand Flat	\$ 12.01	\$ 12.66	\$ 13.34	\$ 14.06	\$ 14.82	\$ 15.62	
Demand Deduction							
500	\$ (0.15)	\$ (0.15)	\$ (0.15)	\$ (0.15)	\$ (0.15)	\$ (0.15)	
Over 500	\$ (0.10)	\$ (0.10)	\$ (0.10)	\$ (0.10)	\$ (0.10)	\$ (0.10)	
Customer Charge	\$ 20.50	\$ 21.61	\$ 22.77	\$ 24.00	\$ 25.30	\$ 26.67	
<b>Commercial - Large Power Service</b>							
Energy Charge	\$ 0.1096	\$ 0.1155	\$ 0.1218	\$ 0.1283	\$ 0.1353	\$ 0.1426	
Demand Charge							
750	\$ 10.29	\$ 10.84	\$ 11.43	\$ 12.04	\$ 12.69	\$ 13.38	
Over 750	\$ 11.33	\$ 11.94	\$ 12.59	\$ 13.27	\$ 13.99	\$ 14.74	
Customer Charge	\$ 41.00	\$ 43.21	\$ 45.55	\$ 48.01	\$ 50.60	\$ 53.33	
<b>Security Lighting</b>							
Street Lighting							
100W HPS	\$ 14.25	\$ 15.02	\$ 15.83	\$ 16.68	\$ 17.59	\$ 18.54	
48W LED	\$ 14.25	\$ 15.02	\$ 15.83	\$ 16.68	\$ 17.59	\$ 18.54	
250W HPS	\$ 25.07	\$ 26.42	\$ 27.85	\$ 29.35	\$ 30.93	\$ 32.61	
133W LED	\$ 25.07	\$ 26.42	\$ 27.85	\$ 29.35	\$ 30.93	\$ 32.61	
Light Pole	\$ 9.88	\$ 10.41	\$ 10.98	\$ 11.57	\$ 12.19	\$ 12.85	
<b>Municipal Service Rate</b>							
Energy Charge	\$ 0.15460	\$ 0.16295	\$ 0.17175	\$ 0.18102	\$ 0.19080	\$ 0.20110	
Demand Charge	\$ 11.70	\$ 12.33	\$ 13.00	\$ 13.70	\$ 14.44	\$ 15.22	
Customer Charge	\$ 20.50	\$ 21.61	\$ 22.77	\$ 24.00	\$ 25.30	\$ 26.67	

# HIBBING PUBLIC UTILITIES ELECTRIC, GAS, STEAM, AND WATER RATE STUDY

## *Appendix B Proposed Gas Rates*

Rate Class	Current Rates		Proposed Rates				
	2024	2025	2026	2027	2028	2029	
<b>Residential</b>							
Commodity Charge	\$ 0.91010	\$ 0.86915	\$ 0.83003	\$ 0.79268	\$ 0.75701	\$ 0.72295	
Customer Charge	\$ 10.76	\$ 10.76	\$ 10.76	\$ 10.76	\$ 10.76	\$ 10.76	
Purchased Gas Adjustment	\$ 0.1200	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Residential Heat</b>							
Commodity Charge	\$ 0.91010	\$ 0.86915	\$ 0.83003	\$ 0.79268	\$ 0.75701	\$ 0.72295	
Customer Charge	\$ 10.76	\$ 10.76	\$ 10.76	\$ 10.76	\$ 10.76	\$ 10.76	
Purchased Gas Adjustment	\$ 0.1200	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Commercial</b>							
Commodity Charge	\$ 0.91000	\$ 0.86905	\$ 0.82994	\$ 0.79260	\$ 0.75693	\$ 0.72287	
Customer Charge	\$ 15.14	\$ 15.14	\$ 15.14	\$ 15.14	\$ 15.14	\$ 15.14	
Purchased Gas Adjustment	\$ 0.1200	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Commercial Heat</b>							
Commodity Charge	\$ 0.91000	\$ 0.86905	\$ 0.82994	\$ 0.79260	\$ 0.75693	\$ 0.72287	
Customer Charge	\$ 15.14	\$ 15.14	\$ 15.14	\$ 15.14	\$ 15.14	\$ 15.14	
Purchased Gas Adjustment	\$ 0.1200	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Interruptible</b>							
Commodity Charge	\$ 0.77390	\$ 0.73907	\$ 0.70582	\$ 0.67405	\$ 0.64372	\$ 0.61475	
Customer Charge	\$ 58.97	\$ 58.97	\$ 58.97	\$ 58.97	\$ 58.97	\$ 58.97	
Purchased Gas Adjustment	\$ 0.1200	\$ -	\$ -	\$ -	\$ -	\$ -	

# HIBBING PUBLIC UTILITIES ELECTRIC, GAS, STEAM, AND WATER RATE STUDY

## *Appendix C* *Proposed Steam Rates*

Rate Class	Current Rates			Proposed Rates			
	2024	2025	2026	2027	2028	2029	
<b>Residential (15 psig)</b>							
Base Charge	\$ 22.57	\$ 23.36	\$ 24.18	\$ 25.02	\$ 25.90	\$ 26.81	
Winter (October - April) per M lbs.	\$ 19.05	\$ 19.72	\$ 20.41	\$ 21.12	\$ 21.86	\$ 22.63	
Summer (June - September) per M lbs.	\$ 22.86	\$ 23.66	\$ 24.49	\$ 25.35	\$ 26.23	\$ 27.15	
<b>Commerical/General Service (15 psig)</b>							
Base Charge	\$ 22.57	\$ 23.36	\$ 24.18	\$ 25.02	\$ 25.90	\$ 26.81	
Winter (October - April) per M lbs.	\$ 19.05	\$ 19.72	\$ 20.41	\$ 21.12	\$ 21.86	\$ 22.63	
Summer (June - September) per M lbs.	\$ 22.86	\$ 23.66	\$ 24.49	\$ 25.35	\$ 26.23	\$ 27.15	
<b>Live Steam (175 psig)</b>							
Base Charge	\$ 21.74	\$ 22.50	\$ 23.29	\$ 24.10	\$ 24.95	\$ 25.82	
All steam consumed	\$ 16.66	\$ 17.24	\$ 17.85	\$ 18.47	\$ 19.12	\$ 19.79	
<b>Health Services (15 psig)</b>							
Base Charge	\$ 22.23	\$ 23.01	\$ 23.81	\$ 24.65	\$ 25.51	\$ 26.40	
Winter (October - April) per M lbs. (1)	\$ 17.16	\$ 17.76	\$ 18.38	\$ 19.03	\$ 19.69	\$ 20.38	
Summer (June - September) per M lbs.	\$ 20.58	\$ 21.30	\$ 22.05	\$ 22.82	\$ 23.62	\$ 24.44	
<b>School District (15 psig)</b>							
Base Charge	\$ 22.23	\$ 23.01	\$ 23.81	\$ 24.65	\$ 25.51	\$ 26.40	
Winter (October - April) per M lbs. (2)	\$ 18.10	\$ 18.73	\$ 19.39	\$ 20.07	\$ 20.77	\$ 21.50	
Summer (June - September) per M lbs.	\$ 21.72	\$ 22.48	\$ 23.27	\$ 24.08	\$ 24.92	\$ 25.80	
<b>Lee Center (15 psig)</b>							
Base Charge	\$ 20.52	\$ 21.24	\$ 21.98	\$ 22.75	\$ 23.55	\$ 24.37	
All steam consumed	\$ 19.05	\$ 19.72	\$ 20.41	\$ 21.12	\$ 21.86	\$ 22.63	
<b>HRA (15 psig)</b>							
Base Charge	\$ 20.52	\$ 21.24	\$ 21.98	\$ 22.75	\$ 23.55	\$ 24.37	
All steam consumed	\$ 19.05	\$ 19.72	\$ 20.41	\$ 21.12	\$ 21.86	\$ 22.63	

# HIBBING PUBLIC UTILITIES ELECTRIC, GAS, STEAM, AND WATER RATE STUDY

## *Appendix D Proposed Water Rates*

Rate Class	Current Rates		Proposed Rates				
	2024	2025	2026	2027	2028	2029	
<b>Single Family Residential</b>							
First 6,000 gallons	\$ 3.90	\$ 4.30	\$ 4.80	\$ 5.30	\$ 5.90	\$ 6.60	
Next 7,000 - 12,000 gallons	\$ 4.17	\$ 4.60	\$ 5.10	\$ 5.70	\$ 6.30	\$ 7.00	
Next 13,000 - 24,000 gallons	\$ 4.44	\$ 4.90	\$ 5.50	\$ 6.10	\$ 6.80	\$ 7.60	
Over 24,000 gallons	\$ 4.75	\$ 5.30	\$ 5.90	\$ 6.60	\$ 7.30	\$ 8.10	
Base Charge/Customer Charge	\$ 17.90	\$ 19.90	\$ 22.10	\$ 24.60	\$ 27.40	\$ 30.50	
<b>Multi Unit Residential</b>							
All Usage	\$ 4.05	\$ 4.50	\$ 5.00	\$ 5.60	\$ 6.20	\$ 6.90	
Base Charge/Customer Charge	\$ 17.90	\$ 19.90	\$ 22.10	\$ 24.60	\$ 27.40	\$ 30.50	
<b>Commercial</b>							
All Usage	\$ 4.05	\$ 4.50	\$ 5.00	\$ 5.60	\$ 6.20	\$ 6.90	
Base Charge/Customer Charge	\$ 17.90	\$ 19.91	\$ 22.15	\$ 24.65	\$ 27.42	\$ 30.50	
Meter Charge:							
1"	\$ 19.17	\$ 21.30	\$ 23.70	\$ 26.40	\$ 29.40	\$ 32.70	
1.5"	\$ 24.20	\$ 26.90	\$ 29.90	\$ 33.30	\$ 37.00	\$ 41.20	
2"	\$ 30.25	\$ 33.70	\$ 37.50	\$ 41.70	\$ 46.40	\$ 51.60	
3"	\$ 72.61	\$ 80.80	\$ 89.90	\$ 100.00	\$ 111.30	\$ 123.80	
4"	\$ 108.93	\$ 121.20	\$ 134.80	\$ 150.00	\$ 166.90	\$ 185.70	
6"	\$ 151.29	\$ 168.30	\$ 187.20	\$ 208.30	\$ 231.70	\$ 257.80	
<b>Wellhead</b>	\$ 1.69	\$ 1.90	\$ 2.11	\$ 2.35	\$ 2.62	\$ 2.91	

**HIBBING PUBLIC UTILITIES  
ELECTRIC, GAS, STEAM, AND WATER RATE STUDY**

**Appendix E  
Customer Rate Comparison at FY 2025 – 2029 Proposed Rates**

<b>Small Residential</b>	<b>Consumption</b>	<b>Current Bill</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
Electric - Residential & Senior Discount	638 kWh	\$ 102.09	\$ 107.60	\$ 113.41	\$ 119.54	\$ 125.99	\$ 132.80
Gas - Residential Heat	75 CCF	78.59	75.54	72.62	69.84	67.18	64.64
Steam - Residential	10 Mlbs	208.00	215.28	222.81	230.61	238.68	247.04
Water - Residential	6,000 Gal	41.30	45.70	50.90	56.40	62.80	70.10
<b>Total</b>		\$ 429.98	\$ 444.12	\$ 459.74	\$ 476.39	\$ 494.65	\$ 514.58
<b>Total % Increase</b>			3.3%	3.5%	3.6%	3.8%	4.0%

<b>Commercial</b>	<b>Consumption</b>	<b>Current Bill</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
Electric - Large Power	112,062 kWh	\$ 12,557.27	\$ 13,235.36	\$ 13,950.07	\$ 14,703.38	\$ 15,497.36	\$16,334.21
Gas - Commercial Heat	535 CCF	501.89	479.98	459.07	439.09	420.01	401.79
Steam - Commercial	57 Mlbs	1,111.87	1,150.79	1,191.07	1,232.75	1,275.90	1,320.56
Water - Commercial	6,000 Gal	61.37	68.21	75.85	84.65	94.02	104.60
<b>Total</b>		\$ 14,232.40	\$ 14,934.34	\$ 15,676.06	\$ 16,459.87	\$ 17,287.29	\$18,161.16
<b>Total % Increase</b>			4.9%	5.0%	5.0%	5.0%	5.1%





Item 6.C



Item 6.C – Approve HPU FY 2024 Audit Report

May 27, 2025

Jeff Hart  
Commission Chair  
1902 E. 6<sup>th</sup> Avenue  
Hibbing, MN 55746

RE: Item 6.C – Approve HPU HY 2024 Audit Report

Dear Commissioners;

As previously discussed at the Commission April 29<sup>th</sup> Commission Special Meeting, please find attached for your reviewal and formal approval HPU's CY 2024 Audit Report. This report was completed in line with HPU's annual financial requirements by Abdo Services. The auditing process and report had no significant compliance or control findings.

Sincerely;



Luke J. Peterson



# **HPU** **HIBBING** *PUBLIC UTILITIES*

**Financial Statements and  
Supplementary Information**

**December 31, 2024 and 2023**

# **Public Utilities Commission**

Financial Statements and  
Supplementary Information

December 31, 2024 and 2023

# Public Utilities Commission

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Table of Contents  
December 31, 2024 and 2023

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Management's Discussion and Analysis</b>	4
<b>Financial Statements</b>	
Statements of Net Position	9
Statements of Revenues, Expenses and Changes in Net Position	11
Statements of Cash Flows	12
Notes to Financial Statements	14
<b>Required Supplementary Information</b>	
Schedule of Changes in the Commission's Total OPEB Liability and Related Rates and Notes	36
Schedule of Employer's Share of Net Pension Liability and Schedule of Employer Contributions and Notes - Public Employees Retirement Association	37
Notes to Required Supplementary Information	38
<b>Other Information</b>	
Schedule of Departmental Revenues and Expenses (Unaudited)	42
<b>Independent Auditors' Report on Minnesota Legal Compliance</b>	43
<b>Independent Auditors' Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i></b>	44
<b>Federal Financial Award Programs</b>	
<b>Independent Auditor's Report on Compliance with Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance</b>	46
Schedule of Expenditures of Federal Awards	48
Notes to the Schedule of Federal Awards	49
Schedule of Findings and Questioned Costs	50
Schedule of Prior Audit Findings	51

## INDEPENDENT AUDITOR'S REPORT

To the Members of the Commission  
Public Utilities Commission  
Hibbing, Minnesota

### Opinions

We have audited the accompanying financial statements of the single-enterprise proprietary fund activity of the Public Utilities Commission (the Commission), a component unit of the City of Hibbing, Minnesota, as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of December 31, 2024 and 2023, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit

#### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 6 and the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions, the related notes disclosures, and the Schedule of Changes in the Commission's OPEB Liability and Related Ratios starting on page 35 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



## **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards are fairly stated, in all material respects in relation to the basic financial statements as a whole.

## **Other Information**

Management is responsible for the other information in the annual report. The other information comprises the introductory section and schedule of department revenues and expenses but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statement do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated 12/31/2024, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.



**Abdo**  
April 18, 2025  
Minneapolis, Minnesota



# Public Utilities Commission

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Management's Discussion and Analysis  
December 31, 2024 and 2023  
(Unaudited)

Our discussion and analysis of the Hibbing Public Utilities Commission's (HPU) financial performance provides an overview of the Utility's financial activities for the fiscal year ended December 31, 2024 and 2023 with comparison to the prior year where applicable. Please read it in conjunction with the financial statements, which follow in this report.

## Financial Highlights

For the 12-month period ended December 31, 2024, HPU continued its infrastructure renewal program and managed customer rates for stable, long-term growth.

- Current Assets totaled \$39.0 million as of December 31 reflecting a decrease of \$6.0 million for the year reflecting internal funding of water infrastructure until permanent financing through the Public Finance authority is finalized. Funding is expected in the second quarter of 2025.
- Net Utility Property Plant & Equipment totaled \$87.9 million as of December 31, 2024 as capital investments exceeded capital depreciation by \$18.3 million for the year as the Commission continues to replenish and improve core utility infrastructure.
- Other assets totaled \$5.4 million as of December 31, 2024 reflecting a decrease of \$500 thousand for the year.

## Using This Annual Report

This annual report consists of financial statements for the Hibbing Public Utilities Commission, a component unit of the City of Hibbing, and its blended component unit. The Commission reports its financial activities for the utilities of the City of Hibbing as a single-enterprise proprietary fund. The following analysis will discuss the Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position related to this enterprise fund for 2024.

## Statement of Net Position

A Statement of Net Position is a statement of the financial position of an entity which states the assets and deferred outflows of resources, liabilities and deferred inflows of resources and equity at a particular point in time. The Statement of Net Position shown on the following page displays the current and previous year's data. These statements reflect the Utility's financial position as of December 31, 2024 and 2023.

## Public Utilities Commission

Management's Discussion and Analysis  
December 31, 2024 and 2023  
(Unaudited)

Table 1 net position (below) is a summary of the Utility's statement of net position.

