



Commission Regular Session

NOVEMBER 18TH, 2025

Commission Meeting Agenda

November 18th, 2025

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

1. CALL TO ORDER

2. ADDS/DELETES

3. APPROVAL OF MINUTES: October 28th & November 6th, 2025

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 October 23rd – November 12th, 2025
- B. Approve the payroll paid & overtime report for the October 30th & November 13th, 2025 pay dates
- C. Authorize Travel for Year End 2025 & Q1 2026
- D. Approve Resolution 25-10: Prioritizing Biomass Utilization
- E. Authorize listed Requests for Contributions

6. FINANCIALS & RISK MANAGEMENT

- A. Approve October 2025 Interim Financials
- B. Approve 2026 Operational Budget
- C. Approve Resolution 25-09: Close US Bank Account #791527056
- D. Approve FM Global Insurance Renewal **PLACEHOLDER**
- E. Approve Purchase of 1,000 tons of Coal from DTE Energy in the amount of \$83,640
- F. Approve Purchase of Beltline Stepdown Transformers from T&R Electric in the amount of \$69,969
- G. Authorize Execution of MISO Zonal Resource Credit confirmation for Wright-Hennepin Electric/GRE

7. POLICY & GOVERNANCE

- A. Approve Job Descriptions & External Posting for Financial Controller
- B. Approve Job Description & External Posting for Engineering Manager
- C. Approve Updates to Water Installation Fees
- D. Approve MMUA for Strategic Planning Consulting Agreement in the amount of \$21,000

8. NEW BUSINESS

9. OLD BUSINESS

- A. MPCA Site
- B. Lead Service Lines Update

10. ADJOURNMENT



Item 3 – Approval of Minutes

Item 3 – Approval of Minutes : October 28th & November 6th, 2025November 18th, 2025

James Bayliss
Commission Chair
1902 E. 6th Avenue
Hibbing, MN 55746

RE: Item 3 - Approval of Minutes: October 28th & November 6th, 2025

Dear Commissioners;

Please find attached for your approval draft minutes from the Commission Meetings of October 28th & November 6th, 2025.

Sincerely,



Luke J. Peterson

Minutes of the regular meeting of the Public Utilities Commission, Hibbing, Minnesota, 1902 E. 6th Ave., Hibbing, MN 55746, held on September 23rd, 2025. Meeting held at Hibbing City Hall, 401 E. 21st St., Hibbing MN. Chair Bayliss called the meeting to order at 5:00 p.m. In attendance were Chair Bayliss, Commissioner Hart, Commissioner Stokes, Commissioner Babich, Commissioner Sandstede, Legal Counsel, Andy Borland; General Manager Luke Peterson, Director of HR & OD, Kendra Powers, Manager of Energy Supply Paul Plombon, Director of Electrical Distribution, Samantha Adams, Customer Service & Finance Supervisor, Jill Hietala, Customer Communications & Programs Manager Eliot Dixon. Also in attendance were , HPU Interim Financial Controller Tammy Mattonen, Bolton & Menk Rep. Andy Brotzler, HPAT Rep. Ron Wirkula; HPU Employee George Pogachnik, and Mark Reger.

Item 2. ADDS/DELETES

Item 3. APPROVAL OF MINUTES

Motion by Commissioner , supported by Commissioner , to approve the regular meeting minutes of the September 23rd, 2025 Commission Meeting.

Motion carried unanimously.

Item 4. CITIZENS FORUM –

Item 5. CONSENT AGENDA

Item 5.A. Approving invoices >\$10,000 & approve the bills & ACH transfers >\$10,000 dated September 18th – October 22nd, 2025

Item 5.B. Approve the payroll paid & overtime report for the October 2nd & October 16th, 2025 pay dates.

Item 5.C. Approve Liability Coverage Waiver Form from League of MN Cities

Item 5.D. Approve Commissioners to attend Substation Ribbon Cutting at Ansley Substation on October 29th at 3:00 pm

Item 5.E. Authorize Listed Requests for Contribution

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

Motion carried unanimously.

Item 6. FINANCIALS & RISK MANAGEMENT

Item 6.A. Approve September 2025 Interim Financials

Motion by Commissioner , supported by Commissioner , to table the July & August 2025 Interim Financials.

Motion carried unanimously.

Item 6.B. Approve Proposal of Services from Iron Range engineering and Consulting Services, LLC in the amount of \$200,000

Motion by Commissioner , supported by Commissioner , to approve Proposal of Services from Iron Range engineering and Consulting Services, LLC in the amount of \$200,000

Motion carried unanimously.

Item 6.C. Approve Stuart Irby's Distribution Rated Underground Cable Order for Warehouse Inventory in the Amount of \$32,661.75

Motion by Commissioner , Supported by Commissioner , to Approve Stuart Irby's Distribution Rated Underground Cable Order for Warehouse Inventory in the Amount of \$32,661.75

Motion carried unanimously.

Item 6.D. Award 2025 Fire Hydrant Replacement to low bidder Bob Hecimovich Mechanical Contracting, Inc. in the amount of \$1,040,326

Motion by Commissioner , supported by Commissioner , to Award 2025 Fire Hydrant Replacement to low bidder Bob Hecimovich Mechanical Contracting, Inc. in the amount of \$1,040,326

Motion carried unanimously.

Item 6.E. Authorize Staff to solicit bids for Phase 2 of HPU's Substation Modernization Project at the Beltline Substation

Motion by Commissioner , supported by Commissioner , to Authorize Staff to solicit bids for Phase 2 of HPU's Substation Modernization Project at the Beltline Substation.

Motion carried unanimously.

Item 6.F. Authorize RFP 25-09: AMI Meter Installation under the Best Value Method

Motion by Commissioner , supported by Commissioner , to Authorize RFP 25-09: AMI Meter Installation under the Best Value Method.

Motion carried unanimously.

Item 7. POLICY & GOVERNANCE-

Item 7.A. Approve 2025 Utility Org Chart

Motion by Commissioner , supported by Commissioner , to approve 2025 Utility Org Chart.

Motion carried unanimously.

Item 7.B. Approve Internal Posting for Chief Operator Position

Motion by Commissioner , supported by Commissioner , to approve internal posting for Chief Operator Position.

Motion carried unanimously.

Item 7.C. Approve MN Paid Family Leave

Motion by Commissioner , supported by Commissioner , to approve MN Paid Family Leave.

Motion carried unanimously.

Item 7.D. Approve 2026 Utility Benefits

Motion by Commissioner , supported by Commissioner , to approve 2026 Utility Benefits.

Motion carried unanimously.

Item 8. NEW BUSINESS–

Item 9. OLD BUSINESS –

Item 9.A. MPCA Superfund Status - Discussion

Item 9.B. 2026 Budget - Discussion

Item 10. ADJOURNMENT

Motion by Commissioner , supported by Commissioner , to adjourn the meeting at p.m.

Motion carried unanimously

Attest:

James Bayliss, Chair

Jeff Hart, Commission Secretary

Meeting materials are available at

The next meeting is a working meeting scheduled for Tuesday, October 14th, 2025
at 5:00 p.m. at the Hibbing City Hall, 401 E. 21st St., Hibbing MN 55746.

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Minutes of the regular meeting of the Public Utilities Commission, Hibbing, Minnesota, 1902 E. 6th Ave., Hibbing, MN 55746, held on November 6th, 2025. Meeting held at Hibbing City Hall, 401 E. 21st St., Hibbing MN. Chair Hart called the meeting to order at 5:00 p.m. In attendance were Chair Bayliss; Commissioner Hart; Commissioner Stokes; Commissioner Sandstede; Legal Counsel, Andy Borland; General Manager, Luke Peterson; Human Resources & Organizational Development Supervisor, Kendra Powers; Electrical Operations Director Samantha Adams; and Finance & Customer Service Supervisor, Jill Zallar; and HPU Interim Financial Controller, Tammy Mattonen. Also in attendance was Bolton & Menk rep. Andrew Brotzler HPU Employee George Pogachnik.

Item 1. 2026 Operational Budget

Commission discussed a presentation of the HPU 2026 Operational Budget.

Item 2. 5-Year Capital Investment Plan Update

Commission discussed 5-year Capital Investment Plan Update with adjustments in regard to Electrical Planning and the prioritization of Lead Service Line removal.

Motion by Chair Bayliss, Supported by Commissioner Stokes, to approve Change Order #5 in the Lead Line Replacement Contract with Bougalis Construction to perform further investigation and replacement work in an amount not to exceed \$360,000.

Motion carried unanimously.

Item 3. MMUA Strategic Planning Proposal

Commission discussed Strategic Planning Proposal from MMUA.

Adjournment

Motion by Commissioner Stokes, supported by Commissioner Sandstede, to adjourn the meeting at 7:35 p.m.

Motion carried unanimously

Attest:

James Bayliss, Chair

Jeff Hart, Commission Secretary

Meeting materials are available at
The next meeting is a regular meeting scheduled for Tuesday, November 18th, 2025
at 5:00 p.m. at the Hibbing City Hall, 401 E. 21st St., Hibbing MN 55746.

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Item 5.A

Item 5.A – Approve Invoices >\$10,000 and bills & ACH transfers
dated October 23rd – November 12th, 2025

November 18th, 2025

James Bayliss
Commission Chair
1902 E. 6th Avenue
Hibbing, MN 55746

RE: Item 5.A – Approve Invoices >\$10,000 and bills & ACH transfers dated October 23rd
– November 12th, 2025

Dear Commissioners;

Per HPU's Authorization and Approval matrix approved at the April 26th 2022
Commission Meeting, please find attached enclosed invoices, bills, and payments
since the last Regular Meeting held by the Commission on October 28th, 2025.

Sincerely;



Luke J. Peterson

Report Criteria:

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

Name	Invoice Number	Description	Vendor Invoice Date	Invoice Approval Date	Invoice Amount	Check Number	Check Issue Date
BARR ENGINEERI	23692705.03	Engineering Support for Boiler Blowdown Project Including Electrical and Instrumentation	09/09/2025	10/27/2025	10,976.50	62751	10/31/2025
					10,976.50		
		Total BARR ENGINEERING CO:					
BOUGALIS INC	8544	Restorals; 11th ST Brooklyn, E 26TH ST, Howard ST W, E 19th AVE (HELD), 12th AVE E, 13th AVE E, E 1st AVE, 3rd through 9th AVE E, saw cutting/concrete, street restorals, sidewalk restorals, boulevard restorals, alley repairs	10/14/2025	10/20/2025	82,490.50	62752	10/31/2025
	8554	6TH AVE W Repair--Mobilization, excavators, tri-dumps, vac truck, labor, pit run, recycled concrete/blacktop, chop saw, traffic control	10/27/2025	10/28/2025	10,175.25	62752	10/31/2025
	8576	30" Repair near Jack & Don's--Mobilization, excavators, quad and side dumps, pit run, washed rock, dirt, autocar tractor, barriers, pump and hoses, generator	10/27/2025	10/28/2025	23,841.00	62752	10/31/2025
PAYAPP #7 (2024 Capital Watermain - Kelly Lake - 1st Avenue (FINAL PAYMENT)	10/14/2025	10/22/2025	19,544.65	62752	10/31/2025
					19,544.65		
		Total BOUGALIS INC:			136,051.40		
HIBBING ACH, CIT	000238-SEP	September Sewer billing	10/16/2025	10/22/2025	326,446.81	56298	10/31/2025
	000238-SEP	September Storm water billing	10/16/2025	10/22/2025	25,726.39	56298	10/31/2025
	000238-SEP	September Garbage billing	10/16/2025	10/22/2025	255,878.50	56298	10/31/2025
					255,878.50		
		Total HIBBING ACH, CITY OF:			608,051.70		
MINNESOTA POWE	0768333532	Monthly Power Billing for September 2025	10/20/2025	10/27/2025	807,563.09	11052025	11/05/2025
					807,563.09		
		Total MINNESOTA POWER ACH DO NOT MAIL:					
SAVANNA PALLET	INV166827	Chip Blend 10/17	10/17/2025	10/27/2025	28,005.60	62756	10/31/2025
	INV167067	2025 Wood Supply--Shipped 10/24	10/24/2025	10/30/2025	33,950.31	62756	10/31/2025
					33,950.31		
		Total SAVANNA PALLETS:			61,955.91		
US BANK OPERATI	LOAN PAYM	Loan Payment #241-Bond 2005B (FINAL)	10/18/2025	10/17/2025	80,422.08	62757	10/31/2025
					80,422.08		
		Total US BANK OPERATIONS CTR:					
		Grand Totals:			1,705,020.68		
					1,705,020.68		



Item 5.B

Item 5.B – Approval of Payroll Paid and Overtime Report for the
October 30th & November 13th, 2025 Payroll Dates

November 18th, 2025

James Bayliss
Commission Chair
1902 E. 6th Avenue
Hibbing, MN 55746

RE: Item 5.B – Approval of Payroll Paid and Overtime Report for the October 2nd &
October 30th & November 12th 2025 Payroll Dates

Dear Commissioners;

Per HPU's Authorization and Approval matrix approved at the April 26th 2022
Commission Meeting, please payroll and overtime reports for payroll dates
subsequent to the last Commission meeting held on September 23rd, 2025.

Sincerely;



Luke J. Peterson

Report Criteria:

Employee Transaction.Check Issue Date = 10/30/2025
Pay Code.Pay Code = 1-19, 25

Payroll Type	Amount
Total REGULAR WAGES:	184,545.27
Total REGULAR WAGES - FOREMAN:	2,397.32
Total REGULAR WAGES - LEAD:	703.52
Total OVERTIME WAGES:	12,375.79
Total OVERTIME WAGES - FOREMAN:	1,569.58
Total OVERTIME WAGES - LEAD:	453.87
Total SUNDAY PREMIUM:	1,541.46
Total VACATION PAY:	11,101.66
Total SICK LEAVE - REGULAR:	8,595.57
Total UNEXCUSED SICK LEAVE:	.00
Total COMP TIME EARNED:	.00
Total COMP TIME USED:	3,408.37
Total PERSONAL HOLIDAY:	4,025.21
Total SHIFT DIFFERENTIAL .75/HR:	414.00
Total LONGEVITY:	3,011.81
Total STANDBY:	7,715.35
Total LEAVE PAYOUT (NO RETIREMENT):	929.70
Total CERTIFICATE/LICENSE:	1,103.87
Grand Totals:	<u>243,892.35</u>

Report Criteria:

Employee Transaction.Check Issue Date = 11/13/2025
Pay Code.Pay Code = 1-19, 25

Payroll Type	Amount
Total REGULAR WAGES:	178,650.83
Total REGULAR WAGES - FOREMAN:	2,862.72
Total REGULAR WAGES - LEAD:	715.20
Total OVERTIME WAGES:	11,006.69
Total OVERTIME WAGES - FOREMAN:	1,316.80
Total OVERTIME WAGES - LEAD:	741.82
Total SUNDAY PREMIUM:	1,455.75
Total VACATION PAY:	22,994.31
Total SICK & SAFE LEAVE:	51.00
Total SICK LEAVE - REGULAR:	8,342.48
Total UNEXCUSED SICK LEAVE:	.00
Total COMP TIME EARNED:	.00
Total COMP TIME USED:	3,783.26
Total PERSONAL HOLIDAY:	2,902.80
Total SHIFT DIFFERENTIAL .75/HR:	417.38
Total LONGEVITY:	3,072.71
Total STANDBY:	7,366.33
Total LEAVE PAYOUT (NO RETIREMENT):	17,276.20
Total CERTIFICATE/LICENSE:	1,193.23
Grand Totals:	<u><u>264,149.51</u></u>



Item 5.C

Item 5.C – Authorize Travel for Year End 2025 & Q1 2026

November 18th, 2025

James Bayliss
Commission Chair
1902 E. 6th Avenue
Hibbing, MN 55746

RE: Item 5.C – Authorize Travel for Year End 2025 & Q1 2026

Dear Commissioners;

Please find attached for your review and consideration proposed employee overnight travel for the remainder of CY 2025 and Q1 of 2026.