**Table 1**  
**Net Position**  
**(In Thousands)**

	2024	2023	2022
<b>Assets</b>			
Cash	\$ 4,529	\$ 2,961	\$ 6,081
Other current assets	33,945	41,716	43,593
Restricted assets	1,316	1,628	1,027
Net property, plant and equipment	87,867	69,566	57,487
Other noncurrent assets	4,650	4,788	14,405
<b>Total assets</b>	<b>132,307</b>	<b>120,659</b>	<b>122,593</b>
<b>Deferred Outflows of Resources</b>			
	1,706	2,838	3,704
<b>Total assets and deferred outflows of resources</b>	<b>134,013</b>	<b>123,497</b>	<b>126,297</b>
<b>Liabilities</b>			
Current liabilities	8,514	4,388	7,005
Long-term liabilities	24,348	21,087	22,941
<b>Total liabilities</b>	<b>32,862</b>	<b>25,475</b>	<b>29,946</b>
<b>Deferred Inflows of Resources</b>			
	5,775	6,065	5,912
<b>Deferred Inflows Net Position</b>			
Invested in capital assets, net of debt	81,015	68,989	56,561
Restricted	615	162	162
Unrestricted	13,746	22,806	33,716
<b>Total net position</b>	<b>95,376</b>	<b>91,957</b>	<b>90,439</b>
<b>Total liabilities, deferred Inflows of resources and net position</b>	<b>\$ 134,013</b>	<b>\$ 123,497</b>	<b>\$ 126,297</b>

- Long Term Bonds and Notes have increased by \$5.8 million due to the issuance of additional Notes through the Public Facilities Authority Drinking Water Fund (PFA) for the rehabilitation of the treatment plant and watermain improvement projects.
- Total Net Position has increased by \$3.4 million. This is mainly due to a decrease in total operation and maintenance expenses.

## Public Utilities Commission

Management's Discussion and Analysis  
December 31, 2024 and 2023  
(Unaudited)

### Statements of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position display revenues, expenses and change in net position over a given period of time (calendar years 2024, 2023, and 2022).

Table 2 is an Income Statement Summary of the Statements of Revenues, Expenses and Changes in Net Position.

**Table 2**  
**Income Statement Summary**  
**(In Thousands)**

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b>Operating</b>			
Revenue	\$ 30,856	\$ 30,866	\$ 29,336
Expense	<u>(30,276)</u>	<u>(31,445)</u>	<u>(30,782)</u>
Operating Income (loss)	<u>580</u>	<u>(579)</u>	<u>(1,446)</u>
<b>Nonoperating</b>			
Revenue	1,652	2,039	338
Expense	<u>(162)</u>	<u>(582)</u>	<u>(152)</u>
Nonoperating income	<u>1,490</u>	<u>1,457</u>	<u>186</u>
Capital contributions	<u>1,350</u>	<u>640</u>	<u>107</u>
Increase in net position	<u>\$ 3,420</u>	<u>\$ 1,518</u>	<u>\$ (1,153)</u>

- Operating revenues totaled \$30.9 million reflecting a nominal decrease of \$10 thousand from 2023 as responsible increases in rates balance lower utility usage due to a warmer winter
- Operating expenses totaled \$30.3 million reflecting a decrease of \$1.2 million from 2023 as the utility manages expenses.
- The total change in net position totaled \$3.4 million reflecting \$1.9 million more gained than 2023 as the Commission manages rates for long term stability and infrastructure renewal.

# Public Utilities Commission

Management's Discussion and Analysis  
December 31, 2024 and 2023  
(Unaudited)

## Capital Assets and Debt

### Capital Assets

The total assets added by utility in 2024 are as follows:

General Plant	\$	1,203,690
Water utility		7,073,381
Electric utility		6,640,506
Gas utility		115,347
Steam utility		203,198
		<hr/>
Total	\$	<u>15,236,122</u>

### Debt

As of December 31, 2024 the Utility had \$6,508,376 in outstanding debt compared to \$300,000 as of December 31, 2023 a net increase of \$6,208,376 due to the draws made on the PFA loans issued during the year in line with the utility optimization of capital structure utilizing low cost PFA debt. See table 3 below.

**Table 3**  
**Outstanding Bonds and Notes**  
**(In Thousands)**

	<u>2024</u>	<u>2023</u>
2005 Public Utility revenue note	\$ 155	\$ 300
2023A General Obligation Revenue Note (PFA)	1,665	-
2024B General Obligation Revenue Note (PFA)	4,881	-

The Series 2023A General Obligation Revenue Note through the Public Facilities Authority Drinking Water Fund is authorized for total funding of \$9,336,684. As of December 31, 2024, the Commission has received \$1.7 million in 2024

### Economic Factors

HPU maintained financial and customer rate stability while also balancing a robust utility capital investment. Based on its independent MISO interconnected generation assets at Hibbing Renewable Energy Center, HPU has been able to optimize commodity price exposure for steam and electric utilities.

HPU relied on purchased gas and purchased power rate recovery mechanisms to collect a portion of the increased costs from ratepayers during the year while still maintaining competitive rates for our customers

HPU continues to plan for future core utility infrastructure improvements and efficiencies of operations, sustainability and governance while balancing affordability and reliability.

# Public Utilities Commission

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Management's Discussion and Analysis  
December 31, 2024 and 2023  
(Unaudited)

## Contacting The Utility's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Utility's finances and to show the Utility's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Luke J. Peterson, General Manager at the Hibbing Public Utilities Commission, 1902 E 6th Ave, Hibbing, MN 55746 (218 262 7759)

# Public Utilities Commission

## Statements of Net Position

December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash	\$ 4,529,203	\$ 2,960,911
Investments	26,119,909	34,716,235
Restricted assets:		
Cash held for fuel assistance recipients	70,788	55,566
Cash held for customer deposits	461,999	457,832
Accounts receivable, net of allowance for doubtful accounts of \$58,000 and \$54,000	2,470,771	2,649,317
Unbilled revenues	2,387,564	2,312,649
Other receivable	771,830	-
Current maturities notes receivable, Steam conversion program	40,000	44,000
Current portion of lease receivable	82,014	72,636
Inventories	1,326,496	1,215,047
Prepaid expense	747,445	716,379
	<u>39,008,019</u>	<u>45,200,572</u>
<b>Noncurrent Assets</b>		
Restricted assets:		
Bond reserve account	783,347	1,114,431
Notes receivable, Steam conversion program	174,059	225,238
Lease receivable	439,674	521,688
Regulatory assets	4,035,931	4,031,506
Capital assets:		
Plant in service	177,893,726	164,312,715
Accumulated depreciation/amortization	(98,527,238)	(96,127,443)
Construction work in progress	8,500,209	1,380,975
	<u>93,299,708</u>	<u>75,459,110</u>
Total noncurrent assets	<u>93,299,708</u>	<u>75,459,110</u>
Total assets	<u>132,307,727</u>	<u>120,659,682</u>
<b>Deferred Outflows of Resources</b>		
Related to net pension liability	861,143	1,096,135
Related to postemployment benefits liability	674,169	1,527,956
Related to Laurentian Energy Authority	170,246	213,590
	<u>1,705,558</u>	<u>2,837,681</u>
Total deferred outflows of resources	<u>1,705,558</u>	<u>2,837,681</u>
Total assets and deferred outflows of resources	<u>\$ 134,013,285</u>	<u>\$ 123,497,363</u>

# Public Utilities Commission

## Statements of Net Position

December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 5,254,643	\$ 2,418,195
Accrued interest	98,582	-
Accrued expenses	266,265	246,305
Due to City of Hibbing	1,162,904	557,707
Compensated absences payable	400,080	307,985
Current portion of lease liability	201,246	215,689
Current portion of long-term debt, bonds and notes payable	596,939	145,000
Current liabilities payable from restricted assets:		
Third party advances for fuel assistance	70,788	55,566
Customer deposits payable	461,999	457,832
	<u>8,513,446</u>	<u>4,404,279</u>
Total current liabilities		
<b>Noncurrent Liabilities</b>		
Compensated absences payable	1,077,137	880,521
Total postemployment liability	14,541,066	16,128,037
Net pension liability	2,508,776	3,478,154
Long-term debt, bonds and notes payable	5,911,437	155,000
Unamortized discount	(1,282)	(2,674)
Lease liability	311,160	431,770
	<u>24,348,294</u>	<u>21,070,808</u>
Total noncurrent liabilities		
	<u>32,861,740</u>	<u>25,475,087</u>
Total liabilities		
<b>Deferred Inflows of Resources</b>		
Related to net pension liability	1,672,882	1,263,352
Related to postemployment benefits liability	3,580,052	4,207,334
Related to leases	521,688	594,324
	<u>5,774,622</u>	<u>6,065,010</u>
Total deferred inflows of resources		
<b>Net Position</b>		
Net investments in capital assets	81,015,417	68,989,249
Restricted for debt service	615,127	161,984
Unrestricted	13,746,379	22,806,033
	<u>95,376,923</u>	<u>91,957,266</u>
Total net position		
	<u>134,013,285</u>	<u>123,497,363</u>
Total liabilities, deferred inflows of resources and net position		

See notes to financial statements

## Public Utilities Commission

Statements of Revenues, Expenses and Changes in Net Position  
Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Operating Revenue</b>		
Charges for services	\$ 30,250,674	\$ 30,323,571
Other	605,157	542,764
Total operating revenues	<u>30,855,831</u>	<u>30,866,335</u>
<b>Operating Expenses</b>		
Operation and maintenance	24,848,067	26,878,066
Depreciation/amortization	5,428,165	4,567,042
Total operating expenses	<u>30,276,232</u>	<u>31,445,108</u>
<b>Operating Income (Loss)</b>	<u>579,599</u>	<u>(578,773)</u>
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	1,352,466	2,039,019
Miscellaneous nonoperating income (expense)	38,730	(132,389)
Gain on sale of fixed assets	261,063	78,978
Equity in net income of joint venture	-	(481,604)
Interest expense	(162,473)	(47,013)
Total nonoperating revenues (expenses)	<u>1,489,786</u>	<u>1,456,991</u>
Income before contributions	2,069,385	878,218
<b>Capital Contributions</b>	<u>1,350,272</u>	<u>640,245</u>
Change in net position	3,419,657	1,518,463
<b>Net Position, Beginning</b>	<u>91,957,266</u>	<u>90,438,803</u>
<b>Net Position, Ending</b>	<u>\$ 95,376,923</u>	<u>\$ 91,957,266</u>

## Public Utilities Commission

### Statements of Cash Flows

Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Cash Flows From Operating Activities</b>		
Receipts from customers	\$ 30,805,801	\$ 30,335,873
Distribution from joint venture	-	9,041,666
Principal collected from steam conversion loan program	55,179	59,674
Payments to suppliers	(19,103,593)	(26,297,512)
Payments for payroll and benefits	(6,026,532)	(5,499,487)
	<u>5,730,855</u>	<u>7,640,214</u>
Net cash from operating activities		
<b>Cash Flows From Capital and Related Financing Activities</b>		
Payments for additions to property, plant and equipment	(21,342,479)	(15,063,102)
Capital contributions received	775,000	717,245
Payment for the purchase of remaining shares of LEA	-	(759,890)
Received from the sale of capital assets	228,895	-
Principal and interest paid on leases	(230,343)	(216,315)
Proceeds from debt issue	6,546,060	-
Principal paid	(337,684)	(140,000)
Interest paid	(62,499)	(45,621)
	<u>(14,423,050)</u>	<u>(15,507,683)</u>
Net cash from capital and related financing activities		
<b>Cash Flows From Investing Activities</b>		
Investments income received	1,017,640	1,824,911
Investments matured	22,633,700	27,959,295
Investments purchased	(13,533,448)	(25,036,768)
	<u>10,117,892</u>	<u>4,747,438</u>
Net cash from investing activities		
Net change in cash	1,425,697	(3,120,031)
<b>Cash, Beginning</b>	<u>3,636,293</u>	<u>6,756,324</u>
<b>Cash, Ending</b>	<u>\$ 5,061,990</u>	<u>\$ 3,636,293</u>
Cash is presented on the statements of net position as follows:		
Cash	\$ 4,529,203	\$ 2,960,911
Restricted assets	<u>1,316,134</u>	<u>1,627,829</u>
Total cash and restricted assets	5,845,337	4,588,740
Less noncash equivalents included in restricted assets	<u>(783,347)</u>	<u>(952,447)</u>
	<u>\$ 5,061,990</u>	<u>\$ 3,636,293</u>

See notes to financial statements

## Public Utilities Commission

### Statements of Cash Flows

Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Reconciliation of Operating Income to Net Cash From</b>		
<b>Operating Activities</b>		
Operating income (loss)	\$ 579,599	\$ (578,773)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Other nonoperating income	38,730	(53,411)
Depreciation and amortization	5,428,165	4,567,042
Distributions from joint venture	-	9,041,666
Change in operating assets, deferred outflows or resources, liabilities and deferred inflows of resources:		
Accounts receivable	178,546	(320,569)
Unbilled revenue	(74,915)	(256,024)
Other receivable	(196,558)	55,555
Inventories	(111,449)	(260,921)
Prepaid expenses	(31,066)	(666,656)
Receivable for steam conversion loan program	55,179	59,674
Lease receivable	72,636	(594,324)
Regulatory assets	(684,245)	43,620
Deferred outflows of resources	1,088,779	1,079,580
Accounts payable	1,300,934	(2,064,932)
Compensated absences payable	288,711	208,979
Accrued expenses	19,960	(18,466)
Due to City of Hibbing	605,197	(1,120,985)
Third party advances for fuel assistance	15,222	(43,588)
Customer deposits payable	4,167	43,987
Accrued post employment benefits	(1,586,971)	(479,316)
Net pension liability	(969,378)	(1,155,065)
Deferred inflows of resources	(290,388)	153,141
Net cash from operating activities	<u>\$ 5,730,855</u>	<u>\$ 7,640,214</u>
<b>Noncash Investing, Capital and Related Financing Activities</b>		
Unrealized gain on investments	<u>\$ 334,826</u>	<u>\$ 214,108</u>
Capital purchased on account	<u>\$ 2,117,485</u>	<u>\$ 490,600</u>
Noncash capital additions related to the purchase of LEA	<u>\$ -</u>	<u>\$ 3,857,606</u>

# Public Utilities Commission

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Notes to Financial Statements  
December 31, 2024 and 2023

## 1. Summary of Significant Accounting Policies

The financial statements of the Public Utilities Commission, City of Hibbing, Minnesota have been prepared in conformity with generally accepted accounting principles as applied to governmental enterprise units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following summary of the more significant accounting policies are presented to assist the reader in interpreting the financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying financial statements.

### Reporting Entity

In evaluating how to define the entity for financial reporting purposes, management considered whether the Commission is a component unit of another primary government. The Commission is a business type activity providing water, electric power, natural gas and steam services to the City of Hibbing. The Commission's basic financial statements include the financial position and results of operations of the Commission and its component unit, the Laurentian Energy Authority (the Authority). See Note 10 for additional information related to the Authority. Management has determined that the Commission is appropriately noted as a component unit of the City of Hibbing following criteria set forth in generally accepted accounting principles.

The Public Utilities Commission was established pursuant to Minnesota Laws 1949, Chapter 422, which gave the Commission full and exclusive control over the provision of water, electric power, natural gas and steam services and the facilities used in providing these services to the City of Hibbing. The Commission is composed of five members, all of whom are appointed by the Hibbing City Council and all of whom serve three-year terms.

### Basis of Accounting

The Commission is a single-enterprise proprietary fund and uses the accrual basis of accounting. Proprietary funds are used to account for operations that are financed in a manner similar to private business enterprise in that a periodic determination of revenues earned, expenses incurred and/or changes in net position is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Under this method, revenues are recorded when earned and expenses are recognized as soon as they result in liabilities for the benefits provided.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The Commission complies with all applicable GASB pronouncements. Effective January 1, 2022, the Commission approved the application of regulated operations as allowed under GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* for regulated entities. The Commission approved regulatory accounting treatment for certain expenses that will be collected in future rates in order to better match when these expenses will be recovered through the rate-making process.

# Public Utilities Commission

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Notes to Financial Statements  
December 31, 2024 and 2023

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principle ongoing operations. The principle operating revenues of the Commission are charges to customers in the form of utility rates. Operating expenses include the cost of providing the utility services, administration expenses and depreciation on capital assets.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized in financial statements prepared using the economic resources measurement focus for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The standard was implemented January 1, 2024. The prior year impact of the standard was not considered material to the financial statements, therefore the prior year balances were not adjusted for the change.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

## Cash and Cash Equivalents

Cash includes amounts on hand as well as in demand deposit accounts.

## Investments

State statutes authorize the Commission to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds or repurchase agreements. All investments are recorded at fair value. The Commission categorizes the fair value measurements of investments in accordance with generally accepted accounting principles, including GASB Statement 72. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB Statement 72 establishes a fair value hierarchy. The hierarchy is based on valuation inputs, categorized at three levels, dependent on whether the inputs to those valuations are observable or unobservable in the marketplace.

## Accounts Receivable

Accounts receivable are reported net of allowance for uncollectibles, which were established based on current collection experience. Receivables are comprised of amounts due from customers, and other receivables which represent amounts due from transactions incurred in the normal course of operations.

## Unbilled Revenues

Unbilled revenues represent an estimate of December services that were not billed to customers until the following year.

## Public Utilities Commission

Notes to Financial Statements  
December 31, 2024 and 2023

### Inventories

Parts inventory and fuel and bulk supplies are valued at weighted average cost.

Inventories consist of the following at December 31:

	<u>2024</u>	<u>2023</u>
Parts	\$ 1,256,541	\$ 1,095,483
Fuel and bulk supplies	69,955	119,564
	<u>\$ 1,326,496</u>	<u>\$ 1,215,047</u>

### Prepaid Expenses

Prepaid balances are for payments made by the Commission in the current year for goods or services benefitting subsequent fiscal years.