Sincerely,



Luke J. Peterson

Event	Location	Employee	Dates	Total Expected Travel Cost
Western Fuel Association Board Meeting	Denver, CO	HPU General Manager 1 Commissioner	December 3-5, 2025	\$800 pp
MISO Board Meeting	Indianapolis, IN	HPU General Manager 1 Commissioner	December 9-11, 2025	\$900 pp
MMUA Governance Training	St. Cloud, MN	2 Commissioners	January 22-23, 2026	\$600 pp
APGA Legislative Summit	Washington, D.C.	HPU General Manager & Commissioner	January 26-29, 2026	\$1200 pp
UMMA Winter Meeting	Welch, MN	2 Meter Techs	February 18-20, 2026	\$350 pp
APPA Legislative Conference	Washington, D.C.	HPU Staff Member & Commissioner	February 23-25, 2026	\$1200 pp
MNRWA Tech Conference	St. Cloud, MN	2 Water Crew	March 3-5, 2026	\$800 pp
MMUA Legislative conference	St. Paul, MN	General Manager, Communications Specialist, & Commissioner	March 24-25, 2026	\$500 pp

**rough estimates per person (pp)



Item 5.D

Item 5.D – Approve Resolution 25-10: Prioritizing Biomass Utilization

November 18th, 2025

James Bayliss
Commission Chair
1902 E. 6th Avenue
Hibbing, MN 55746

RE: Item 5.D – Approve Resolution 25-10: Prioritizing Biomass Utilization

Dear Commissioners;

The attached resolution 25-10 formalizes HPU's renewed commitment to prioritize biomass as a primary fuel source for Boiler #4 in electrical and steam generation. This action marks a significant milestone in HPU's long-term investment toward achieving energy independence, operational resilience, and long-term sustainability.

Sincerely;



Luke J. Peterson

RESOLUTION NO. 25-10

STATE OF MINNESOTA
COUNTY OF ST. LOUIS
HIBBING PUBLIC UTILITIES COMMISSION

RESOLUTION AUTHORIZING EXCLUSIVE BIOMASS UTILIZATION

WHEREAS, the Public Utility Commission of the City of Hibbing ceased utilizing biomass as a fuel source in May of 2019;

WHEREAS, Aging infrastructure and deferred maintenance contributed to emissions challenges, insurance eligibility, inefficiency and equipment failure. On November 26, 2019 the commission was presented with plans to remove Boiler 4 from MPCA emissions testing due to the boiler being out of service and projected noncompliance with BMACT testing for Hydrochloric Acid and Mercury;

WHEREAS, between 2019 and March 2021 produced no electric generation of any kind;

WHEREAS, following nation-wide power grid failures caused by a polar vortex, Hibbing Public Utilities made a commitment to make Hibbing's electric supply more independent and locally sourced as part of HPU's Restorative Utility Plan;

WHEREAS, on June 21, 2021 Hibbing Public Utilities committed to the HREC Biomass Optimization Project approving the removal and rebuilding of a cooling tower, investment emissions analyzers and the refurbishment of the biomass boiler;

WHEREAS, in 2025 HPU concluded four years of continual improvements to biomass infrastructure in service of efficient, clean and reliable generation of electricity for the citizens of Hibbing;

WHEREAS, as noted with approval of the 2026 operating budget, HPU is fully functional with the Biomass Optimization Project;

NOW BE IT RESOLVED that natural gas shall only be minimally used as required for startup and flame stabilization in HPU's biomass operations.

Upon vote taken, the following voted:

For:

Against:

Whereupon said Resolution No. 25-10 was declared duly passed and adopted this 25th day of November, 2025.



Item 5.E

Item 5.E – Authorize listed Request for Contribution

November 18th, 2025

James Bayliss
Commission Chair
1902 E. 6th Avenue
Hibbing, MN 55746

RE: Item 5.E – Authorize listed Request for Contribution

Dear Commissioners;

The Hibbing Public Utilities Commission has the authority to make the charitable contributions to community organizations and events that develop the tourist, recreational, industrial, commercial, or vocational resources of Hibbing. As per the Commission direction, contributions are being awarded to qualified organizations as applications are received and then presented to the Commission for authorizations.

The Following contributions were awarded in the month of November, 2025

Organization	Sector of Support	Request Amount
Northern Aquatics Swim Club	Recreation	\$500

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. 6th 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: Northern Aquatics Swim Club

CHECK PAYABLE TO: Hibbing Swim Club c/o Dan Lerick

CONTACT NAME: Dan Lerick

PHONE NO. 218-421-8358

ADDRESS: 3717 Mayfair Ave Hibbing, MN 55746

DATE: 11/4/25

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

Donations will be used for continuous funding of equipment and supplies to aid in coaching kids in grades 4-12 in competitive swimming. Currently this 501(c)3 coaches three nights a week helping kids from across the Iron Range. All donations go directly back to the club and aid in offsetting costs for disadvantaged youth

AMOUNT OF REQUEST: \$500

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

To offset any costs to continue to provide the best training experience for a wide variety of youth from multiple schools. Currently the club sees 20-25 kids each swim session. This club is used to further youth recreation across the Iron Range, but based out of the Hibbing High School.



REQUEST FOR CONTRIBUTION

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

Commission Secretary

Date

p/forms/admin./Request for Contribution.doc



Item 6.A

Item 6.A – Approve October 2025 Interim Financials

November 13, 2025

James Bayliss
Commission Chair
1902 E. 6th Avenue
Hibbing, MN 55746

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

Dear Commissioners;

Please find enclosed financials as of October 31, 2025.

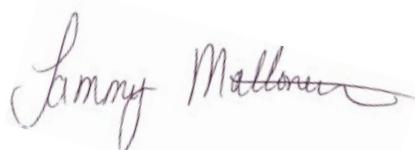
The year to date ended October 31, 2025 operating revenue totals \$26.4 million compared to \$25 million for the same period last year. The revenue increase of \$1.4M is attributable to the gas and electric utilities with each adding approximately \$700K in revenue year over year. This increase is primarily due to higher sales due to colder weather at the beginning of the year. Revenue increases for steam (increase of \$28k) and water (increase of \$104K) are minimal due to a dip in unit sales. The rate increases implemented July 1, 2025 also have a positive impact on revenue.

Operating expenses total \$26.9 million which compares to \$25 million in 2024. The increase of \$1.9M in expense is primarily due to higher fuel and purchased gas expense as well as increases in interest and depreciation expense.

Operating income (operating revenues-minus operating expenses) is -\$563K compared to -\$85K one year ago. We anticipate revenues to be higher relative to expenses in the last two months of the year as winter heating season commences.

Total change in net position stands at \$3.8 million compared to \$1 million for the same period last year. The increase of \$2.8 million is due to increases in grant revenue of \$2 million as well as an increase in interest revenue.

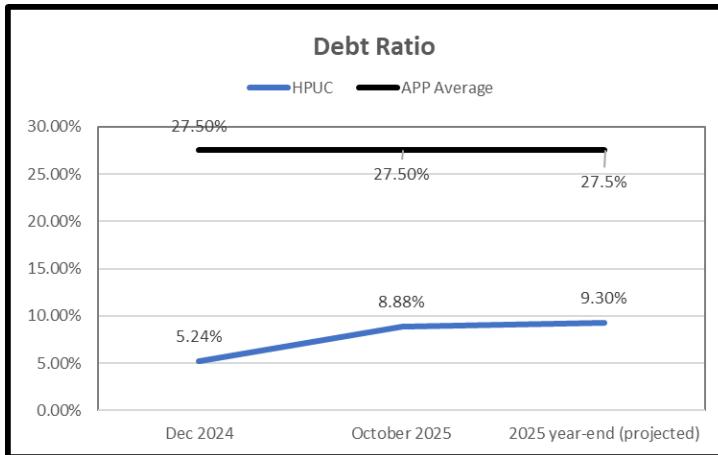
Sincerely;



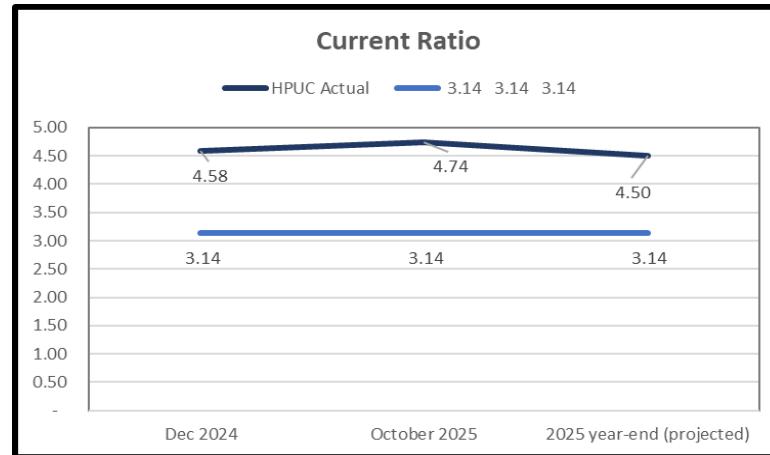
Tammy Mattonen

HPUC Financial Indicators

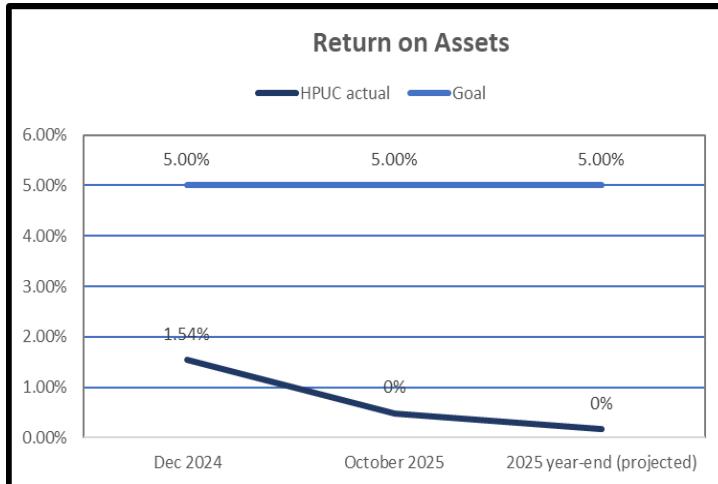
As of Month End 10/31/2025



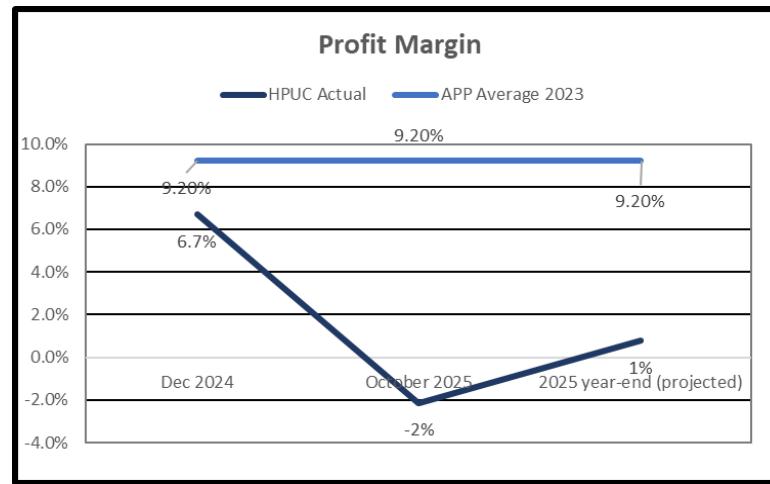
Debt Ratio – Debt/assets



Return on Assets – Net Income/Total Assets



Current Ratio – Current Assets/Current Liabilities



Profit Margin – Net Income/Revenue

Comparative Data notes

APP November 18th, 2025 Electric Utility averages published by the Public Utilities Commission of the Commonwealth Power Association 2023 Statistical Yearbook
Return on Asset goal – Established by 2024 Rate Study

Criteria | Governments | U.S. Public Finance:

U.S. Municipal Retail Electric And Gas Utilities: Methodology And Assumptions

September 27, 2018

(Editor's Note: On Aug. 8, 2025, we republished this criteria article to make nonmaterial changes by updating criteria cross-references and the contact list as well as removing references to such changes from the "Revisions And Updates" section.)

OVERVIEW AND SCOPE

1. This article describes S&P Global Ratings' methodology for assigning ratings and related credit products to U.S. municipal retail electric, retail gas, steam, chilled water, and combined utility systems where electric and/or gas is the predominant service (together, hereafter referred to as "municipal retail electric and gas"). Electric distribution cooperatives are included under these criteria; they were assessed under "U.S. Public Finance Criteria: Applying Key Rating Factors To U.S. Cooperative Utilities," which remains in effect for electric generation and transmission cooperatives. These criteria are implemented under the rating framework established in chart 1.
2. These criteria apply to ratings on municipal retail electric and gas utilities. Municipal retail electric and gas utilities include municipal retail electric utilities and electric distribution cooperatives (inclusively "retail electrics") even though they may have contracts to supply wholesale power to certain customers (so long as said contracts do not place on the buyer an explicit obligation to support the debt obligations of the supplier); retail gas; steam and hot water heating (inclusively "steam"); and chilled water. Also included in the scope of these criteria are combined utility systems for which the before-mentioned services predominate. These utilities are units of U.S. local and regional governments (LRGs) or comparable political subdivisions, whose revenues are derived chiefly from user charges for ongoing operations. While not an exhaustive list, examples of debt rated under these criteria are utility revenue bonds issued by a city, utility board, utility district, regional authority, or distribution cooperative that provides primarily retail utility service. These criteria provide additional transparency and comparability to help market participants better understand our approach in assigning ratings to enhance the forward-looking nature of these ratings, and to enhance the global comparability of our ratings through a clear, comprehensive, and globally consistent criteria framework. These criteria address the fundamentals set out in "Principles Of Credit Ratings."
3. All terms followed by an asterisk (*) are defined in the glossary in Appendix 1.