### Note Receivable, Steam Conversion Loan Program

In 2020, the Commission established a loan program for those residential customers wishing to convert their heating systems from steam to gas. The customers were required to go through a loan approval process in order to be eligible for the program. The loans were interest free and the loan repayment terms were open as to customer preferences but were not to exceed a 10-year period. The Commission contracted with a local bank to handle the repayment process of the program. As of December 31, 2024 and 2023 the Commission had outstanding loans through the program of \$214,059 and \$269,238, respectively. In 2021 the program was suspended, and no new loans are currently being issued.

### Restricted Assets

Certain proceeds of the general obligation revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by statute and applicable bond covenants. The bond reserve account is used to segregate resources accumulated for future debt service payments.

The Commission also holds cash that is restricted for the following specific uses:

- Customer deposits - Refundable deposits paid by customers at inception of service.
- Fuel assistance recipients - Amounts received from a third party that are to be applied against utility bills for qualifying low-income utility users.

Third parties also hold assets in escrow accounts on the Commission's behalf in conjunction with debt issues, as discussed in Note 5.

# Public Utilities Commission

Notes to Financial Statements  
December 31, 2024 and 2023

## Capital Assets

Capital assets (including right-to-use lease assets) are stated at cost. The Commission adopted a formal capitalization policy effective for 2010, which was revised in 2018 to increase the capitalization threshold to \$10,000. In 2023, the capitalization threshold was reduced to \$2,000 as part of the utility's alignment with FERC and NARUC accounting best practices. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Buildings and grounds	5-50
Production equipment	20-53
Transmission and distribution equipment	15-77
Furniture and equipment	4-50

Lease assets are typically amortized over the lease term.

## Regulatory Assets

Under GASB 62, the Commission defers expenses for future recognitions as they are recovered or returned through the rate-making process. Regulatory asset balances were as follows at December 31:

	<u>2024</u>	<u>2023</u>
Deferred maintenance costs	\$ 2,147,528	\$ 1,463,283
Power costs	1,888,403	2,568,223
Total regulatory assets	<u>\$ 4,035,931</u>	<u>\$ 4,031,506</u>

Power costs are being amortized through electric rates over a 5-year period. Deferred maintenance expenses will be amortized over a 5-year period once a change in electric rates is approved by the Commission.

## Due to City of Hibbing

The Commission acts as a collection agent for garbage, sewage and storm water services billed by the City of Hibbing. The Commission includes these charges on its own monthly utility billings and remits collection of these charges to the City on a periodic basis.

## Compensated Absences

Employees of the Hibbing Public Utilities Commission may accumulate up to 180 days of sick leave. After ten years of service and upon termination of employment, employees are paid one-half of their unused accumulated sick leave. At December 31, 2024 and 2023, the liability for sick leave was \$1,077,137 and \$880,521, respectively.

Employees may also accrue vacation pay up to a maximum of 31 working days per year based on length of employment. A maximum of 10 unused vacation days may be carried past the employee's anniversary date. At December 31, 2024 and 2023, the Commission's liability for vacation pay was \$400,080 and \$307,985, respectively.

# Public Utilities Commission

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Notes to Financial Statements  
December 31, 2024 and 2023

## Long-Term Obligations

Long-term debt and other obligations are reported as Commission liabilities. Bond premiums and discounts, are amortized over the life of the bonds using the straight-line method.

## Leases

The Commission is a lessee because it leases capital assets from other entities. As a lessee, the Commission reports a lease liability and an intangible right-to-use capital asset (known as a lease asset) in the financial statements.

The Commission is a lessor because it leases capital assets to other entities. As a lessor, the Commission reports a lease receivable and corresponding deferred inflow of resources in the financial statements. The Commission continues to report and depreciate capital assets being leased as capital assets.

The Commission has a policy to recognize leases that have cash flows greater than \$100,000 over the life of the contract.

## Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## Post Employment Benefits

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense are reported on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

## Deferred Inflows and Outflows of Resources

Deferred outflows of resources represent an acquisition of net position that applies to a future period, and so will not be recognized as an expense until then. A deferred inflow of resources represents an acquisition of net position that applies to future periods and so will not be recognized as revenue until that time.

## Net Position

GASB No. 34 requires the classification of net position into three components - net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

**Net Investment in Capital Assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

# Public Utilities Commission

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Notes to Financial Statements  
December 31, 2024 and 2023

**Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

**Unrestricted Net Position** - This component of net position consists of net positions that do not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

## Capital Contributions

Cash and capital assets are contributed to the Commission from customers, the municipality or external parties. The value of property contributed to the Commission is reported as revenue on the statements of revenues, expenses and changes in net position.

## Effect of New Accounting Standards on Current Period Financial Statements

The GASB has approved the following:

- Statement No. 102, *Certain Risk Disclosures*
- Statement No. 103, *Financial Reporting Model Improvements*
- Statement No. 104, *Disclosure of Certain Capital Assets*

When they become effective, application of these standards may restate portions of these financial statements.

## Comparative Data

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

## 2. Deposits and Investments

### Deposits

Minnesota Statutes require that all deposits, which are not U.S. government securities, be protected by insurance, surety bond or collateral. The market value for collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes legal investments, as well as certain first mortgage notes and certain state and local government obligations. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the Commission or in a financial institution other than that furnishing the collateral.

Custodial credit risk is the risk that in the event of bank failure, a government's deposits may not be returned to it. The Commission's deposit policy for custodial credit risk requires compliance with the provisions of state law.

# Public Utilities Commission

Notes to Financial Statements  
December 31, 2024 and 2023

At December 31, 2024 and 2023 the carrying amount of the Commission's deposits were \$5,061,170 and \$3,635,493 and the bank balance was \$6,177,857 and \$4,671,009, respectively. As of December 31, 2024 and 2023, none of the Commission's bank balances were exposed to custodial credit risk.

## Investments

State statutes authorize the Commission to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds or repurchase agreements.

GASB Statement 72 sets forth the framework for measuring the fair value of investments based on a hierarchy of valuation inputs into three levels as follows:

Level 1 - All securities are valued with the market approach by using quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 - All securities are valued with the market approach using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. The matrix pricing technique is used to value securities based on the securities' relationship to benchmark quoted prices. Inputs for level 2 include: (1) quoted prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in inactive markets, (3) inputs other than quoted prices that are observable for the asset or liability and (4) inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Securities within this hierarchy have unobservable inputs for the asset or liability. These investments primarily consist of assets where the asset is distressed or there is not an active market. Securities are valued using either the cost method where a replacement values is determinable or the income method using the present value technique.

Net Asset Value (NAV) - The fair value of investments in entities that calculate a net asset value per share are determined using the NAV in lieu of the leveling methodology described above.

	December 31, 2024			
	Level 1	Level 2	Level 3	Total
Money market mutual fund	\$ 168,220	\$ -	\$ -	\$ 168,220
Certificate of deposit	-	10,000,000	-	10,000,000
Cash equivalents - Minnesota Money Market Funds				16,735,036
Total				\$ 26,903,256

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Money market mutual fund	\$ 367,787	\$ -	\$ -	\$ 367,787
Certificate of deposit	-	10,000,000	-	10,000,000
Cash equivalents - Minnesota Money Market Funds				25,300,894
Total				\$ 35,668,681

All investments fall into the one to five maturity category.

## Public Utilities Commission

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Notes to Financial Statements  
December 31, 2024 and 2023

The cash equivalent values were obtained from statements provided by the Minnesota Municipal Money Market Fund. The Fund is an external investment pool not registered with the SEC that follows the same regulatory rules of the SEC under rule 2a7and is managed by the Board and Minnesota Statutes. The fair value of the pool is the same as the value of the pool shares. The investment in the Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of December 31, 2024 and 2023, the Commission did not have any investments exposed to custodial credit risk.

The Commission's investment policy requires that an investment must be held by the Commission or its agent in the Commission's name and comply with Minnesota Statutes.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The money market mutual funds were rated AAAM by Standard & Poor's at December 31, 2024 and 2023.

The Commission does not have a policy that specifically addresses credit risk.

## Public Utilities Commission

Notes to Financial Statements  
December 31, 2024 and 2023

### 3. Capital Assets

A summary of changes in capital assets during 2024 is as follows:

	2024			Balance December 31, 2024
	Balance January 1, 2024	Additions	Deletions	
Capital assets, not being depreciated:				
Land and land rights	\$ 562,428	\$ -	\$ -	\$ 562,428
Construction in progress	1,380,976	19,800,365	12,681,130	8,500,209
<b>Total capital assets, not being depreciated</b>	<b>1,943,404</b>	<b>19,800,365</b>	<b>12,681,130</b>	<b>9,062,637</b>
Capital assets being depreciated/amortized:				
Intangible asset	2,764,688	-	-	2,764,688
Land improvements	2,272,059	-	-	2,272,059
Buildings	11,374,537	147,555	14,172	11,507,920
Production equipment	81,339,008	6,070,721	553,658	86,856,071
Transmission and distribution system	60,201,847	9,057,238	1,101,454	68,157,631
Furniture and equipment	4,836,593	433,231	470,175	4,799,649
Lease assets:				
Vehicles	68,911	80,636	68,911	80,636
Substation equipment	892,644	-	-	892,644
<b>Total capital assets being depreciated</b>	<b>163,750,287</b>	<b>15,789,381</b>	<b>2,208,370</b>	<b>177,331,298</b>
Less accumulated depreciation	95,836,313	4,473,489	2,220,473	98,089,329
Less accumulated amortization on leased assets	291,131	215,689	68,911	437,909
<b>Net property, plant and equipment</b>	<b>\$ 69,566,247</b>	<b>\$ 30,900,568</b>	<b>\$ 12,600,118</b>	<b>\$ 87,866,697</b>

## Public Utilities Commission

Notes to Financial Statements  
December 31, 2024 and 2023

A summary of changes in capital assets during 2023 is as follows:

	<b>2023</b>			
	<b>Balance January 1, 2023</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31, 2023</b>
Capital assets, not being depreciated:				
Land and land rights	\$ 344,407	\$ 218,021	\$ -	\$ 562,428
Construction in progress	2,178,089	14,597,613	15,394,726	1,380,976
<b>Total capital assets, not being depreciated</b>	<b>2,522,496</b>	<b>14,815,634</b>	<b>15,394,726</b>	<b>1,943,404</b>
Capital assets being depreciated/amortized:				
Intangible asset	2,764,688	-	-	2,764,688
Land improvements	-	2,272,059	-	2,272,059
Buildings	9,994,994	1,379,543	-	11,374,537
Production equipment	73,336,016	8,108,459	105,467	81,339,008
Transmission and distribution system	53,289,138	7,613,680	700,971	60,201,847
Furniture and equipment	4,639,205	490,334	292,946	4,836,593
Lease assets:				
Vehicles	68,911	-	-	68,911
Substation equipment	892,644	-	-	892,644
<b>Total capital assets being depreciated</b>	<b>144,985,596</b>	<b>19,864,075</b>	<b>1,099,384</b>	<b>163,750,287</b>
Less accumulated depreciation	89,901,591	6,865,668	930,946	95,836,313
Less accumulated amortization on leased assets	119,922	171,209	-	291,131
<b>Net property, plant and equipment</b>	<b>\$ 57,486,579</b>	<b>\$ 27,642,832</b>	<b>\$ 15,563,164</b>	<b>\$ 69,566,247</b>

#### 4. Leases

##### Lessee - Lease Liabilities

The Commission leases certain vehicles and substation equipment. As required by GASB 87, *Leases*, the Commission records a lease asset and lease liability for its leasing activities. See Note 3, capital assets, for the breakdown and activity of lease assets during the year.

## Public Utilities Commission

Notes to Financial Statements  
December 31, 2024 and 2023

The Commission has the following lease liabilities:

Date	Description	Final Maturity	Interest Rate	Outstanding Amount December 31, 2024	Outstanding Amount December 31, 2023
09/28/2022	Vehicles	09/29/2024	2.90%	\$ -	\$ 23,629
06/01/2022	Substation equipment	05/31/2027	2.90	447,592	623,830
03/08/2024	Vehicles	03/31/2028	2.90	64,814	-

The annual requirements for the lease liability as of December 31, 2024 are as follows:

	Principal	Interest	Total
Years ending December 31:			
2025	\$ 201,246	\$ 12,201	\$ 213,447
2026	207,161	6,286	213,447
2027	100,437	1,011	101,448
2028	3,562	10	3,572
	<u>\$ 512,406</u>	<u>\$ 19,508</u>	<u>\$ 531,914</u>

### Lessor - Lease Receivables

Date	Lease Receivable Description	Final Maturity	Interest Rate	2024
01/01/2023	Pole attachments	12/31/2025	2.00%	\$ 72,431
10/24/2023	Water tower space	02/14/2028	2.00	449,257
	Total			<u>\$ 521,688</u>

The Commission recognized \$72,636 and \$62,756 of lease revenue during 2024 and 2023, respectively. The Commission recognized \$11,884 and \$11,611 of interest income during 2024 and 2023, respectively.

## 5. Long-Term Debt

Bonds and notes payable consist of the following at December 31:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount December 31, 2024
10/27/05	General capital improvements	12/01/25	4.1425%	\$ 2,030,000	\$ 155,000
12/18/23	Water treatment plant upgrades	08/20/43	2.014	9,336,684 <sup>1</sup>	1,472,437
1/16/24	Watermain improvement	08/20/44	1.906	4,880,939 <sup>1</sup>	4,880,939

<sup>1</sup> Long-term obligations identified were issued through the Public Facilities Authority Drinking Water Fund (PFA). The original amount noted above is for the total amount authorized. The outstanding amount reported above has been issued as of December 31, 2024. The repayment schedule is for the amount authorized as that is the only information available. Subsequent to year end, through the date the financial statements were available to be issued, the Commission received \$1,357,404 related to the Notes.

## Public Utilities Commission

Notes to Financial Statements  
December 31, 2024 and 2023

The terms of Revenue Note Series 2005A called for the proceeds of the note to be placed in an escrow account. As funds were expended, the Commission submitted requests to the escrow agent to draw down on the account. The remaining funds are to be held in an escrow account until the maturity date of the bond. As of December 31, 2024 and 2023, the account had a balance of \$168,220 and \$367,787, respectively.

The escrow account discussed above is reflected as restricted assets in the accompanying statement of net position.

The annual requirements to amortize the 2005 long-term debt outstanding as of December 31, 2024 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending December 31:			
2025	\$ 155,000	\$ 6,984	\$ 161,984

The annual requirements to amortize the PFA loans as of December 31, 2024 are as follows (repayment schedule is for the total amount authorized):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Years ending December 31:			
2025	\$ 441,939	\$ 228,696	\$ 670,635
2026	622,000	268,336	890,336
2027	634,000	256,040	890,040
2028	646,000	243,506	889,506
2029	659,000	230,736	889,736
2030-2034	3,498,000	952,895	4,450,895
2035-2039	3,856,000	593,285	4,449,285
2040-2044	<u>3,668,000</u>	<u>196,716</u>	<u>3,864,716</u>
Total requirements	<u>\$ 14,024,939</u>	<u>\$ 2,970,210</u>	<u>\$ 16,995,149</u>

A summary of changes in long-term obligations during 2024 is as follows:

	<b>2024</b>				
	<u>Balance January 1, 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2024</u>	<u>Due Within One Year</u>
Long-term debt	\$ 300,000	\$ 6,546,060	\$ 337,684	\$ 6,508,376	\$ 596,939
Unamortized bond discount	(2,674)	-	(1,392)	(1,282)	-
Compensated absences	880,521	652,189	455,573	1,077,137	-
Lease liability	<u>647,459</u>	<u>80,636</u>	<u>215,689</u>	<u>512,406</u>	<u>201,246</u>
Total	<u>\$ 1,825,306</u>	<u>\$ 7,278,885</u>	<u>\$ 1,007,554</u>	<u>\$ 8,096,637</u>	<u>\$ 798,185</u>

## Public Utilities Commission

Notes to Financial Statements  
December 31, 2024 and 2023

A summary of changes in long-term obligations during 2023 is as follows:

	2023				
	Balance January 1, 2023	Additions	Deletions	Balance December 31, 2023	Due Within One Year
Public Utilities Revenue Note 2005A	\$ 440,000	\$ -	\$ 140,000	\$ 300,000	\$ 145,000
Unamortized bond discount	(4,066)	-	(1,392)	(2,674)	-
Compensated absences	757,309	202,732	79,520	880,521	-
Lease liability	841,633	-	194,174	647,459	199,202
Total	<u>\$ 2,034,876</u>	<u>\$ 202,732</u>	<u>\$ 412,302</u>	<u>\$ 1,825,306</u>	<u>\$ 344,202</u>

See Notes 8 and 9 for additional information relate to the net pension liability and total OPEB liability.

## 6. Risk Management

### Risk of Loss

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Commission carries commercial insurance. There have been no significant reductions in coverage from prior years and settlements have not exceeded coverage in the past three years.

## 7. Contingencies and Commitments

The Commission has entered into contracts for the purchase of fuel, including biomass and natural gas, for the purposes of meeting its obligations as a Midcontinent Independent System Operator (MISO) Market Participant, electrical generation owner and public gas system operator.

The agreed upon quantities are based upon current and forecasted needs versus current held supply and MISO capacity accreditation requirements.

Effective June 1, 2022, the Commission began a five-year agreement with Minnesota Power to utilize Minnesota Power's 115 KV substation to access the MISO energy and capacity markets. Under the Agreement, the Commission annually accredits the Hibbing Renewable Energy Center through MISO and purchases an additional 6MW of capacity and associated energy from Minnesota Power's Boswell 4 Station.

As of the 2025-2026 MISO Planning Year, MISO implemented a seasonal capacity accreditation construct to determine market participants' capacity shortage and/or excess. For the 2025-2026 Planning Year, the Commission had an average accreditation requirement of 20.1 MW and an average of 28.8 MW capacity available. It is expected that the Commission would maintain its surplus capacity position for the remainder of the term.

The Commission purchases gas and pays for the transportation of the actual gas purchased under a transportation tariff approved by the Federal Energy and Regulatory Commission on Northern Natural Gas' pipeline system. Future gas commitments for the Commission from 2024 to 2028 total \$9.4 million at fixed prices. Based on the current market prices on January 30, 2025, this represents a savings to rate payers of \$2 million. The Commission purchased gas from World Fuel Services, Inc.

# Public Utilities Commission

Notes to Financial Statements  
December 31, 2024 and 2023

The Commission has incurred expenses in the past related to the cleanup of its former gas plant site. Costs related to complete the cleanup at this time are not known but management does not believe that the Commission will have any significant additional costs based on municipal liability limits of \$400,000. The Minnesota Pollution Control Agency has indicated it is in agreement with the Commission assessment of the maximum limit and is planning remediation in the next few years.

## 8. Deferred Benefit Pension Plan - Statewide

### Plan Description

The Commission participates in the following cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

All full-time and certain part-time employees of the Commission are covered by the General Employees plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

### Benefits Provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

Benefits are based on a member's highest average salary for any five successive years of allowable service, age and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

### Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

## Public Utilities Commission

Notes to Financial Statements  
December 31, 2024 and 2023

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal years 2024 and 2023 and the Commission was required to contribute 7.5% for Coordinated Plan members. The Commission's contributions to the General Employees Fund for the year ended December 31, 2024 and 2023 were \$430,738 and \$371,070, respectively. The Commission's contributions were equal to the required contributions as set by state statute.

### Pension Costs

At December 31, 2024 and 2023, the Commission reported a liability of \$2,508,776 and \$3,478,154, respectively, for its proportionate share of the General Employees Fund's net pension liability. The Commission's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State is considered a nonemployer contributing entity and the State's contribution meets the definition of a special funding situation. The State's proportionate share of the net pension liability associated with the Commission totaled \$64,872 and \$95,859 at December 31, 2024 and 2023, respectively.

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on the Commission's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The Commission's proportionate share was 0.0679% at the end of the measurement period and 0.0622% for the beginning of the period.

	<u>2024</u>	<u>2023</u>
Commission's proportionate share of the net pension liability	\$ 2,508,776	\$ 3,478,154
State of Minnesota's proportionate share of the net pension liability associated with the commission	<u>64,872</u>	<u>95,859</u>
Total	<u>\$ 2,573,648</u>	<u>\$ 3,574,013</u>

For the year ended December 31, 2024, the Commission recognized pension expense (revenue) of \$(79,901) for its proportionate share of the General Employees Plan's pension expense.

At December 31, 2024, the Commission's proportionate share of the general employees plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ 235,010	\$ -
Changes in actuarial assumptions	15,839	891,686
Difference between projected and actual investment earnings	-	749,167
Contributions and proportionate share of contributions expensed, not deferred	383,942	32,029
Contributions paid to PERA subsequent to the measurement date	<u>226,352</u>	<u>-</u>
Total	<u>\$ 861,143</u>	<u>\$ 1,672,882</u>

## Public Utilities Commission

Notes to Financial Statements  
December 31, 2024 and 2023

At December 31, 2023, the Commission's proportionate share of the general employees plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual economic experience	\$ 115,817	\$ 23,305
Changes in actuarial assumptions	549,593	953,333
Difference between projected and actual investment earnings		171,222
Contributions and proportionate share of contributions expensed, not deferred	219,781	115,492
Contributions paid to PERA subsequent to the measurement date	210,944	-
	<u>210,944</u>	<u>-</u>
Total	<u>\$ 1,096,135</u>	<u>\$ 1,263,352</u>

The amounts reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	<b>Pension Expense Amount</b>
Years ending June 30:	
2025	\$ (626,664)
2026	(16,375)
2027	(221,373)
2028	(192,282)
2029	18,603
	<u>18,603</u>
Total	<u>\$ (1,038,091)</u>

# Public Utilities Commission

Notes to Financial Statements  
December 31, 2024 and 2023

## Long-Term Expected Return on Investment

The State Board of investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best estimate ranges of expected future rates of return are developed for each asset class. The ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.5 %	5.10 %
International equity	16.5	5.30
Fixed income	25.0	0.75
Private markets	25.0	5.90
	<u>100 %</u>	

## Actuarial Methods and Assumptions

The total pension liability in the June 30, 2024 and 2023, actuarial valuations were determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25%.

Salary growth assumptions range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service.

Mortality rates are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions are reviewed every four years. The most recent four-year experience study was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2024:

Changes in actuarial assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.

## Public Utilities Commission

Notes to Financial Statements  
December 31, 2024 and 2023

- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

### Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

### Discount Rate

The discount rate used to measure the total pension liability was 7.0% in 2024 and 2023. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### Pension Liability Sensitivity

The following presents the Commission's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as the discount rate disclosed in the preceding paragraph, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<b>1% Decrease in Discount Rate (6.0%)</b>	<b>Current Discount Rate (7.0%)</b>	<b>1% Increase in Discount Rate (8.0%)</b>
Commission's proportion share of the general employees fund net pension liability at December 31, 2024	\$ 5,479,571	\$ 2,508,776	\$ 65,027
	<b>1% Decrease in Discount Rate (6.0%)</b>	<b>Current Discount Rate (7.0%)</b>	<b>1% Increase in Discount Rate (8.0%)</b>
Commission's proportion share of the general employees fund net pension liability at December 31, 2023	\$ 6,153,134	\$ 3,478,154	\$ 1,277,882

### Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at [www.rnnpera.org](http://www.rnnpera.org).

# Public Utilities Commission

Notes to Financial Statements  
December 31, 2024 and 2023

## Public Employees Defined Contribution Plan

Commission board members are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal. The Plan is closed to new board members. The only board member on the Plan in 2023 was grandfathered in. The employee retired in 2023 and was no longer on the Plan in 2024.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of one percent (0.25%) of the assets in each member's account annually.

Contributions during 2024 were \$0 for both the employer and for the employee. Contributions during 2023 were \$210 for both the employer and for the employee.

## 9. Other Postemployment Benefits

### Plan Description (Pay as You Go Method)

The Commission provides health care and dental insurance benefits for retired Commission employees. Commission employees become eligible for such benefits upon retirement.

During the year ended December 31, 2024 and 2023, the Commission expended approximately \$903,770 and \$942,596, respectively, on benefits. At the January 1, 2023 valuation date, the following employees were covered by the benefit terms:

Inactive employees and beneficiaries currently receiving benefits	98
Active employees	45
Total	<u>143</u>

### Actuarial Assumptions

The following assumptions were used in the valuation of the total OPEB liability at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Measurement date	December 31, 2024	December 31, 2023
Actuarial valuation date	January 1, 2023	January 1, 2023
Discount rate	4.08% using 20-year tax exempt municipal bond rate	3.26% using 20-year tax exempt municipal bond rate
Inflation rate	2.50%	2.50%
Salary increases including inflation	2.75%	2.75%

## Public Utilities Commission

Notes to Financial Statements  
December 31, 2024 and 2023

### Total OPEB Liability

Changes in the total OPEB liability for 2024 and 2023 is as follows:

	<b>Total OPEB Liability</b>
Balance as of December 31, 2022	\$ 16,607,353
Changes for the year:	
Service cost	276,170
Interest cost	610,696
Effect of economic/demographic gains or losses	(453,865)
Effect of assumptions changes or inputs	30,279
Benefit payments	(942,596)
Net changes	(479,316)
Total OPEB Liability, December 31, 2023	\$ 16,128,037
	<b>Total OPEB Liability</b>
Changes for the year:	
Service cost	\$ 296,223
Interest cost	520,818
Effect of economic/demographic gains or losses	-
Effect of assumptions changes or inputs	(1,500,242)
Benefit payments	(903,770)
Net changes	(1,586,971)
Total OPEB Liability, December 31, 2024	\$ 14,541,066

### OPEB Liability Sensitivity

The following presents the Commission's total OPEB liability calculated using the discount rate of 4.08% in 2024 (3.26% in 2023) as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
December 31, 2024	\$ 16,403,252	\$ 14,541,066	\$ 12,994,705
December 31, 2023	18,326,591	16,128,037	14,316,768

The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current health cost rate.

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
December 31, 2024	\$ 12,833,644	\$ 14,541,066	\$ 16,646,506
December 31, 2023	14,475,091	16,128,037	19,289,333

## Public Utilities Commission

Notes to Financial Statements  
December 31, 2024 and 2023

### OPEB Expense and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2024 and 2023, the Commission recognized OPEB expense (revenue) of \$(456,696) and \$790,289, respectively. As of December 31, 2024, the Commission reported deferred inflows and outflows related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 846,361
Changes of assumptions	674,169	2,733,691
	<u>\$ 674,169</u>	<u>\$ 3,580,052</u>

As of December 31, 2023, the Commission reported deferred inflows and outflows related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,705,206
Changes of assumptions	1,527,956	2,502,128
	<u>\$ 1,527,956</u>	<u>\$ 4,207,334</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized in the OPEB expense as follows:

Years ending December 31:	
2025	\$ (1,254,064)
2026	(1,238,249)
2027	(413,570)
2028	-
Thereafter	-

### 10. Joint Venture – Component Unit

The Commission entered into a joint venture with the Virginia Public Utilities Commission to form the Laurentian Energy Authority, LLC (Authority). The Authority is a limited liability company created under Minnesota Statutes, Sections 452.25 and 471.59 and was organized on January 31, 2005, under Minnesota Statutes Chapter 322B. The Authority was created to supply 35 MW of new biomass fueled electricity to Northern States Power Company, an operating subsidiary of Xcel Energy, as well as to supply steam to existing customers of the Hibbing and Virginia Public Utilities Commissions.

Prior to the transaction in August 2023 described below, the management of the business and affairs of the Authority were governed by a Board of Directors. The Board consisted of seven directors. The General Manager, Chairman and Vice Chairman of the Hibbing Public Utilities as well as the General Manager, President and Vice President of the Virginia Public Utilities comprised six seats on the Board. The remaining Board position was elected by a majority of the other directors.

In 2018 the Authority entered into a termination agreement with Northern States Power to cease providing bio massed produced power to Northern States Power. In conjunction with the termination agreement Northern States Power agreed to pay the Authority \$108,500,000 divided into six annual payments.

## Public Utilities Commission

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Notes to Financial Statements  
December 31, 2024 and 2023

In 2019 the Authority agreed to transfer ownership of its power production assets to each of its two members. The Commission's share of those assets totaled \$21,110,979 which represented the Authority's remaining book value of those assets. Also, during the year, the Authority distributed equity payments to its two members. The Commission received \$9,041,666 in cash payments from the Authority in 2023 and 2022, representing purchasing power termination payments the Authority received in those years.

As of December 31, 2022, the Commission has reported on its statement of net position an investment of \$10,047,837, in the joint venture, which represents its remaining investment in the entity.

The Commission had a 50% ownership interest in the Authority. In August 2023, the Commission purchased the remaining 50% ownership interest from the Virginia Public Utilities Commission for \$759,860 due to the operational benefit the remaining partnership assets had for the Commission's biomass operations. The acquisition date of the transaction was July 1, 2023. At the time of the transaction, the Authority's total net position was \$1,049,195 and the portion purchased was \$524,598.

Complete financial statements of the Authority can be obtained from the Commission's Director of Finance. At December 31, 2024 and 2023, the balances of the Authority are blended into the financial statements of the Commission.

**REQUIRED SUPPLEMENTARY INFORMATION**

## Public Utilities Commission

### Schedule of Changes in the Commission's Total OPEB Liability and Related Ratios and Notes

Years Ended December 31, 2024 and 2023

(Unaudited)

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<b>Total OPEB Liability</b>							
Service cost	\$ 487,215	\$ 383,407	\$ 561,246	\$ 597,214	\$ 623,529	\$ 276,170	\$ 296,223
Interest	714,998	787,841	531,232	456,552	429,946	610,696	520,818
Effect of plan changes	-	-	-	-	-	-	-
Effect of economic/demographic gains or (losses)	-	(3,616,791)	-	(1,100,781)	-	(453,865)	-
Effect of assumption changes or inputs	(1,844,377)	3,292,183	1,882,985	181,569	(4,289,364)	30,279	(1,500,242)
Benefit payments	(827,000)	(820,675)	(881,213)	(845,235)	(804,734)	(942,596)	(903,770)
Net change in total OPEB liability	(1,469,164)	25,965	2,094,250	(710,681)	(4,040,623)	(479,316)	(1,586,971)
<b>Total OPEB Liability, Beginning</b>	<u>20,707,606</u>	<u>19,238,442</u>	<u>19,264,407</u>	<u>21,358,657</u>	<u>20,647,976</u>	<u>16,607,353</u>	<u>16,128,037</u>
<b>Total OPEB Liability, Ending</b>	<u>\$ 19,238,442</u>	<u>\$ 19,264,407</u>	<u>\$ 21,358,657</u>	<u>\$ 20,647,976</u>	<u>\$ 16,607,353</u>	<u>\$ 16,128,037</u>	<u>\$ 14,541,066</u>
<b>Payroll for the Measurement Period</b>	\$ 5,440,813	\$ 4,967,680	\$ 4,592,402	\$ 4,407,245	\$ 4,576,939	\$ 5,410,488	\$ 5,549,307
<b>Total OPEB Liability as a % of Employee Payroll</b>	353.59%	387.79%	464.87%	468.27%	362.85%	298.09%	262.03%

#### Note:

The Commission implemented the provisions of GASB Statement No. 75 in the year ending December 31, 2018. This schedule is intended to present a 10-year trend information. Additional years will be added as they become available. Changes to significant assumptions are as follows:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Changes in assumptions:							
Discount rate	4.10%	2.74%	2.12%	2.06%	3.72%	3.26%	4.08%

In 2023, the assumption related to inflation changed from 2.60% to 2.50%.

The Commission does not have a formal funding policy and does not calculate a Actuarially Determined Contribution (ADC) as such the disclosure of a schedule of contributions is not required.

The Commission does not have funds placed in a trust to offset the total OPEB liability. As such a schedule of investment returns is not required.

See notes to required supplementary information

**Public Utilities Commission**

Schedule of Employer's Share of Net Pension Liability and Schedule of Employer Contributions and Notes -  
 Public Employees Retirement Association (PERA)  
 Years Ended December 31, 2024 and 2023  
 (Unaudited)

<b>Fiscal Year End</b>	<b>Commission's Proportion of the Net Pension Liability</b>	<b>Commission's Proportionate Share of the Net Pension Liability</b>	<b>State's Proportionate Share of the Net Pension Liability Associated With the Commission</b>	<b>Total</b>	<b>Commission's Covered Payroll</b>	<b>Commission's Proportionate Share of the NPL (asset) as a Presentage of its Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
6/30/2024	0.0679%	\$ 2,508,776	\$ 64,872	\$ 2,573,648	\$ 5,549,307	45%	89.10%
6/30/2023	0.0622%	3,478,154	95,859	3,574,013	4,756,870	73%	83.10%
6/30/2022	0.0585%	4,633,219	135,798	4,769,017	4,449,229	104%	76.70%
6/30/2021	0.0605%	2,538,621	78,965	2,617,586	4,574,751	87%	63.16%
6/30/2020	0.0650%	3,897,047	120,163	4,017,210	4,636,325	84%	79.06%
6/30/2019	0.0696%	3,848,028	119,661	3,967,689	4,925,725	78%	80.23%
6/30/2018	0.0780%	4,327,120	141,834	4,468,954	5,242,301	83%	79.53%
6/30/2017	0.0855%	5,458,264	68,646	5,526,910	5,515,110	99%	75.90%
6/30/2016	0.0907%	7,364,392	96,093	7,460,485	5,425,759	136%	68.91%
6/30/2015	0.0939%	4,866,386	-	4,866,386	5,519,343	88%	78.19%

Schedule of Employer's Contributions  
 Years Ended June 30, 2024 and 2023

<b>Calendar Year End</b>	<b>Statutorily Required Contribution</b>	<b>Contributions in Relation to the Statutorily Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Commission's Covered Payroll</b>	<b>Contributions as a Percentage of Covered-Employee Payroll</b>
2024	\$ 427,487	\$ 427,487	\$ -	\$ 5,707,086	7.50%
2023	389,966	389,966	-	5,410,488	7.20%
2022	343,997	343,997	-	4,576,939	7.50%
2021	322,630	322,630	-	4,452,624	7.50%
2020	345,036	345,036	-	4,601,631	7.50%
2019	361,207	361,207	-	4,816,386	7.50%
2018	377,111	377,111	-	5,028,369	7.50%
2017	410,463	410,463	-	5,457,721	7.50%
2016	415,642	415,642	-	5,541,887	7.50%
2015	420,637	420,637	-	5,608,485	7.50%

See notes to required supplementary information

## Public Utilities Commission

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Notes to Required Supplementary Information  
December 31, 2024 and 2023

### Changes in Assumptions and in Benefit Terms

#### 2024 Changes

Changes in Actuarial Assumptions:

Rates of merit and seniority were adjusted, resulting in slightly higher rates.

Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.

Minor increase in assumed withdrawals for males and females.

Lower rates of disability.

Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.

Minor changes to form of payment assumptions for male and female retirees.

Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

#### 2023 Changes

Changes in Actuarial Assumptions:

The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

Changes in Plan Provisions:

An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.

The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.

The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.

A one-time, noncompounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

#### 2022 Changes

Changes in Actuarial Assumptions:

The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

## Public Utilities Commission

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Notes to Required Supplementary Information  
December 31, 2024 and 2023

Changes in Plan Provisions:

There were no changes in plan provisions since the previous valuation.

### 2021 Changes

Changes in Actuarial Assumptions:

The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

There were no changes in plan provisions since the previous valuation.

### 2020 Changes

Changes in Actuarial Assumptions:

The price inflation assumption was decreased from 2.5% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.0%.

Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average .25% less than previous rates.

Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.

Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.

Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.

The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disable annuitants was changed from the RP-2014 disabled annuitant mortality table to the

PUB-2010 General/teacher disabled annuitant mortality table, with adjustments.

The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.

The assumed spouse age difference was changed from two years older for females to one year older.

The assumed number of male new retirees electing the 1.00% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity options was adjusted accordingly.

## Public Utilities Commission

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Notes to Required Supplementary Information  
December 31, 2024 and 2023

### Changes in Plan Provisions:

Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 21, 2023 and 0.0% after. Augmentation was eliminated for privatization occurring after June 30, 2020.

### 2019 Changes

#### Changes in Actuarial Assumptions:

The mortality projection scale was changed from MP-2017 to MP-2018.

#### Changes in Plan Provisions:

The employer supplemental contribution was changed prospectively, decreasing from \$31 million to \$21 million per year. The State's special funding contribution was changed prospectively, requiring \$16 million due per year through 2031.

### 2018 Changes

#### Changes in Actuarial Assumptions:

The mortality projection scale was changed from MP-2015 to MP-2017.

The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

#### Changes in Plan Provisions:

The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.

Interest credited on member contributions decreased from 4% to 3%, beginning July 1, 2018.

Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

Contribution stabilizer provisions were repealed.

Annual increases were changed from 1% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost-of Living Adjustment, not less than 1% and not more than 1.5%, beginning January 1, 2019.

For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients or survivors.

Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

## Public Utilities Commission

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Notes to Required Supplementary Information  
December 31, 2024 and 2023

### 2017 Changes

#### Changes in Actuarial Assumptions:

The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for nonvested deferred member liability.

The assumed postretirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

#### Changes in Plan Provisions:

The State's contribution for the Minneapolis Employees Retirement Fund equals \$16.0 million in 2017 and 2018 and \$6.0 million thereafter.

The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The State's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

### 2016 Changes

#### Changes in Actuarial Assumptions:

The assumed postretirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year for all years.

The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.

Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.5% for inflation.

#### Changes in Plan Provisions:

There were no changes in plan provisions since the previous valuation.

### 2015 Changes

#### Changes in Actuarial Assumptions:

The assumed postretirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

#### Changes in Plan Provisions:

On January 1, 2015 the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

## **OTHER INFORMATION**

## Public Utilities Commission

Schedule of Departmental Revenues and Expenses (Unaudited)

Years Ended December 31, 2024 and 2023

### Year Ended December 31, 2024

	<u>Electric</u>	<u>Steam</u>	<u>Gas</u>	<u>Water</u>	<u>Total</u>
<b>Operating Revenue</b>					
Charges for services	\$ 17,237,531	\$ 2,227,237	\$ 7,706,682	\$ 3,079,224	\$ 30,250,674
Other operating revenues	321,949	98,087	80,623	104,498	605,157
Total operating revenues	<u>17,559,480</u>	<u>2,325,324</u>	<u>7,787,305</u>	<u>3,183,722</u>	<u>30,855,831</u>
<b>Operating Expenses</b>					
Operation and maintenance	15,847,846	2,405,133	4,971,322	1,623,766	24,848,067
Depreciation	3,335,702	990,250	391,512	710,701	5,428,165
Total operating expenses	<u>19,183,548</u>	<u>3,395,383</u>	<u>5,362,834</u>	<u>2,334,467</u>	<u>30,276,232</u>
<b>Operating income (Loss)</b>	<u>\$ (1,624,068)</u>	<u>\$ (1,070,059)</u>	<u>\$ 2,424,471</u>	<u>\$ 849,255</u>	<u>\$ 579,599</u>

### Year Ended December 31, 2023

	<u>Electric</u>	<u>Steam</u>	<u>Gas</u>	<u>Water</u>	<u>Total</u>
<b>Operating Revenue</b>					
Charges for services	\$ 16,491,368	\$ 2,413,350	\$ 8,527,838	\$ 2,891,015	\$ 30,323,571
Other operating revenues	307,047	85,907	89,722	60,088	542,764
Total operating revenues	<u>16,798,415</u>	<u>2,499,257</u>	<u>8,617,560</u>	<u>2,951,103</u>	<u>30,866,335</u>
<b>Operating Expenses</b>					
Operation and maintenance	15,429,415	3,949,754	5,508,515	1,990,382	26,878,066
Depreciation	2,704,228	874,669	370,515	617,630	4,567,042
Total operating expenses	<u>18,133,643</u>	<u>4,824,423</u>	<u>5,879,030</u>	<u>2,608,012</u>	<u>31,445,108</u>
<b>Operating Income (Loss)</b>	<u>\$ (1,335,228)</u>	<u>\$ (2,325,166)</u>	<u>\$ 2,738,530</u>	<u>\$ 343,091</u>	<u>\$ (578,773)</u>

**INDEPENDENT AUDITOR'S REPORT  
ON MINNESOTA LEGAL COMPLIANCE**

To the Members of the Commission  
Public Utilities Commission  
Hibbing, Minnesota

We have audited the accompanying financial statements of the single-enterprise proprietary fund activity of the Public Utilities Commission (the Commission), a component unit of the City of Hibbing, Minnesota, as of and for the year ended December 31, 2024, and the related notes to the financial statements which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated April 18, 2025.

In connection with our audit, nothing came to our attention that caused us to believe that the Commission failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions of the Minnesota Legal Compliance Audit Guide for Cities, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Commission's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

This report is intended solely for the information and use of those charged with governance and management of the Commission and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.



**Abdo**  
April 18, 2025  
Minneapolis, Minnesota

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Members of the Commission  
Public Utilities Commission  
Hibbing, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the single-enterprise proprietary fund activity of the Public Utilities Commission (the Commission), a component unit of the City of Hibbing, Minnesota, as of and for the years ended December 31, 2024 and December 31, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated Need Date.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of the Utilities' internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters which are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Abdo**  
Minneapolis, Minnesota  
April 18, 2025



**FEDERAL FINANCIAL AWARD PROGRAM**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY *THE UNIFORM GUIDANCE***

To the Members of the Commission  
Public Utilities Commission  
Hibbing, Minnesota

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the Public Utilities Commission's (the Commission), a component unit of the City of Hibbing, Minnesota, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Commission's major federal programs for the year ended December 31, 2024. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs.

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Commission's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Commission's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Commission's compliance with the requirements of each major federal program as a whole. In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Commission's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**Abdo**  
Minneapolis, Minnesota  
April 18, 2025



Public Utilities Commission  
Hibbing, Minnesota  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2024

<u>Funding Source</u>	<u>Pass-Through Entity</u>	<u>Federal Domestic Assistance Number</u>	<u>Program Name/Number</u>	<u>Federal Expenditures</u>
U.S. Environmental Protection Agency	City of Hibbing	66.468	Drinking Water State Revolving Fund	\$ 2,329,221
Department of Homeland Security	Minnesota Department of Homeland Security	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	431,454
Department of Housing and Urban Development		14.218	Community Development Block Grants/Entitlement Grants	<u>275,000</u>
			Total	<u>\$ 3,035,675</u>

Public Utilities Commission  
Hibbing, Minnesota  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2024

**Note 1: Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Public Utilities Commission, a component unit of the City of Hibbing, Minnesota, Minnesota (the Commission) for the year ended December 31, 2024. The Commission's reporting entity is defined in Note 1 to the Commission's financial statements. The information in this schedule is presented in accordance with the requirement of the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. All Federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included on the schedule.

**Note 2: Summary of Significant Accounting Policies for Expenditures**

Expenditures reported on this schedule are reported on the modified accrual basis of accounting.

**Note 3: Pass-through Entity Identifying Numbers**

Pass-through entity identifying numbers, if any, are presented where available.

**Note 4: Subrecipients**

No federal expenditures presented in this schedule were provided to subrecipients.

**Note 5: Indirect Cost Rate**

During the year ended December 31, 2024, the Commission did not elect to use the 10% de minimis indirect cost rate.

Public Utilities Commission  
Hibbing, Minnesota  
Schedule of Findings, Responses and Questioned Costs  
For the Year Ended December 31, 2024

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs	
Material weaknesses identified?	None reported
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)	No

**Identification of Major Programs/Projects**

	<b>CFDA No.</b>
Drinking Water State Revolving Fund	66.468
Dollar threshold used to distinguish between Type A and Type B Programs	\$ 750,000
Auditee qualified as low-risk auditee?	No

**Section II - Financial Statement Findings**

There were no significant deficiencies relating to the audit of the financial statements that were reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* .

**Section III - Major Federal Award Findings and Questioned Costs**

There are no significant deficiencies or material weaknesses that required to be reported in accordance with the Uniform Guidance. There are no instances of noncompliance including questioned costs that are required to be reported in accordance with the Uniform Guidance.

**Section IV - Schedule of Prior Year Audit Findings**

A Schedule of Prior Year Audit Findings is included.

**Other Issues**

A corrective action plan is not required to be reported under the Federal Single Audit Act.

Public Utilities Commission  
Hibbing, Minnesota  
Schedule of Prior Year Audit Findings  
For the Year Ended December 31, 2024

<u>Finding</u>	<u>Description</u>
<b>2023-001</b>	<b>Segregation of Duties</b>
<i>Criteria:</i>	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
<i>Recommendation:</i>	We recommend that an individual, separate from the Cashiers, prepare bank deposits, regularly review receipt transactions. We recommend that an individual, separate from the utility billing specialist, review, and approve billing registers. We recommend the Commission develop a policy for review and approval for review of manual adjustments.
<i>Current Year Status:</i>	The finding was removed from the current year report. During the audit, it was noted with additional staff reviewing and approving receipt and billing transactions, there was sufficient segregation of duties. Also, processes were developed and implemented for review and approval of manual adjustments.
<b>2023-002</b>	<b>Time Period for Payment</b>
<i>Criteria:</i>	Minnesota statute section 471.425 requires that the Commission pay bills within 35 days from receipt. If the invoice is not paid within the 35 days, interest at 1.5 percent per month is to be added to amount due.
<i>Recommendation:</i>	We recommend the Commission review the accounts payable process and ensure timing of payments is addressed within its written policies and procedures.
<i>Current Year Status:</i>	The finding was removed from the current year report. During the audit, we noted no payments occurring past the required time.





Item 6.D



Item 6.D – Approve Purchase of Blowdown Transmitters and Sensors from Emerson LLP in the amount of \$64,268.57

May 27, 2025

Jeff Hart  
Commission Chair  
1902 E. 6<sup>th</sup> Avenue  
Hibbing, MN 55746

RE: Item 6.D – Approve Purchase of Blowdown Transmitters and Sensors from Emerson LLP in the amount of \$64,268.57

Dear Commissioners;

For your consideration, Hibbing Public Utilities has received two quotes from Emerson LLLP to provide a variety of sensors, transmitters, and thermowells to HPU. These controls are required for the functions of the power plant's new blowdown control system. The total dollar amount for both quotes is \$64,268.57. Emerson is the supplier for equipment used by Novaspect which is our software/instrumentation vendor and has proprietary controls.

Please see attached quotes for this budgeted item.

Thank you for your consideration.

Sincerely;



Luke J. Peterson



TRANSMITT.

FINAL

REQ #  
125667

Submit your PO to:  
Emerson LLLP  
1100 W Louis Henna Blvd  
Building 1  
Round Rock  
TX 78681-7430  
UNITED STATES

HIBBING PUBLIC UTILITIES  
1902 6TH AVE E  
HIBBING, MN, 55746-1663, US  
**Reference:** Quote for Hibbing Public Utilites  
**Project:**

**Date:** 01-May-25  
**Emerson Proposal:** 25648182 Ver:1  
**Expiration Date:** 31-May-25

**To:** Frederick, Jacob

**Phone:**  
**Fax:**  
**Email:** jacobf@hpuc.com

**From:** Jerry Ostrem - Inside Sales

**Phone:** 800-999-9307  
**Fax:**  
**Email:** JERRY.OSTREM@emerson.com

Scott R Baruch - Salesperson

**Phone:** 612-963-6782  
**Fax:**  
**Email:** Scott.Baruch@emerson.com

## Summary Of Understanding

### Table Of Contents

1. Commercial Summary
2. Detailed Item Summary
3. Terms & Conditions

Commercial Summary

Expiration Date: 31-May-25
Ultimate Destination: United States

Shipping Terms:
Payment Terms: Payment due in 30 days
Freight Terms

Lead Time: 11 WEEKS ARO

Table with columns: Cust Line, Item, Qty, Units, Description, Unit Price (USD), Extended Price (USD). Contains 20 rows of item details including Scalable MultiVariable Pressure Transmitter, Rosemount 305 Integral Manifold, Rosemount 1495 Orifice Plate, etc.

Cust Line	Item	Qty	Units	Description	Unit Price (USD)	Extended Price (USD)
	11.2	1	Each	Rosemount 114C Thermowell 114CE0020TAA1SC017AXW ✓ <b>Ship From:</b>	125.87	125.87
	11.3	1	Each	Rosemount 3144P Temperature Transmitter 3144PD1A1NAXA ✓ <b>Ship From:</b>	1,110.28	1,110.28
	12.1	1	Each	Inline Pressure Transmitter 3051TG2A2B21AM5B4S5 ✓ <b>Ship From:</b>	2,034.37	2,034.37
	12.2	1	Each	Rosemount 306 In-Line Manifold 0306RT22BA11 ✓ <b>Ship From:</b>	322.76	322.76
	13	1	Each	IMP-TARIFF-M: SURCHARGE <b>Ship From:</b>	2,059.90	2,059.90

**TOTAL PRICE (USD) 34,245.91**

(NOTE: Taxes not included)

Detailed Item Summary

Cust Line	Item	Qty	Units	Description	Unit Price (USD)	Extended Price (USD)
1.1	2	Each		Scalable MultiVariable Pressure Transmitter	5,568.05	11,136.10
				<b>3051SMV3M12G3R2A11A1AC22C2M5</b>		
				3051SMV Scalable MultiVariable Pressure Transmitter		
				3 Performance Class: Ultra for Flow: 0.04% reading DP accuracy,200:1 rangedown,15-year stability,limited 15-year warranty		
				M MultiVariable Type: MultiVariable Measurement with Fully Compensated Mass and Energy Flow		
				1 Measurement Type: Differential Pressure, Static Pressure, and Temperature		
				2 Differential Pressure Range: -250 to 250 inH2O (-623 to 623 mbar)		
				G Static Pressure Type: Gage		
				3 Static Pressure Range: -14.2 to 800 psig (-0,979 to 55,2 bar)		
				R Temperature Input: RTD Input (Type Pt 100, -328 to 1562 Deg F (-200 to 850 Deg C))		
				2 Isolating Diaphragm: 316L SST		
				A11 Process Connection, Conn Size, Flange Material, Drain Vent, Bolting: Assemble to 305/306 Integral Manifold		
				A Transmitter Output: 4-20 mA with digital signal based on HART protocol		
				1A Housing Style, Material, Conduit Entry Size: PlantWeb housing, Aluminum, 1/2-14 NPT		
				C22 RTD Cable Options, Cable Length, Protection Type, Coupling Flex: RTD Input, 12 ft. (3.66 m), Armored Shielded Cable		
				C2 Software Configuration: Custom flow configuration (Configuration Data Sheet must be completed)		
				M5 Digital Display: LCD Display		
				Qty Primary Tag Calibration		
				1 NAME 0 to 250 IN H2O		
				0 to 800 PSI		
				-200 to 850 DEG F		
				0 to 50 GPM		
				1 NAME 0 to 250 IN H2O		
				0 to 800 PSI		
				-200 to 850 DEG F		
				0 to 50 GPM		
				Assemble To Item 1.1		
				Makeup Feedwater Flow Transmitter		
1.2	2	Each		Rosemount 305 Integral Manifold	550.73	1,101.46
				<b>0305RC32B11B4</b>		
				0305 Rosemount 305 Integral Manifold		
				R Manufacturer: Rosemount Inc.		
				C Manifold Style: Coplanar		
				3 Manifold Type: 3-Valve		
				2 Materials of Construction: 316/316L SST		
				B Process Connection Style: 1/2-14 NPT female		
				1 Packing Material: PTFE		
				1 Valve Seat: Integral		
				B4 Mounting Bracket: SST Mounting Bracket for 2-inch pipe mount with series 300 SST bolts		
				Assemble To Item 1.1		