ANALYTICAL CONTACTS

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METHODOLOGY CONTACTS

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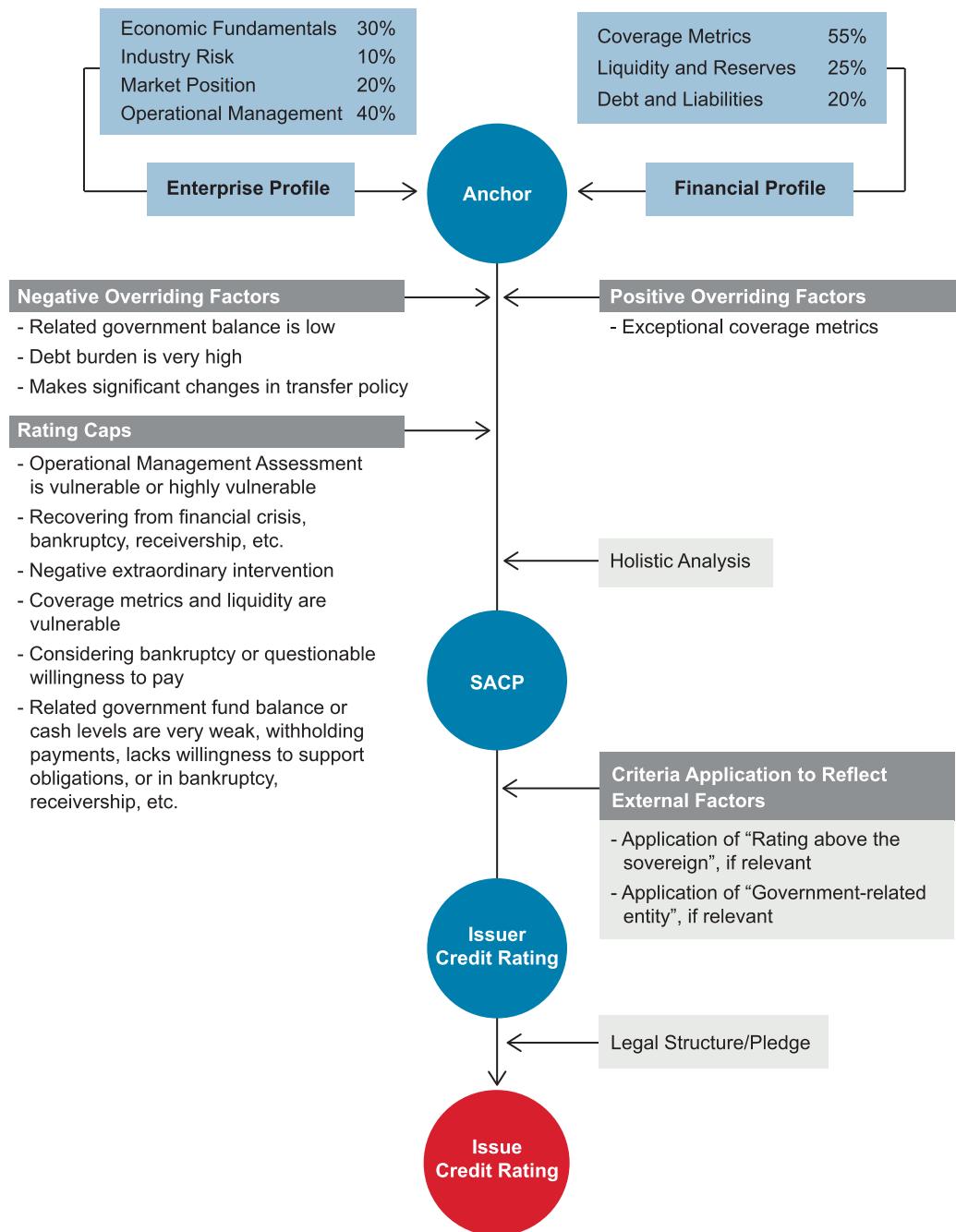
METHODOLOGY

A. Framework

4. Chart 1 depicts how we propose to combine the enterprise and financial profile characteristics to reach the anchor. The stand-alone credit profile (SACP) is established after applying any applicable positive or negative overriding factors, caps, and holistic analysis. The final outcome is reached after incorporating any external factors. Our methodology for evaluating these utilities classifies the primary credit factors that we review as part of either the Enterprise Profile or Financial Profile. While many of an organization's activities affect both the enterprise and the financial profile, we believe our approach clearly identifies the various ways that strategic and operational activities affect an organization. For example, a capital improvement plan could improve the enterprise through enhanced facilities, while also resulting in higher operating and/or capital expenses. These impacts are captured in both the enterprise and the financial profile, and if one of the effects is more dominant, we can identify that dynamic and, ultimately, its impact on the rating, through the relative impact on the enterprise profile and financial profile assessments.

Chart 1

Analytical Framework For Retail Utilities



Source: S&P Global Ratings.

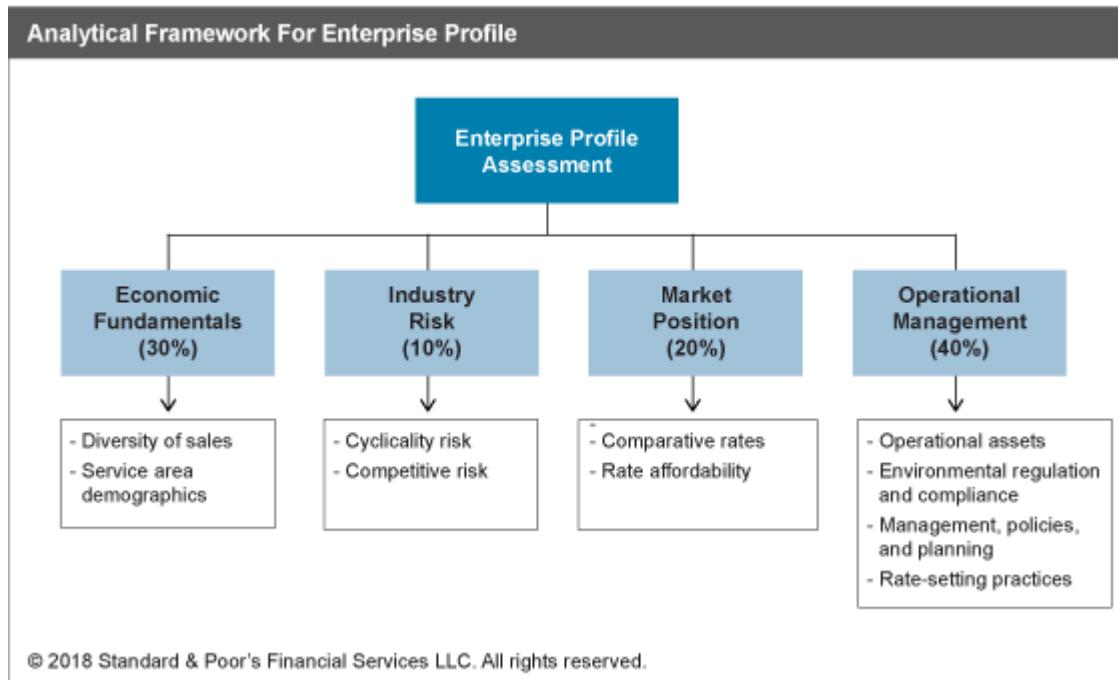
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5. We start our analysis with the assessment of a retail utility's enterprise and financial risk profiles. Within the enterprise and financial profiles, we consider a number of factors and sub-factors, and we assign an assessment to each factor and sub-factor which is any of "Extremely Strong" (the strongest), "Very Strong", "Strong", "Adequate", "Vulnerable", or "Highly Vulnerable" (the

weakest), which equate to numeric assessments of '1' to '6', respectively. Since we believe that some factors are more likely to affect credit quality than others, we assign a weight to each of the enterprise profile and financial profile, as described next in chart 1.

6. There are seven primary credit factors--four enterprise profile factors and three financial profile factors. We use the assessments for each factor and the percentage weightings described in charts 2 and 3 to determine the overall enterprise profile assessment and financial profile assessment, which also range from "Extremely Strong" to "Highly Vulnerable". There may be circumstances in which we assign an enterprise or financial profile assessment different from the assessment based on the individual factor assessments. Examples of those circumstances are in tables 4 and 8.
7. The enterprise profile assessment captures the operating environment and incorporates broad industry factors as well as organization-specific factors. We assess four factors: economic fundamentals, industry risk, market position, and operational management. Economic fundamentals and operational management receive the highest enterprise profile weights. While industry risk is assessed the same for all sectors in scope, we believe that a retail utility's diversity of sales, and service area demographics, statutory framework, operational assets, environmental regulation and compliance, risk management, organizational effectiveness and management expertise, and rate-setting practices establish the conditions for the level of operating and financial success achieved. Once we determine the initial enterprise profile assessment, we may adjust the initial assessment for unusual factors, such as facing direct competition. Other examples of such factors are in table 4.