Cust Line	Item	Qty	Units	Description	Unit Price (USD)	Extended Price (USD)
	2	2	Each	Rosemount 1495 Orifice Plate	328.18	656.36
				<b>1495PC020A3SA01125BCFH</b>		
				1495 Rosemount 1495 Orifice Plate		
				PC Orifice Plate Type: Paddle, Concentric		
				020 Line Size: 2 inches (DN50)		
				A3 Flange Rating: ANSI Class 300 Raised Face		
				S Orifice Plate Material Type: 316/316L Stainless Steel		
				A Orifice Plate Thickness: 0.125-in.		
				01125 Orifice Bore: Bore (XXXXX = XX.XXX)		
				BC Bore Calculation: Bore Calculation (CDS Required)		
				FH Alternate Pipe Schedule: Schedule Standard (STD)		
	3	2	Each	FLANGE UNIONS	546.74	1,093.48
				<b>1496WN020A3CFF</b>		
				1496 FLANGE UNIONS		
				WN Flange Union Type: Raised Face, Weld Neck		
				020 Line Size: 2 inches (DN50)		
				A3 Flange Rating: ANSI Class 300		
				C Materials: Carbon Steel		
				FF Alternate Pipe Schedule / Wall Thickness: Schedule 40		
	4.1	2	Each	Rosemount 214C Temperature Sensor	431.29	862.58
				<b>214CRWSMA1S4E0027SLAR1C1B1UAE025G3TBXW</b>		
				214C Rosemount 214C Temperature Sensor		
				RW Sensor Type: RTD Wirewound, PT100, $\alpha = 0.00385$ , -196 to 600°C		
				SM Sensor Sheath Material: 321 SST		
				A1 Sensor Accuracy: Class A per IEC 60751 [RW: -100 to 450°C (-148 to 842°F) RT: 0 to 300°C (32 to 572°F)]		
				S4 Sensor Wire Configuration: Single, 4-Wire		
				E Dimension Units: US Customary/English Units (inches)		
				0027 Sensor Insertion Length (L): xxx.x inches, 0 to 078.5 inches in 0.25" increments. Example: 0020 = 2" or 0150 = 15"		
				SL Sensor Mounting Style (Fittings and Adapters): Spring Loaded Adapter		
				AR1 Connection Head: Rosemount Aluminum		
				C1 Conduit Entry: 1/2 inch NPT		
				B1 Instrument Connection: 1/2 inch NPT		
				UA Extension Type: Union Style, 1/2 inch NPT, 1/2 inch NPT		
				E025 Extension Length (E): 2.5 in		
				G3 Cover Chain: Cover Chain		
				TB Terminal Block: Terminal Block		
				XW Thermowell Assembled To Sensor: Process Ready Assembly of Sensor and Thermowell		
				Assemble To Item 4.1		
				Makeup Feedwater RTD		

Cust Line	Item	Qty	Units	Description	Unit Price (USD)	Extended Price (USD)
4.2	2	Each		Rosemount 114C Thermowell	125.87	251.74
				<b>114CE0010TAA1SC017AXW</b>		
				114C Rosemount 114C Thermowell		
				E Dimensional Units: English Units		
				0010 Immersion Length (U): XXX.X in, 1/4" increments from 0.5" to 100". Example: 0005 for 0.5" or 0062 for 6.25"		
				T Mounting Style: Threaded		
				AA Process Connections: 1/2 - 14 ANPT		
				1 Stem Style: Straight Stem		
				SC Thermowell Material: 316/ 316L Dual Rated		
				017 Head Length (H): XX.X in, 1/4" increments from 1.75" to 11.25". Example: 020 = 2" or 042 = 4.25"		
				A Instrument Connection: 1/2"-14 ANPT		
				XW Sensor/ Thermowell Assemble to Options: Process ready assembly of a sensor and thermowell		
				Assemble To Item 4.1		
				Makeup Feedwater Thermowell		
5.1	1	Each		Scalable MultiVariable Pressure Transmitter	5,568.05	5,568.05
				<b>3051SMV3M12G3R2A11A1AC22C2M5</b>		
				3051SMV Scalable MultiVariable Pressure Transmitter		
				3 Performance Class: Ultra for Flow: 0.04% reading DP accuracy,200:1 rangedown,15-year stability,limited 15-year warranty		
				M MultiVariable Type: MultiVariable Measurement with Fully Compensated Mass and Energy Flow		
				1 Measurement Type: Differential Pressure, Static Pressure, and Temperature		
				2 Differential Pressure Range: -250 to 250 inH2O (-623 to 623 mbar)		
				G Static Pressure Type: Gage		
				3 Static Pressure Range: -14.2 to 800 psig (-0,979 to 55,2 bar)		
				R Temperature Input: RTD Input (Type Pt 100, -328 to 1562 Deg F (-200 to 850 Deg C))		
				2 Isolating Diaphragm: 316L SST		
				A11 Process Connection, Conn Size, Flange Material, Drain Vent, Bolting: Assemble to 305/306 Integral Manifold		
				A Transmitter Output: 4-20 mA with digital signal based on HART protocol		
				1A Housing Style, Material, Conduit Entry Size: PlantWeb housing, Aluminum, 1/2-14 NPT		
				C22 RTD Cable Options, Cable Length, Protection Type, Coupling Flex: RTD Input, 12 ft. (3.66 m), Armored Shielded Cable		
				C2 Software Configuration: Custom flow configuration (Configuration Data Sheet must be completed)		
				M5 Digital Display: LCD Display		
				Qty Primary Tag Calibration		
				1 NAME 0 to 250 IN H2O		
				0 to 800 PSI		
				-200 to 850 DEG F		
				0 to 80 GPM		
				Assemble To Item 5.1		
				Condensate Flow Transmitter		
5.2	1	Each		Rosemount 305 Integral Manifold	550.73	550.73
				<b>0305RC32B11B4</b>		
				0305 Rosemount 305 Integral Manifold		
				R Manufacturer: Rosemount Inc.		
				C Manifold Style: Coplanar		
				3 Manifold Type: 3-Valve		
				2 Materials of Construction: 316/316L SST		
				B Process Connection Style: 1/2-14 NPT female		
				1 Packing Material: PTFE		
				1 Valve Seat: Integral		
				B4 Mounting Bracket: SST Mounting Bracket for 2-inch pipe mount with series 300 SST bolts		
				Assemble To Item 5.1		

Cust Line	Item	Qty	Units	Description	Unit Price (USD)	Extended Price (USD)
6	1	Each		Rosemount 1595 Conditioning Orifice Plate	794.18	794.18
				<b>1595P030A3SA050</b>		
				1595 Rosemount 1595 Conditioning Orifice Plate		
				P Plate Type: Paddle, Square Edged		
				030 Line Size: 3-in. (80 mm)		
				A3 Flange Rating: ANSI Class 300 Raised Face		
				S Material Type: 316/L Stainless Steel		
				A Orifice Plate Thickness   Plate Type P   Plate Type U: 0.125-in.   Line Sizes 2 to 4-in. (50 to 100 mm)   Line size 2 to 6-in. (50 to 150 mm)		
				050 Beta Ratio: 0.50 Beta Ratio		
7	1	Each		FLANGE UNIONS	688.08	688.08
				<b>1496WN030A3CFF</b>		
				1496 FLANGE UNIONS		
				WN Flange Union Type: Raised Face, Weld Neck		
				030 Line Size: 3 inches (DN80)		
				A3 Flange Rating: ANSI Class 300		
				C Materials: Carbon Steel		
				FF Alternate Pipe Schedule / Wall Thickness: Schedule 40		
8.1	1	Each		Rosemount 214C Temperature Sensor	431.29	431.29
				<b>214CRWSMA1S4E0032SLAR1C1B1UAE025G3TBXW</b>		
				214C Rosemount 214C Temperature Sensor		
				RW Sensor Type: RTD Wirewound, PT100, $\alpha = 0.00385$ , -196 to 600°C		
				SM Sensor Sheath Material: 321 SST		
				A1 Sensor Accuracy: Class A per IEC 60751 [RW: -100 to 450°C (-148 to 842°F) RT: 0 to 300°C (32 to 572°F)]		
				S4 Sensor Wire Configuration: Single, 4-Wire		
				E Dimension Units: US Customary/English Units (inches)		
				0032 Sensor Insertion Length (L): xxx.x inches, 0 to 078.5 inches in 0.25" increments. Example: 0020 = 2" or 0150 = 15"		
				SL Sensor Mounting Style (Fittings and Adapters): Spring Loaded Adapter		
				AR1 Connection Head: Rosemount Aluminum		
				C1 Conduit Entry: 1/2 inch NPT		
				B1 Instrument Connection: 1/2 inch NPT		
				UA Extension Type: Union Style, 1/2 inch NPT, 1/2 inch NPT		
				E025 Extension Length (E): 2.5 in		
				G3 Cover Chain: Cover Chain		
				TB Terminal Block: Terminal Block		
				XW Thermowell Assembled To Sensor: Process Ready Assembly of Sensor and Thermowell		
				Assemble To Item 8.1		
				Condensate RTD		
8.2	1	Each		Rosemount 114C Thermowell	125.87	125.87
				<b>114CE0015TAA1SC017AXW</b>		
				114C Rosemount 114C Thermowell		
				E Dimensional Units: English Units		
				0015 Immersion Length (U): XXX.X in, 1/4" increments from 0.5" to 100". Example: 0005 for 0.5" or 0062 for 6.25"		
				T Mounting Style: Threaded		
				AA Process Connections: 1/2 - 14 ANPT		
				1 Stem Style: Straight Stem		
				SC Thermowell Material: 316/ 316L Dual Rated		
				017 Head Length (H): XX.X in, 1/4" increments from 1.75" to 11.25". Example: 020 = 2" or 042 = 4.25"		
				A Instrument Connection: 1/2"-14 ANPT		
				XW Sensor/ Thermowell Assemble to Options: Process ready assembly of a sensor and thermowell		
				Assemble To Item 8.1		
				Condensate Thermowell		

Cust Line	Item	Qty	Units	Description	Unit Price (USD)	Extended Price (USD)
9.1	2	Each		Rosemount 214C Temperature Sensor	341.22	682.44
				<b>214CRWSMA1S4E0027SLUAE025XAXW</b>		
				214C Rosemount 214C Temperature Sensor		
				RW Sensor Type: RTD Wirewound, PT100, α = 0.00385, -196 to 600°C		
				SM Sensor Sheath Material: 321 SST		
				A1 Sensor Accuracy: Class A per IEC 60751 [RW: -100 to 450°C (-148 to 842°F) RT: 0 to 300°C (32 to 572°F)]		
				S4 Sensor Wire Configuration: Single, 4-Wire		
				E Dimension Units: US Customary/English Units (inches)		
				0027 Sensor Insertion Length (L): xxx.x inches, 0 to 078.5 inches in 0.25" increments. Example: 0020 = 2" or 0150 = 15"		
				SL Sensor Mounting Style (Fittings and Adapters): Spring Loaded Adapter		
				UA Extension Type: Union Style, 1/2 inch NPT, 1/2 inch NPT		
				E025 Extension Length (E): 2.5 in		
				XA Transmitter Assembled To Sensor: Process Ready Assembly of Transmitter and Sensor		
				XW Thermowell Assembled To Sensor: Process Ready Assembly of Sensor and Thermowell		
				Assemble To Item 9.1		
				Condensate IN/OUT RTD		
9.2	2	Each		Rosemount 114C Thermowell	125.87	251.74
				<b>114CE0010TAA1SC017AXW</b>		
				114C Rosemount 114C Thermowell		
				E Dimensional Units: English Units		
				0010 Immersion Length (U): XXX.X in, 1/4" increments from 0.5" to 100". Example: 0005 for 0.5" or 0062 for 6.25"		
				T Mounting Style: Threaded		
				AA Process Connections: 1/2 - 14 ANPT		
				1 Stem Style: Straight Stem		
				SC Thermowell Material: 316/ 316L Dual Rated		
				017 Head Length (H): XX.X in, 1/4" increments from 1.75" to 11.25". Example: 020 = 2" or 042 = 4.25"		
				A Instrument Connection: 1/2"-14 ANPT		
				XW Sensor/ Thermowell Assemble to Options: Process ready assembly of a sensor and thermowell		
				Assemble To Item 9.1		
				Condensate IN/OUT THERMOWELL		
9.3	2	Each		Rosemount 3144P Temperature Transmitter	1,110.28	2,220.56
				<b>3144PD1A1NAXA</b>		
				3144P Rosemount 3144P Temperature Transmitter		
				D1 Housing Style   Material   Conduit Entry Size: Field Mount, Dual-Compartment Housing   Aluminum   ½-14 NPT		
				A Transmitter Output: 4-20 mA with digital signal based on HART protocol		
				1 Measurement Configuration: Single Sensor		
				NA Product Certifications: No Approval		
				XA Assemble To Options: Sensor Specified Separately and Assembled to Transmitter		
				Qty Primary Tag Calibration		
				1 NAME 0 to 300 DEG F 14		
				1 NAME 0 to 300 DEG F 14		
				Assemble To Item 9.1		
				Condensate IN/OUT TT		

Cust Line	Item	Qty	Units	Description	Unit Price (USD)	Extended Price (USD)
10.1	1	1	Each	Rosemount 214C Temperature Sensor	341.22	341.22
				<b>214CRWSMA1S4E0047SLUAE025XAXW</b>		
				214C Rosemount 214C Temperature Sensor		
				RW Sensor Type: RTD Wirewound, PT100, α = 0.00385, -196 to 600°C		
				SM Sensor Sheath Material: 321 SST		
				A1 Sensor Accuracy: Class A per IEC 60751 [RW: -100 to 450°C (-148 to 842°F) RT: 0 to 300°C (32 to 572°F)]		
				S4 Sensor Wire Configuration: Single, 4-Wire		
				E Dimension Units: US Customary/English Units (inches)		
				0047 Sensor Insertion Length (L): xxx.x inches, 0 to 078.5 inches in 0.25" increments. Example: 0020 = 2" or 0150 = 15"		
				SL Sensor Mounting Style (Fittings and Adapters): Spring Loaded Adapter		
				UA Extension Type: Union Style, 1/2 inch NPT, 1/2 inch NPT		
				E025 Extension Length (E): 2.5 in		
				XA Transmitter Assembled To Sensor: Process Ready Assembly of Transmitter and Sensor		
				XW Thermowell Assembled To Sensor: Process Ready Assembly of Sensor and Thermowell		
				Assemble To Item 10.1		
				<b>SEWER RTD</b>		
10.2	1	1	Each	Rosemount 114C Thermowell	125.87	125.87
				<b>114CE0030TAA1SC017AXW</b>		
				114C Rosemount 114C Thermowell		
				E Dimensional Units: English Units		
				0030 Immersion Length (U): XXX.X in, 1/4" increments from 0.5" to 100". Example: 0005 for 0.5" or 0062 for 6.25"		
				T Mounting Style: Threaded		
				AA Process Connections: 1/2 - 14 ANPT		
				1 Stem Style: Straight Stem		
				SC Thermowell Material: 316/ 316L Dual Rated		
				017 Head Length (H): XX.X in, 1/4" increments from 1.75" to 11.25". Example: 020 = 2" or 042 = 4.25"		
				A Instrument Connection: 1/2"-14 ANPT		
				XW Sensor/ Thermowell Assemble to Options: Process ready assembly of a sensor and thermowell		
				Assemble To Item 10.1		
				<b>SEWER THERMOWELL</b>		
10.3	1	1	Each	Rosemount 3144P Temperature Transmitter	1,369.76	1,369.76
				<b>3144PD1A1NAXAM5</b>		
				3144P Rosemount 3144P Temperature Transmitter		
				D1 Housing Style   Material   Conduit Entry Size: Field Mount, Dual-Compartment Housing   Aluminum   1/2-14 NPT		
				A Transmitter Output: 4-20 mA with digital signal based on HART protocol		
				1 Measurement Configuration: Single Sensor		
				NA Product Certifications: No Approval		
				XA Assemble To Options: Sensor Specified Separately and Assembled to Transmitter		
				M5 Display: LCD Display		
				Qty Primary Tag Calibration Type		
				1 NAME 0 to 250 DEG F 14		
				Assemble To Item 10.1		
				<b>SEWER TT</b>		

Cust Line	Item	Qty	Units	Description	Unit Price (USD)	Extended Price (USD)
11.1	1	1	Each	Rosemount 214C Temperature Sensor	341.22	341.22
				<b>214CRWSMA1S4E0037SLUAE025XAXW</b>		
				214C Rosemount 214C Temperature Sensor		
				RW Sensor Type: RTD Wirewound, PT100, $\alpha = 0.00385$ , -196 to 600°C		
				SM Sensor Sheath Material: 321 SST		
				A1 Sensor Accuracy: Class A per IEC 60751 [RW: -100 to 450°C (-148 to 842°F) RT: 0 to 300°C (32 to 572°F)]		
				S4 Sensor Wire Configuration: Single, 4-Wire		
				E Dimension Units: US Customary/English Units (inches)		
				0037 Sensor Insertion Length (L): xxx.x inches, 0 to 078.5 inches in 0.25" increments. Example: 0020 = 2" or 0150 = 15"		
				SL Sensor Mounting Style (Fittings and Adapters): Spring Loaded Adapter		
				UA Extension Type: Union Style, 1/2 inch NPT, 1/2 inch NPT		
				E025 Extension Length (E): 2.5 in		
				XA Transmitter Assembled To Sensor: Process Ready Assembly of Transmitter and Sensor		
				XW Thermowell Assembled To Sensor: Process Ready Assembly of Sensor and Thermowell		
				Assemble To Item 11.1		
				<b>BLOWDOWN RTD</b>		
11.2	1	1	Each	Rosemount 114C Thermowell	125.87	125.87
				<b>114CE0020TAA1SC017AXW</b>		
				114C Rosemount 114C Thermowell		
				E Dimensional Units: English Units		
				0020 Immersion Length (U): XXX.X in, 1/4" increments from 0.5" to 100". Example: 0005 for 0.5" or 0062 for 6.25"		
				T Mounting Style: Threaded		
				AA Process Connections: 1/2 - 14 ANPT		
				1 Stem Style: Straight Stem		
				SC Thermowell Material: 316/ 316L Dual Rated		
				017 Head Length (H): XX.X in, 1/4" increments from 1.75" to 11.25". Example: 020 = 2" or 042 = 4.25"		
				A Instrument Connection: 1/2"-14 ANPT		
				XW Sensor/ Thermowell Assemble to Options: Process ready assembly of a sensor and thermowell		
				Assemble To Item 11.1		
				<b>BLOWDOWN THERMOWELL</b>		
11.3	1	1	Each	Rosemount 3144P Temperature Transmitter	1,110.28	1,110.28
				<b>3144PD1A1NAXA</b>		
				3144P Rosemount 3144P Temperature Transmitter		
				D1 Housing Style   Material   Conduit Entry Size: Field Mount, Dual-Compartment Housing   Aluminum   1/2-14 NPT		
				A Transmitter Output: 4-20 mA with digital signal based on HART protocol		
				1 Measurement Configuration: Single Sensor		
				NA Product Certifications: No Approval		
				XA Assemble To Options: Sensor Specified Separately and Assembled to Transmitter		
				Qty Primary Tag Calibration		
				1 Type NAME 0 to 250 DEG F 14		
				Assemble To Item 11.1		
				<b>BLOWDOWN TT</b>		

Cust Line	Item	Qty	Units	Description	Unit Price (USD)	Extended Price (USD)
12.1		1	Each	Inline Pressure Transmitter	2,034.37	2,034.37
				<b>3051TG2A2B21AM5B4S5</b>		
				3051T Inline Pressure Transmitter		
				G Pressure Type: Gage		
				2 Pressure Upper Range Limit: 150 psi (10.3 bar)		
				A Transmitter Output: 4-20 mA with Digital Signal Based on HART Protocol		
				2B Process Connection Style: 1/2-14 NPT Female		
				2 Isolating Diaphragm   Process Connection Wetted Parts Material: 316L SST   316L SST		
				1 Sensor Fill Fluid: Silicone		
				A Housing Material   Conduit Entry Size: Aluminum   1/2-14 NPT		
				M5 Display and Interface Options: LCD Display		
				B4 Mounting Bracket: Bracket for 2-in. Pipe or Panel Mounting, All SST		
				S5 Integral Assembly: Assemble to Rosemount 306 Integral Manifold		
				Qty Primary Tag Calibration		
				1 Type NAME 0 to 100 PSI		
				Assemble To Item 12.1		
				Continuous Blowdown PT		
12.2		1	Each	Rosemount 306 In-Line Manifold	322.76	322.76
				<b>0306RT22BA11</b>		
				0306 Rosemount 306 In-Line Manifold		
				R Manufacturer: Rosemount Inc.		
				T Manifold Style: Threaded		
				2 Manifold Type: 2-Valve		
				2 Materials of Construction: 316/316L SST		
				BA Process Connection Style: 1/2-14 female ANPT Process Connection for Inline Transmitter		
				1 Packing Material: PTFE		
				1 Valve Seat: Integral		
				Assemble To Item 12.1		
13		1	Each	IMP-TARIFF-M:SURCHARGE	2,059.90	2,059.90

### **International Trade Compliance**

The present quotation, the acceptance of an order under this quotation and the fulfilment of any contractual obligations as a consequence of the quotation, are subject to all current applicable import, export control and sanctions laws, regulations, orders and requirements, including those of the United States where applicable. However, such laws and regulations may be amended from time to time including during the processing of an order. If Emerson (The Company) should fail to receive any necessary or advisable licenses, authorizations or approvals, even arising from inaction by any relevant government authority, or if any such licenses, authorizations or approvals are denied or revoked, or if there is a change in any applicable laws, regulations, orders or requirements that would prohibit the Company from fulfilling any order, or would in the reasonable judgement of the Company otherwise expose the Company to a risk of liability under such laws, regulations, orders or requirements if it fulfilled the order, the Company shall be relieved without penalty of all obligations with respect to any order resulting from this quotation.

### **Product Material Compliance**

For orders destined for installation in the European Union, some products on this order may be considered out of scope from European Directive 2011/65/EC. For more information on EU RoHS, EU REACH, and other laws which regulate product material content, please refer to <http://www.emerson.com/compliance> for up-to-date product information.

### **Terms & Conditions**

This quote is offered subject to the terms and conditions agreement between the parties. If no agreement exists, then this quote shall be subject to Emerson Automation Solutions' terms and conditions of sale, a copy of which can be found at the following :

[LLL USA General TC US](#)

### **Material Selection**

Emerson Automation Solutions provides a variety of products with various options and configurations including materials of construction that can be expected to perform well in a wide range of applications. The product information presented is intended as a guide for the purchaser to make an appropriate selection for the application. It is the purchaser's sole responsibility to make a careful analysis of all process parameters (such as all chemical components, temperature, pressure, flow rate, contaminants, etc.), when specifying materials and options and for the particular application. Emerson Automation Solutions is not in a position to evaluate or guarantee the compatibility of the process fluid or other process parameters with the materials and options selected.



Blowdown

2EQ  
# 125666

Submit your PO to:  
Emerson LLLP  
1100 W. Louis Henna Blvd.  
Round Rock, TX 78681  
(800) 654-7768

LIFECYCLE SERVICE FOR MEASUREMENT INSTRUMENTATION PROPOSAL			
<b>Customer</b>	HIBBING PUBLIC UTILITIES	<b>Site Address</b>	1902 6TH AVE E HIBBING, MN, 55746-1663
<b>Contact</b>	Jacob Frederick	<b>Reference</b>	3051SMVs with custom flow nozzles
<b>Phone</b>	218-969-7757	<b>Email</b>	jacobf@hpuc.com
<b>Quote #</b>	25700739-1	<b>Quotation Date</b>	05/05/2025
<b>Quote Firm For</b>	60 days	<b>Payment Terms</b>	Net 30
<b>Shipping Terms</b>	FCA Sellers Premises (Incoterms 2020)	<b>Freight Handling</b>	Prepaid & Added
<b>Prepared By</b>	Arturo Villalobos/Kevin Rudy	<b>Account Manager</b>	Scott Baruch

Thank you for contacting Emerson for your service needs. We look forward to working with you.

<p><b>Submit your PO to:</b> <b>Emerson LLLP</b> 1100 W. Louis Henna Blvd. Round Rock, TX 78681 (800) 654-7768</p>	<p><b>Please email a copy of your order to:</b> InstrumentPO.IVSNarc@Emerson.com</p> <p>Call the Emerson North America Response Center to schedule - (800) 654-7768</p>
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**SCOPE**

Emerson solution consisting of Rosemount 3051SMVs with custom flow nozzles.



Submit your PO to:  
 Emerson LLLP  
 1100 W. Louis Henna Blvd.  
 Round Rock, TX 78681  
 (800) 654-7768

**PRICING**

Item	Qty	Part Number	Description	Unit Price	Ext. Price
1	3	3051SMV3M12G3R2A11A1A C22C2M5	Scalable MultiVariable Pressure Transmitter	\$5,568.05	\$16,704.15
2	3	0305RC32B11B4	Rosemount 305 Integral Manifold	\$550.73	\$1,652.19
3	3	214CRTSMA1S4E0027SLAR1 C1UAE025TBXW	Rosemount 214C Temperature Sensor	\$376.17	\$1,128.51
4	3	114CE0010TAA1SC017AXW	Rosemount 114C Thermowell	\$125.87	\$377.61
5	1	MP-TARIFF-M: SURCHARGE	Tariff Surcharge for physical products applied at 6.4%	\$1,271.20	\$1,271.20
6	3	Custom Flow Nozzle* <i>buyout item, non-returnable</i>	1" 600# Flanged Flow Nozzle Nozzle: Flange Type, 316/L SS Flanges: 1" 600# RFWN, S/XS, SA-105 Pipe: 1" S/XS, A-106-B Taps: 1/4" FNPT, 1 Set NDE: Per ASME B31.3, Normal Service Paint: Shop Primer	\$2,963.00	\$8,889.00
				<b>TOTAL</b>	<b>\$30,022.66</b>



Submit your PO to:  
 Emerson LLLP  
 1100 W. Louis Henna Blvd.  
 Round Rock, TX 78681  
 (800) 654-7768

**PRODUCT DETAILS**

Scalable MultiVariable Pressure Transmitter

**3051SMV3M12G3R2A11A1AC22C2M5**

- 3051SMV Scalable MultiVariable Pressure Transmitter
  - 3 Performance Class: Ultra for Flow: 0.04% reading DP accuracy,200:1 rangedown,15-year stability,limited 15-year warranty
  - M MultiVariable Type: MultiVariable Measurement with Fully Compensated Mass and Energy Flow
  - 1 Measurement Type: Differential Pressure, Static Pressure, and Temperature
  - 2 Differential Pressure Range: -250 to 250 inH2O (-623 to 623 mbar)
  - G Static Pressure Type: Gage
  - 3 Static Pressure Range: -14.2 to 800 psig (-0,979 to 55,2 bar)
  - R Temperature Input: RTD Input (Type Pt 100, -328 to 1562 Deg F (-200 to 850 Deg C))
  - 2 Isolating Diaphragm: 316L SST
  - A11 Process Connection, Conn Size, Flange Material, Drain Vent, Bolting: Assemble to 305/306 Integral Manifold
  - A Transmitter Output: 4-20 mA with digital signal based on HART protocol
  - 1A Housing Style, Material, Conduit Entry Size: PlantWeb housing, Aluminum, 1/2-14 NPT
  - C22 RTD Cable Options, Cable Length, Protection Type, Coupling Flex: RTD Input, 12 ft. (3.66 m), Armored Shielded Cable
  - C2 Software Configuration: Custom flow configuration (Configuration Data Sheet must be completed)
  - M5 Digital Display: LCD Display
- | Qty | Primary Tag Type | Calibration  |
|-----|------------------|--|
| 1   | NAME             | 0 to 250 IN H2O<br>0 to 800 PSI<br>-200 to 850 DEG F<br>-100 to -50 FLOW TBD |
| 1   | NAME             | 0 to 250 IN H2O<br>0 to 800 PSI<br>-200 to 850 DEG F<br>-100 to -50 FLOW TBD |
| 1   | NAME             | 0 to 250 IN H2O<br>0 to 800 PSI<br>-200 to 850 DEG F<br>-100 to -50 FLOW TBD |

Assemble To Item 1.1

Rosemount 305 Integral Manifold

**0305RC32B11B4**

- 0305 Rosemount 305 Integral Manifold
- R Manufacturer: Rosemount Inc.
- C Manifold Style: Coplanar
- 3 Manifold Type: 3-Valve
- 2 Materials of Construction: 316/316L SST
- B Process Connection Style: 1/2-14 NPT female
- 1 Packing Material: PTFE
- 1 Valve Seat: Integral
- B4 Mounting Bracket: SST Mounting Bracket for 2-inch pipe mount with series 300 SST bolts

Assemble To Item 1.1



Submit your PO to:  
Emerson LLLP  
1100 W. Louis Henna Blvd.  
Round Rock, TX 78681  
(800) 654-7768

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Rosemount 214C Temperature Sensor

**214CRTSMA1S4E0027SLAR1C1UAE025TBXW**

214C Rosemount 214C Temperature Sensor  
RT Sensor Type: RTD Thin-film, PT100,  $\alpha = 0.00385$ , -50 to 450 °C  
SM Sensor Sheath Material: 321 SST  
A1 Sensor Accuracy: Class A per IEC 60751 [RW: -100 to 450°C (-148 to 842°F)  
RT: 0 to 300°C (32 to 572°F)]  
S4 Sensor Wire Configuration: Single, 4-Wire  
E Dimension Units: US Customary/English Units (inches)  
0027 Sensor Insertion Length (L): xxx.x inches, 0 to 078.5 inches in 0.25" increments.  
Example: 0020 = 2" or 0150 = 15"  
SL Sensor Mounting Style (Fittings and Adapters): Spring Loaded Adapter  
AR1 Connection Head: Rosemount Aluminum  
C1 Conduit Entry: 1/2 inch NPT  
UA Extension Type: Union Style, 1/2 inch NPT, 1/2 inch NPT  
E025 Extension Length (E): 2.5 in  
TB Terminal Block: Terminal Block  
XW Thermowell Assembled To Sensor: Process Ready Assembly of Sensor and Thermowell

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Assemble To Item 2.1

Rosemount 114C Thermowell

**114CE0010TAA1SC017AXW**

114C Rosemount 114C Thermowell  
E Dimensional Units: English Units  
0010 Immersion Length (U): XXX.X in, 1/4" increments from 0.5" to 100". Example:  
0005 for 0.5" or 0062 for 6.25"  
T Mounting Style: Threaded  
AA Process Connections: 1/2 - 14 ANPT  
1 Stem Style: Straight Stem  
SC Thermowell Material: 316/ 316L Dual Rated  
017 Head Length (H): XX.X in, 1/4" increments from 1.75" to 11.25". Example: 020 =  
2" or 042 = 4.25"  
A Instrument Connection: 1/2"-14 ANPT  
XW Sensor/ Thermowell Assemble to Options: Process ready assembly of a sensor  
and thermowell

---

Assemble To Item 2.1

**Flow Nozzles:**

1" 600# Flanged Flow Nozzle  
Nozzle: Flange Type, 316/L SS  
Flanges: 1" 600# RFWN, S/XS, SA-105  
Pipe: 1" S/XS, A-106-B  
Taps: 1/4" FNPT, 1 Set  
NDE: Per ASME B31.3, Normal Service  
Paint: Shop Primer



Submit your PO to:  
Emerson LLLP  
1100 W. Louis Henna Blvd.  
Round Rock, TX 78681  
(800) 654-7768

## BILLING

**Billing Schedule:** Product will be invoiced at time of shipment to customer destination. On-site service work and associated expenses will be invoiced after on-site work is completed. A Field Service Report with those details will be provided at time of billing.

**Make Purchase Order out to (see admin page for details):**

**Emerson LLLP**

1100 W. Louis Henna Blvd.  
Round Rock, TX 78681  
Tax Reg No: 51-0432217

**Payment Terms:** NET30

**Shipping Terms:** FCA Sellers Premises (Incoterms 2020)

**Freight Handling:** Prepaid & Added

**Lead Time:** 4-5 weeks

**International Trade Compliance**

The present quotation, the acceptance of an order under this quotation and the fulfilment of any contractual obligations because of the quotation, are subject to all current applicable import, export control and sanctions laws, regulations, orders, and requirements, including those of the United States where applicable. However, such laws and regulations may be amended from time to time including during the processing of an order. If Emerson (The Company) should fail to receive any necessary or advisable licenses, authorizations or approvals, even arising from inaction by any relevant government authority, or if any such licenses, authorizations or approvals are denied or revoked, or if there is a change in any applicable laws, regulations, orders or requirements that would prohibit the Company from fulfilling any order, or would in the reasonable judgement of the Company otherwise expose the Company to a risk of liability under such laws, regulations, orders or requirements if it fulfilled the order, the Company shall be relieved without penalty of all obligations with respect to any order resulting from this quotation.

**Product Material Compliance**

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Emerson LLLP  
1100 W. Louis Henna Blvd.  
Round Rock, TX 78681  
(800) 654-7768

Administrative Information for Measurement Solutions Systems & Services

**Make Purchase Orders to:**  
Emerson LLLP  
1100 W Louis Henna Blvd  
Round Rock, TX 78681-7430  
United States  
Tel: 800-654-7768

**Credit Card ordering:**  
AMEX, Visa, MCard  
800 654-7768

Email: [InstrumentPO.IVSNarc@Emerson.com](mailto:InstrumentPO.IVSNarc@Emerson.com)  
Fax: 952-204-8879

Payment Terms:  
Net 30 days from invoice date  
Tax ID: 51-0432217

**ACH:**  
JPMorgan Chase  
Tampa, FL 33610  
Account # 00943399 (all 8 digits required)  
ABA # 071000013  
Swift Code: CHASUS33

**Wire**  
JPMorgan Chase  
New York, NY 10017  
Account# 00943399 (all 8 digits required)  
ABA #021000021

**Checks Mailed to Lockbox:**  
Emerson LLLP  
PO Box 730156  
Dallas TX 75373-0156

**Courier / Overnight Only:**  
JPMorgan Chase  
Attn: Dallas National  
Wholesale Lockbox TX1-0029  
Lock Box 730156  
14800 Frye Road  
Fort Worth TX 76155  
Phone: (312) 954-5059

**For Electronic Payments:** We require payment be made via ACH with remittance details in CTX format. Send details along with payment directly to JPMorgan Chase in CTX format. If unable to submit payment via ACH with CTX format, we require remittance details to be emailed to [epm-cfs.ep@emerson.com](mailto:epm-cfs.ep@emerson.com) at least 3 days prior to payment settlement date.