Chart 2



8. The financial profile assesses the financial strength of the retail utility. Three factors are assessed: coverage metrics, liquidity and reserves, and debt and liabilities. Once we determine the initial financial profile assessment, we may adjust it for unusual factors, such as cash basis accounting. Other examples of such factors are in table 8.

Chart 3

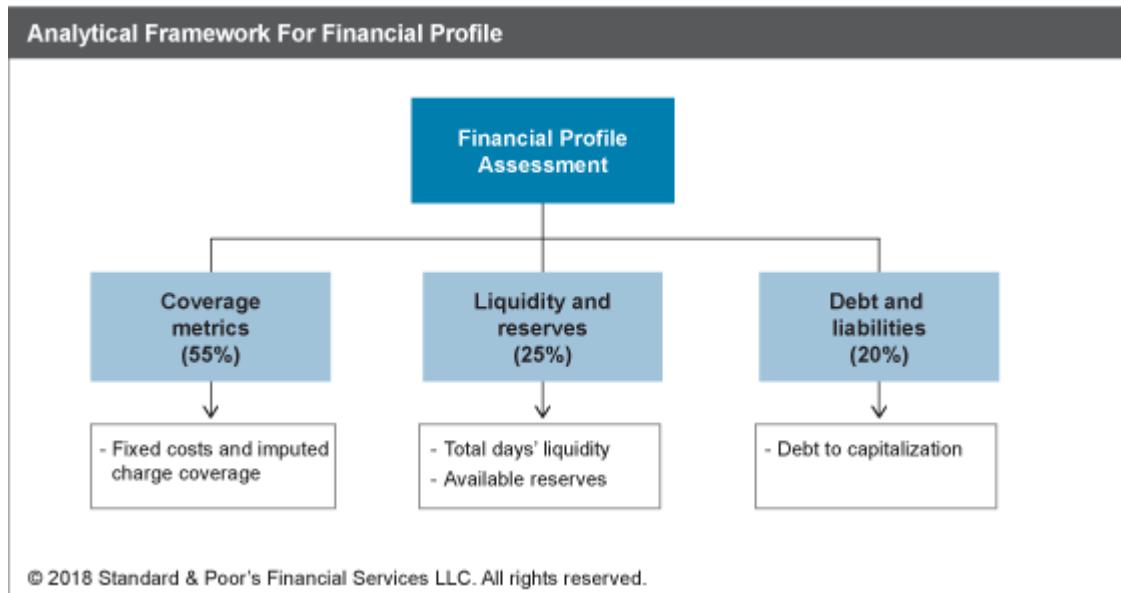


Table 1

Combining The Enterprise And Financial Risk Profiles To Determine The Anchor

Enterprise Risk Profile	Financial Risk Profile					
	1	2	3	4	5	6
	Extremely strong	Very strong	Strong	Adequate	Vulnerable	Highly vulnerable
1 Extremely strong	aaa	aa+	aa-	a	bbb+/bbb	bb+/bb
2 Very strong	aa+	aa/aa-	a+	a-	bbb/bbb-	bb/bb-
3 Strong	aa-	a+	a	bbb+/bbb	bbb-/bb+	bb-
4 Adequate	a	a/a-	a-/bbb+	bbb/bbb-	bb	b+
5 Vulnerable	bbb+	bbb/bbb-	bbb-/bb+	bb	bb-	b
6 Highly Vulnerable	bbb-	bb	bb-	b+	b	b-

9. Once we determine the final enterprise and financial profile assessments, we combine them using table 1 to arrive at the suggested anchor. After we determine the anchor, we use additional factors to modify the anchor. Such additional overriding factors or rating caps can adjust the outcome suggested by table 1. For example, if a retail utility's liquidity is critically low, we may feel it is very vulnerable to stress and have elevated risk of default as a result. In those circumstances, other credit strengths, such as a very strong enterprise profile, are less important than they would otherwise be. Such unusual factors aren't always negative and some can favorably affect the outcome suggested by table 1. For additional details, see the section, "Overriding Factors And Rating Caps".
10. We use lower case letters in table 1 to highlight that the outcomes are not ratings themselves, but rather indicative credit levels suggested by the risk associated with the enterprise profile and financial profile assessments. In cases where table 1 presents a range of ratings, the choice

between the two ratings is based on our view of the retail utility's relative position within the range.

11. After we apply any relevant overriding factors and rating caps, we perform our holistic analysis. This helps us capture a more comprehensive analysis of creditworthiness and recognizes our forward-looking view of sustained, predictable operating and financial underperformance or outperformance, which may be informed by competitive analysis and sectorwide data, including ratio analysis and our view of future operating and financial performance. The holistic analysis includes uncommon or strongly positive or negative characteristics which the criteria do not separately identify. The holistic analysis can result in an improvement or worsening to the anchor by one notch, or no change at all. However, if a rating cap applies, for example, if the retail utility is considering a bankruptcy filing resulting in a 'b' category cap, we won't use holistic analysis to raise the SACP above the level of the rating cap.
12. We use the term SACP to reflect the outcomes from table 1 plus any relevant overriding factors and rating caps and the holistic analysis. For more information about SACPs, see our general criteria "Stand-Alone Credit Profiles: One Component Of A Rating."
13. Next we analyze the influence of external factors such as sovereign risk and the potential for extraordinary support or intervention from a related government. We use related criteria and associated caps and adjustments to make those assessments. Most commonly, these criteria are "Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions" and "Government-Related Entities."
14. For those utilities that are in scope of these criteria and which are deemed to be government-related entities in accordance with our criteria "Government-Related Entities", these criteria are used to determine the SACP. The SACP is used as one input in the government-related entities criteria
15. Once the effect, if any, of external factors is incorporated, we arrive at the final issuer credit rating (ICR). The ICR reflects the general creditworthiness of the entity. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation.
16. In the final step of the analysis, if we are rating a specific debt instrument, we review the legal structure of the instrument, including the revenues pledged to bondholders and the issuer's covenants to its lenders, in order to determine the issue credit rating. This analysis most often results in an issue credit rating that is the same as the ICR. However, the two may differ in some circumstances as described below in our criteria "Assigning Issue Credit Ratings Of Operating Entities." For ratings below 'B-', see "Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings."

B. Guidelines For Assigning Analytic Assessments

17. With the exception of Industry risk and Operational Management Assessment (see below), we begin the assessment of each factor by examining identified metrics, which are referred to as sub-factors. We apply our forward-looking view of sub-factors to form an Initial Assessment. We then evaluate certain listed considerations that can further influence our view of the factor. We may also identify other considerations not otherwise specified in the criteria, if we believe that they contribute or detract from cash flow stability and certainty.
18. Considerations can be viewed as positive, negative, or neutral, which reflects our belief that a fact pattern exists that may change our view of the Initial Assessment of the factor. We view a consideration to be neutral if we believe that it is not sufficiently strong or weak enough to affect

credit quality, or if there is no applicable fact pattern as identified in these criteria.

19. After all considerations are evaluated, we adjust the Initial Assessment to arrive at the Final Assessment. The magnitude of such adjustments is based on the preponderance of available information and our view of the relevance of these factors to the overall assessment, with smaller adjustments of one or two assessment levels generally being the case versus greater adjustments of three or more assessment levels. Preponderance of information is based on our view of the balance of credit relevancy, not the number of observations.
20. The final assessment for each factor ranges from "Extremely Strong" (the strongest) to "Highly Vulnerable" (the weakest) on a '1' to '6' scale. We average each of the assessments according to the weights described in charts 2 and 3 to determine the initial enterprise profile and financial profile assessments. After making any necessary adjustments to the initial enterprise and financial profile assessments for unusual factors such as those outlined in tables 4 and 8, the final enterprise and financial profile assessments will be applied in table 1 to arrive at the suggested anchor.
21. When scoring the enterprise profile or financial profile, or any component thereof, if the assessment falls at or near a cut-off or midpoint, we generally assign the lower (meaning stronger) assessment if trends are improving or we believe future performance will improve. The higher (meaning weaker) assessment generally is assigned if trends are weakening or we believe future performance will be weaker.
22. Our assessment of a retail utility's financial metrics is based on ratios and numbers derived from interim, audited, budgeted, and forecasted financial statements. These statements should reflect the operations of the retail utility and all other related entities, if any.
23. Our assessment of all factors in these criteria is based on our forward-looking view of the entity's performance. Commonly, we begin our assessment with examining historical and current performance metrics, including the volatility and trend of historical results. Our view of future performance may differ from historical or current results. Our forward-looking view of a factor is informed by our opinion of macro-economic, legislative, and regulatory conditions; our view of entity-specific factors such as capital plans, revenue stream trends, and management actions; and the entity's own forecast. Pro forma or projected data will be used based on our analytical assessment of the operating environment and may, but do not have to be, informed by a review of the retail utility's internal projections or pro forma expectations.
24. Examples of situations where our forward-looking view will likely differ from what historical performance would suggest are:
 - A potentially large debt issuance,
 - Pending liability,
 - Likely acquisition, merger, or divestiture, or
 - Plans to draw down internal reserves.
25. When analyzing enterprise and financial profile factors, we generally evaluate the most recent year of available information, but our view may be informed by prior years as well. For the coverage metric (fixed costs and imputed charge coverage*), we typically take an average of the three most recent years of available information. However, we may eliminate years that, in our opinion, are not indicative of future performance.
26. We may use interim and/or unaudited data to the extent to which they inform our forward-looking view, as long as at least one fiscal quarter of interim data (in a format comparable to the audit) is available. Also, when relevant, we make adjustments to metrics and ratios to reflect our view of

future performance when we score components of the enterprise profile and financial profile used to arrive at the SACP. When multiple components indicate differing assessments, our final assessment reflects our view of the balance of information.

C. Proposed Methodology And Assumptions

Enterprise Profile Assessment

27. The enterprise profile assesses the qualitative strength of the retail utility. Four factors are assessed as part of the initial enterprise profile assessment. The factors and their weightings are as follows:

- Economic fundamentals 30%
- Industry risk 10%
- Market position 20%
- Operational Management 40%

Economic Fundamentals (30% weighting)

28. The economic fundamentals assessment provides insight into the retail utility's service area customer base, and the extent to which it contributes to cash flow stability. For electric, gas, and combined utilities, we generally focus on the retail utility's diversity of sales and service area demographics. For steam and chilled water utilities we recognize two key attributes: customer concentration is typically significant, and the risks typically associated with customer concentration are balanced against what we believe to be economies of scale offered by the utility. The assessment for steam and chilled water utilities focuses upon the same concept as for retail electric, gas, and combined utilities--diversity of revenue sources--but we draw different conclusions based upon our recognition of the unique nature of the customer bases of these enterprises.

29. The customer base of steam and chilled water utilities differ from retail electric, gas, and combined utilities. Typically, steam and chilled water utilities provide heating and cooling to a cluster of large commercial and/or industrial customers in a very limited geographical area. Customer concentration is typically very significant. We believe customers have an incentive to rely on the utility to provide heating and cooling rather than invest in costly infrastructure, and economies of scale mitigate, but do not eliminate, the risk typically associated with customer concentration. As such, we assign an economic fundamentals assessment of no higher than "Adequate" for all steam and chilled water utilities, but we may determine a weaker assessment given certain conditions.

30. We do not expect a retail utility to demonstrate all of the characteristics at any given assessment level; rather, we will assess each retail utility by looking at the variety of factors cited and use a preponderance of factors to determine the overall assessment. The individual components may or may not be equally weighted and are considered on a case-by-case basis, reflecting the extent to which we believe they may enhance or detract from cash flow stability. Characteristics we typically expect to see for each assessment level is shown in table 2.

Table 2

Diversity Of Sales And Demographics

	Extremely Strong	Very Strong	Strong	Adequate	Vulnerable	Highly Vulnerable
Diversity of sales						
Residential customer % of total retail revenues or sales	=>50%	=>50%	35%-50%	20%-35%	<=20%	<=20%
Top 10 customers % of total operating revenue or total retail sales	<=10%	10%-18%	18%-25%	25%-32%	32%-45%	=>45%
Top customer % of total operating revenue or total retail sales	<=2%	2%-4%	4%-6%	6%-10%	10%-20%	=>20%
Service area demographics						
MHHEBI as % of the U.S.	=>130%	110%-130%	90%-110%	75%-90%	60%-75%	<=60%

31. In evaluating diversity of sales, we consider the distribution of retail revenues or sales across customer classes and leading customers. We generally consider residential customers as having more stable usage patterns and as being less exposed to periodic economic weakness than nonresidential customers. Significant industrial exposure along with a local economy that largely depends on one or a few cyclical industries potentially contributes to the cyclical nature of a retail utility's load and financial performance, which might magnify the effect of an economic downturn.
32. Demand volatility can occur if a significant portion of a retail utility's electric or gas sales and/or revenues is tied to a small set of customers. This exposure can be more pronounced if the exposure is tied to just one or two customers, or if concentrated in one or two industries. If one or more of the small set of customers were to leave, it would negatively affect cash flows, depending on the level of concentration. This is also true for industry concentration during recessionary periods but to a lesser extent.
33. In evaluating the demographic profile of the service area, we focus on median household effective buying incomes (MHHEBI) because we believe it correlates to customers' ability to afford current rates and absorb potential rate increases. For service areas in which there is no specific MHHEBI data available, we generally use the data from the next largest measurable geographic unit. For example, if the service area is that of a small unincorporated portion of a county and if those data are not available, the MHHEBI of that county will be used. An exception could be if there is clear evidence that the service area measures are materially different from the geographical unit at large. If the service area spans multiple counties or states, these criteria use data for the county or state where most of the service area customers are located. We may also adjust income levels to reflect the true spending power after accounting for the presence of higher education institutions or military installations.

Adjustments to the initial economic fundamentals assessment

34. In making our economic fundamentals assessment, we may also take additional considerations into account. These additional considerations could result in an economic fundamentals assessment that is stronger or weaker than that indicated by table 2. The magnitude of such adjustments is based on the preponderance of available information and our view of the relevance of these factors to the overall assessment, with smaller adjustments of one or two assessment levels generally being the case versus greater adjustments of three or more assessment levels.

35. Examples of positive or negative considerations include:

- Size and scale: A total number of retail customers of more than 100,000 is generally viewed positively, while a total of less than 10,000 is generally viewed negatively. The presence of wholesale customers may improve our assessment of the size and scale of the utility.
- Customer concentration mitigants: If customer concentration is high, leading to an initial economic fundamentals assessment of "Strong" or worse, we may improve our economic fundamentals assessment based on the presence of a stabilizing customer*, contracts with key leading customers, or small margins from the leading customers. It could also improve our view if the retail utility is able to promptly adjust its power purchases, and in so doing, would, in our opinion, substantially mitigate the financial impact of load loss.
- Income level mitigants: If income levels are low due to the presence of a military installation, higher education institution, or penal institution we may improve our economic fundamentals assessment to better reflect the incomes of ratepayers.
- Industry concentration: We may worsen the economic fundamentals assessment if we believe that the employment base or customer base is concentrated in a single industry that is exposed to economic cyclical and, in our judgment, not a stabilizing presence.
- Inauspicious prospects: We may worsen our economic fundamentals assessment if we believe that inauspicious prospects (such as shuttering, relocation, or significant load reduction) exist for one or more key customers that contribute to high concentration levels.
- High or low unemployment: If unemployment rates for the past full year are more than two percentage points above or below the national rate, we may worsen or improve the economic fundamentals assessment.