Questions related to electronic payments please send to [epm-cfs.ep@emerson.com](mailto:epm-cfs.ep@emerson.com)

**Vendor Bank Information:**  
JP Morgan Chase  
10 S Dearborn, Mail Code IL 1-0239  
13th Floor  
Chicago, IL 60603

Bank Contact: Gwen Wright  
Phone: (312) 954-6194  
Fax: (312) 256-9262





Item 6.E



Item 6.E – Approve Barr Engineering to perform Boiler Blowdown design work not to exceed \$55,000

May 27, 2025

Jeff Hart  
Commission Chair  
1902 E. 6<sup>th</sup> Avenue  
Hibbing, MN 55746

RE: Item 6.E - Approve Barr Engineering to perform Boiler Blowdown design work not to exceed \$55,000

Dear Commissioners;

For your consideration, Hibbing Public Utilities has received the following work order from Barr Engineering regarding the design support project of HPU's Boulder Blowdown improvements. Approval of this Work Order authorizes Barr Engineering to complete this work at a rate not to exceed their \$55,000 estimate.

Please see the following work order in support of this budgeted project.

Thank you for your consideration.

Sincerely;



Luke J. Peterson



Work Order No. 23692705.03\_WO-2025-01

Applicable to Agreement Dated March 26, 2021

between

**Barr Engineering Co. (Barr)**  
3128 14<sup>th</sup> Ave. East  
Hibbing, MN 55746

**Hibbing Public Utilities (Client)**  
1902 6<sup>th</sup> Ave. East  
Hibbing, MN 55746

**Designated Representatives:**

**Designated Representative:**

Project Manager: Douglas Folk

Luke Peterson, General Manager

Project Principal: Jon Minne

**I. Scope Language**

This work order scope is to continue providing mechanical, electrical, and structural design support for the boiler blowdown project originating from WO 2024-01, which served as the incumbent work order for Power Plant Engineer Support Services provided in 2024.

**II. Maximum Compensation and Assumptions ("Service Assumptions") Upon Which Maximum is Based**

Barr has based this work order on finalizing the Boiler Blowdown project design documentation, from its current state (IFR), through to Issued for Construction (IFC). The anticipated drawing release steps are as follows:

1. IFR: **Current State** summarizing requested changes to the Blow Down Systems design criteria.
2. Issued for Approval (IFA): If needed, this version is provided for final input from HPU on the system configuration.
3. Issued for Bid (IFB): If needed, for HPU to solicit updated contractor pricing, and procurement of specified equipment contained within the project drawing/design package.
4. IFC: Incorporate contractor provided final equipment approval drawings into General Arrangements and Piping Isometric drawings.
5. Provide part-time construction support on an on-call basis (up to 60 hrs.)
6. Record Set: Barr to provide a Record-Set drawing package capturing constructed state of the installed equipment and piping using contractor field records and field measurements of exposed components.

The total estimated fees for WO 2025\_A are estimated to be: **\$55,000.00**



**III. Schedule and Assumptions Upon Which Schedule is Based**

Work on this project is currently being executed with the Mechanical IFA package scheduled to be submitted to the HPU week ending 23MAY25. Upon approval from the HPU, pending any comments from the HPU, Barr expects to re-submit the Mechanical IFB package within 5 business days from receipt of approval to proceed. The electrical package will proceed upon approval notification for the mechanical design. The IFC and Record Set packages delivery date will depend on Barr’s receipt of all Vendor Approval drawings for equipment and project construction completion.

Barr Assumes:

- The design basis depicted on the current IFR design will not change
- HPU will administer and oversee the construction contract for this project

ACCEPTED AND AGREED TO:

BARR ENGINEERING CO.

Hibbing Public Utilities

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: Vice President

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_





Item 6.F



Item 6.F – Award Mine View Water Extensions to Bougalis Inc. in the amount of \$123,840

May 27, 2025

Jeff Hart  
Commission Chair  
1902 E. 6<sup>th</sup> Avenue  
Hibbing, MN 55746

RE: Item 6.F – Award Mine View Water Extensions to Bougalis Inc. in the amount of \$123,840

Dear Commissioners;

HPU has solicited quotes from contractors regarding the Mine View Watermain Extension project to provide water services to the City of Hibbing's Mine View Center. Email proposals were to be submitted to HPU & Bolton & Menk staff by May 15<sup>th</sup>. HPU solicited quotes directly from 5 contractor. 2 did not respond, 2 declined to submit a quotes, and Bougalis Inc. submitted a quote for the amount of \$123,840. Upon evaluation of the Project Engineer Josh Stier, this is a fair quote. HPU staff recommends the project be awarded to Bougalis Inc. in the amount of \$123,840.

Sincerely;



Luke J. Peterson

**HIBBING PUBLIC UTILITIES, HIBBING MINNESOTA**

**PROPOSAL FOR Mine View Water Extension**

I. DESCRIPTION OF PROJECT

A. Hibbing Public Utilities is requesting proposals from contractors to:

1. Install approximately 550 lineal feet of 8 inch watermain
2. Install one hydrant and 3 gate valves.
3. Bituminous Pavement Patching (55 square yards approx.)

B. PROPOSAL SUBMISSION DATE:

Email Proposals to  
the representatives listed below by  
**10:00 A.M., Thursday, May 15, 2025**

Hibbing Public Utilities  
Luke Peterson  
[Luke.Peterson@hpuc.com](mailto:Luke.Peterson@hpuc.com)

&

Bolton & Menk, Inc.  
Josh Stier, P.E  
[joshua.stier@bolton-menk.com](mailto:joshua.stier@bolton-menk.com)

C. PROJECT QUESTIONS:

Address inquiries to:  
Attn: Josh Stier, P.E  
Bolton & Menk, Inc.  
Cell: (218) 491-9434  
[joshua.stier@bolton-menk.com](mailto:joshua.stier@bolton-menk.com)

II. CONTRACT TIMES:

A. Construction shall be completed by **June 30<sup>th</sup>, 2025**.

III. INSURANCE:

A. **Insurance.** CONTRACTOR shall not commence work under this Contract until he has obtained all insurance required herein and such insurance has been approved by CITY, nor shall the CONTRACTOR allow any subcontractor to commence work on his subcontract until such subcontractor has obtained like insurance covering as to worker's compensation, liability, and automobile insurance. All this insurance coverage shall be maintained throughout the life of this Contract.

1. CONTRACTOR agrees to procure and maintain, at CONTRACTOR's expense, statutory worker's compensation coverage. Except as provided below, CONTRACTOR must provide Workers' Compensation insurance for all its employees. If Minnesota Statutes, section 176.041 exempts CONTRACTOR from Workers' Compensation insurance or if the CONTRACTOR has no employees in the City, CONTRACTOR must provide a

written statement, signed by an authorized representative, indicating the qualifying exemption that excludes CONTRACTOR from the Minnesota Workers' Compensation requirements. If during the course of the Contract the CONTRACTOR becomes eligible for Workers' Compensation, the CONTRACTOR must comply with the Workers' Compensation insurance requirements herein and provide CITY with a certificate of insurance.

2. CONTRACTOR agrees to procure and maintain, at CONTRACTOR's expense, general commercial liability ("CGL") and business automobile liability insurance coverage insuring CONTRACTOR against claims for bodily injury or death, or for damage to property, including loss of use, which may arise out of operations by CONTRACTOR or by any subcontractor or by anyone employed by any of them or by anyone for whose acts any of them may be liable (including automobile use). The following coverages shall, at a minimum, be included in the CGL insurance: Premises and Operations Bodily Injury and Property Damage, Personal and Advertising Injury, Blanket Contractual Liability, and Products and Completed Operations Liability. The required automobile liability coverage must include coverage for "any auto" which extends coverage to owned autos, non-owned autos, and hired autos. Such insurance shall include, but not be limited to, minimum coverages and limits of liability specified in this Paragraph, or required by law. The policy(ies) shall name CITY and ENGINEER as an additional insured for the services provided under this Contract and shall provide that the CONTRACTOR's coverage shall be primary and noncontributory in the event of a loss.
3. CONTRACTOR agrees to procure and maintain, at CONTRACTOR's expense, the following insurance policies, including the minimum coverages and limits of liability specified below, or as specified in the applicable insurance certificate(s), or as required by law, whichever is greater:

Worker's Compensation	Statutory Limits
Employer's Liability	\$500,000 each accident \$500,000 disease policy limit \$500,000 disease each employee
Commercial General Liability	\$1,000,000 property damage and bodily injury per occurrence \$2,000,000 annual aggregate \$2,000,000 annual aggregate Products -- Completed Operations
Comprehensive Automobile Liability	\$1,000,000 per occurrence combined single limit for Bodily Injury and Property Damage (shall include coverage for all owned, hired, and non-owned vehicles)

IV. BONDS

- A. Performance Bond - None required.
- B. Payment Bond - None required.

V. WORK PROVIDED BY OWNER

In developing the proposal, it should be assumed by the CONTRACTOR that the OWNER will provide the following:

- A. Legal and physical access to the PROJECT AREAS.
- B. Payment will be made upon issuance of an invoice after submission of the information requested.

VI. WORK BY THE CONTRACTOR

- A. All Work as specified in the following documents and shown on the following drawings:
  - 1. 32 12 01 Flexible Pavement Patching
  - 2. 32 92 00 Turf and Grasses
  - 3. 33 05 06 Trenching and Backfilling
  - 4. 33 05 07 Trenchless Installation of Utility Piping
  - 5. 33 14 00 Water Utility Transmission and Distribution
  - 6. Drawing 1 – Watermain Plans

VII. BID PROPOSAL - BASIS OF BID

- A. Unit Price Bids based on work items detailing in the Bid Schedule (attached).
- B. Bidder will perform the Work listed in the Bid Schedule at the indicated unit prices. The Bidder acknowledges that each Bid Unit Price includes an amount considered by Bidder to be adequate to cover Contractor's overhead and profit for each separately identified item, and Estimated quantities are not guaranteed, and are solely for the purpose of comparison of Bids, and final payment for all Unit Price Work will be based on actual quantities, determined as provided in the Contract Documents.

- C. Total project price (summation of Bid Schedule):

\$ 123,840.00  
(ONE HUNDRED TWENTY THREE THOUSAND  
EIGHT HUNDRED FORTY ) Dollars

Communications concerning this Proposal shall be addressed to:

CONTRACTOR: Baugalis Inc.

ADDRESS: 800 Greyhound Blvd.

CITY & STATE: Hibbing, MN 55746

TELEPHONE: 218-362-8415

SIGNATURE: 

AGREEMENT

IN WITNESS WHEREOF, Owner and Contractor have signed this Agreement to perform the work described herein.

This Agreement will be effective on \_\_\_\_\_.

OWNER:

Hibbing Public Utilities \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

CONTRACTOR:

Borgalis Inc. \_\_\_\_\_

By:  \_\_\_\_\_

Title: President \_\_\_\_\_

\*\*\*END OF SECTION\*\*\*

**BIDDING SCHEDULE**

Mineview Watermain Extention  
 Hibbing Public Utilities Commission

BIDDER agrees to perform all of the work described in the CONTRACT DOCUMENTS for the following unit prices:

NOTE: BIDS shall include sales tax and all applicable taxes and fees.

BIDDER must fill in unit prices in numerals, make extension for each item, and total.

CY (LV) = Cubic Yards, Loose Volume

CY (CV) = Cubic Yards, Compacted Volume (Measured in Place)

(P)=Planned Quantity Basis of Measurement

ITEM NO.	ITEM	NOTES	APPROX. QUANT.	UNIT	UNIT PRICE	AMOUNT
1	MOBILIZATION		1	LUMP SUM	10,000.00	10,000
2	EXPLORATORY EXCAVATION		15	HOURS	100.00	1,500
3	REMOVE PIPE CULVERT		40	LIN FT	10.00	400
4	4" PVC WATERMAIN		55	LIN FT	110.00	6,050
5	6" PVC WATERMAIN		5	LIN FT	100.00	500
6	8" PVC WATERMAIN		544	LIN FT	110.00	59,840
7	WATERMAIN FITTINGS		210	POUNDS	25.00	5,250
8	4" GV & BOX		1	EACH	3,400.00	3,400
9	6" GV & BOX		1	EACH	3,500.00	3,500
10	8" GV & BOX		1	EACH	4,800.00	4,800
11	HYDRANT (9' BURY)		1	EACH	9,500.00	9,500
12	TEMPORARY WATER SYSTEM		1	LUMP SUM	3,000.00	3,000
13	24" CS PIPE CULVERT		40	LIN FT	80.00	3,200
14	24" CS PIPE APRON		1	EA	1,000.00	1,000
15	BITUMINOUS PATCH		55	SQ YD	80.00	4,400
16	TURF ESTABLISHMENT		1500	SQ YD	4.00	6,000
17	EROSION CONTROL		1	LUMP SUM	1,500.00	1,500

BASE BID TOTAL BID:

\$123,840.00





Item 6.F



Item 6.G – Award Dig Prep & Restoral Services CY 2025-2026 to Bougalis Inc.

May 27, 2025

Jeff Hart  
Commission Chair  
1902 E. 6<sup>th</sup> Avenue  
Hibbing, MN 55746

RE: Item 6.G - Award Dig Prep & Restoral Services CY 2025-2026 to Bougalis Inc.

Dear Commissioners;

This year we had three potential companies for the #25-05 Dig Prep and Restoration Services through QuestCDN.com with two companies submitting electronic bids.

Outlined within the Instruction to Bidders Number 15, Prevailing Wage Rate. One bidder did not submit documentation to meet this requirement and was deemed an unqualified bid.

Bougalis, Inc. was therefore the only qualified bidder. HPU staff recommends that the Dig Prep & Restoral Services CY 2025-2026 contract be awarded to Bougalis, Inc.

Thank you for your consideration.

Sincerely;



Luke J. Peterson





Item 6.H



Item 6.H – Award PB 25-02 2025 Annual Distribution Vegetation Management to Zielies Tree Services in the amount of \$192,791.81

May 27, 2025

Jeff Hart  
Commission Chair  
1902 E. 6<sup>th</sup> Avenue  
Hibbing, MN 55746

RE: Item 6.H – Award PB 25-02 2025 Annual Distribution Vegetation Management to Zielies Tree Services in the amount of \$192,791.81

Dear Commissioners;

HPU has closed the bidding process for the 2025 Annual Distribution Vegetation Management. Throughout this process HPU discussed the project with two potential bidders, but received back one formal bid. This bid was returned from Zielies Tree Services in the amount of \$192,791.81. Staff is satisfied with the bid and recommending the Contract be awarded to Zielie's in the amount of \$192,791.81.

Sincerely;



Luke J. Peterson





Item 7.A



Item 7.A – Appoint Warren Kampen to Electrical Maintenance & Instrumentation Crew Leader Position

May 27, 2025

Jeff Hart  
Commission Chair  
1902 E. 6<sup>th</sup> Avenue  
Hibbing, MN 55746

RE: Item 7.A - Appoint Warren Kampen to Electrical Maintenance & Instrumentation Crew Leader Position

Dear Commissioners;

HPU's internal posting for the position of Electrical Maintenance & Instrumentation Crew Leader Position has resulted in application Warren Kampen for the position. Mr. Kampen is the senior, most qualified applicant for the position given his time with HPU and his role as the former Electrical Crew Leader and current role as an I&E Tech. HPU staff is glad to recommend Warren Kampen for appointment to the E&I Crew leader position.

Sincerely;



Luke J. Peterson





Item 7.B



Item 7.B – Approve Hiring of Nick Cimermancic for Electrical & Instrumentation Technician – Journeyman Position

May 27, 2025

Jeff Hart  
Commission Chair  
1902 E. 6<sup>th</sup> Avenue  
Hibbing, MN 55746

RE: Item 7.B – Approve Hiring of Nick Cimermancic for Electrical & Instrumentation Technician – Journeyman Position

Dear Commissioners;

An interview committee consisting of HPU staff and Commissioners interviewed external candidates for the Electrical Maintenance and Instrumentation – Journeyman vacancy. The finalist has many years of electrical and instrumentation experience and one of the regional iron mines and currently holds their Class A Journeyman Electrician license.

For the consideration of the Commission, Staff would like to recommend the hiring of Nick Cemermancic for the E&I Technician vacancy, contingent on pre-employment screening and the completion of a background check.

Mr. Cimermancic will be a valuable addition to the E&I crew and, with his experience, will be able to positively contribute to the long-term goals of the utility.

Sincerely;



Luke J. Peterson





Item 7.C



Item 7.C – Declare Vacant and Approve Posting for Electrical Maintenance & Instrumentation Technician Position

May 27, 2025

Jeff Hart  
Commission Chair  
1902 E. 6<sup>th</sup> Avenue  
Hibbing, MN 55746

RE: Item 7.C – Declare Vacant and Approve Posting for Electrical Maintenance & Instrumentation Technician Position

Dear Commissioners;

Following the appointment of an E&I Technician to the role of E&I Crew Leader, a role of E&I Technician will be left vacant. In order to ensure the full staffing of this work crew, Staff recommends the Commission declare this position vacant and authorize internal posting of the position.

Internal posting would follow the hiring procedures per the current employment agreement for AFSCME Lo. 94.

Sincerely;



Luke J. Peterson