Industry Risk (10% weighting)

36. Industry risk assessment is important as it measures risk in each sector and allows comparisons across sectors. We assign a standard industry risk assessment that is the same for all U.S.-based municipal retail electric and gas utilities, irrespective of ownership, to reflect factors that are common to all retail utilities such as economic cyclical and competitive risk. The industry risk assessment provides a common baseline of risk that we believe all electric utilities in scope of these criteria face, and we capture each retail utility's unique risks and strengths through the other three enterprise profile factors. While uncommon, limitations on rate autonomy are measured elsewhere, such as in the operational management assessment and financial profile.

37. Industry risk is assessed by applying "Methodology: Industry Risk"; see Appendix III for public finance-specific considerations. The most recent industry risk assessments, which are updated from time to time, are in Appendix IV of "Methodology: Industry Risk."

38. This paragraph has been deleted.

Market Position (20% weighting)

39. The market position assessment measures a retail utility's revenue raising flexibility. Rates are important in influencing a retail utility's ability to attract and retain customers, and their relative and comparative rate affordability can influence rate raising willingness and revenue flexibility, which are primary credit considerations.

Retail electric and combined utilities (where retail electric is the dominant service)

40. For retail electrics and combined utilities where retail electric is the dominant service, our assessment of market position measures revenue raising flexibility. Rates are an important factor influencing a retail utility's ability to attract and retain customers, and comparative rate affordability can influence rate raising willingness and revenue flexibility, which are primary credit considerations. Characteristics we typically expect to see for each assessment level are shown in table 3.

Table 3

Retail Electric Market Position

	Extremely Strong	Very Strong	Strong	Adequate	Vulnerable	Highly Vulnerable
Weighted average revenue per kWh as % of state average	<=80%	80%-90%	90%-100%	100%-110%	110%-120%	=>120%

41. For retail electric utilities, our assessment utilizes weighted average revenue per kilowatt hour as a percentage of the state average revenues per kilowatt hour for all retail sales, which gives effect to customer class-by-customer class competitiveness (with weighting based on relative contribution to the revenue stream), and we evaluate this as a percentage of the average for all utilities within the state. We use data for the most recent year of available comparative information, as supplied by the U.S. Dept. of Energy's Energy Information Administration (EIA), but our views may be informed by other sources of information as well.

Retail gas and combined utilities (where retail gas is the dominant service)

42. For retail gas utilities, rates are largely a function of commodity and transportation costs. Most gas utilities purchase natural gas at a regionally indexed rate. We generally assign a neutral market position assessment of "Adequate" if the gas utility purchases gas on the spot market at the regionally indexed rate, but we may adjust our view to account for other factors (such as congestion) that may influence pricing.

Steam and chilled water utilities

43. In our view, a competitive marketplace does not exist for steam and chilled water utilities. We generally view rates of steam and chilled water utilities as credit neutral, as these systems are generally closed systems, and substitution risk is very limited. We believe that market position is a lesser influence on credit quality for these utilities. As such, we generally will assign a neutral market position assessment of "Adequate" for steam and chilled water utilities. We may worsen our market position assessment if rates are expected to be increased significantly, whether to meet capital needs or for other reasons.

Market position adjustments for all municipal retail electric and gas utilities

44. In assessing market position, we also consider additional information such as projected rate changes and other indicators that could result in a market position assessment that is stronger or weaker than that indicated by table 3 and subsequent paragraphs. The magnitude of such

adjustments is based on the preponderance of available information and our view of the relevance of these factors to the overall assessment, with smaller adjustments of one or two assessment levels generally being the case versus greater adjustments of three or more assessment levels. These considerations generally won't improve our market position assessment for retail gas, steam, and chilled water utilities, although they might worsen our view.

45. Examples of negative considerations:

- The presence of direct competition for customers, reliance on a significant amount of market sales, or whether key customers are in energy-intensive and highly competitive industries where power costs sensitivity is heightened;
- Limited rate-setting autonomy, as suggested by difficulty in adopting necessary rate increases on a timely basis;
- Near-term capital needs could place upward pressure on rates; and
- Disproportionate shifts in revenue-raising burden between customer classes or segments such that future financial flexibility could be impaired.

46. Examples of positive or negative considerations:

- The utility's base rate-raising record and the relative strength (or absence) of a cost recovery mechanism that promotes full and timely pass through of fuel and purchased power costs;
- High or low median household effective buying income; and
- Recent rate changes not already reflected in lagging rate data.

Operational Management (40% weighting)

47. The operational management assessment (OMA) evaluates risks associated with the operations of the retail utility. The sub-factors (operational assets; environmental regulation and compliance; management, policies, and planning; and rate-setting practices) are assessed as "Extremely Strong," "Very Strong," "Strong," "Adequate," "Vulnerable," or "Highly Vulnerable" based on the following considerations:

- Operational assets--diversity of owned or purchased power/gas supply, diversity of fuels, quality of asset, resource adequacy, and flexibility of supply.
- Environmental regulation and compliance--compliance status and cost/rate impact of complying with existing or imminent regulation, and exposure to future regulations.
- Management, policies, and planning--depth, experience and sophistication of management, budgetary/ financial policies and practices, and long-term strategic, and financial and capital planning.
- Rate-setting practices--degree of rate-setting autonomy, cost recovery: timeliness and adequacy of historical base rate changes, and cost recovery: timeliness and adequacy of power/fuel/gas cost adjustment mechanism.

We begin the assessment of OMA by examining the considerations for each sub-factor, including considerations not otherwise identified in the criteria if we believe that they contribute or detract from cash flow stability and certainty.

Considerations can be viewed as positive, negative, or neutral, which reflects our belief that a fact pattern exists that influences our view of the sub-factor. We view a consideration neutral if we

believe that it is not sufficiently strong or weak enough to affect credit quality, or if there is no applicable fact pattern as identified in these criteria. After all considerations are evaluated, we assign a Final Assessment based on the preponderance of information.

50. Operational management is assessed as "Extremely Strong" or "Very Strong" if the retail utility generally exhibits a combination of the following characteristics:

- Fuel, shaft, and supply diversity; efficient units with lengthy remaining useful lives and superior availability; flexible power purchasing arrangements; and low cost generating units;
- The utility has already financed and/or installed key environmental controls and is in compliance with the ultimate phased-in renewable energy standard, if any;
- A deep, experienced and sophisticated management team, that communicates long-term needs and strategic goals to key stakeholders, and
- Rate-setting autonomy; the approval of timely rate increases; periodic rate studies and financial projections; and the automatic and dynamic recovery of fuel and purchased power costs.

51. Operational management is assessed as "Strong" or "Adequate" if the preponderance of sub-factors are not positive enough to be above strong and none is weak enough to lower our assessment below adequate. Given the multiple sectors in scope, and operating characteristics specific to each retail utility, there are many combinations of characteristics that might result in a given assessment, especially in the midrange of "Strong" or "Adequate". The following is an example of a utility's OMA that we may view as "Strong" or "Adequate":

- The utility's power supply has modest fuel and shaft diversity, assets have moderate remaining useful life, and resource needs are manageable;
- It faces current regulatory requirements (or exposure to future regulations) that we view as sizable, but manageable given its operational and financial profile;
- Its policies are essentially guidelines but not formally adopted, or it produces financial forecasts that do not evidence robust assumptions, or if we view management's sophistication as no better or worse than what is appropriate given the complexity of the operational and financial risks that the utility faces; and
- The utility has a cost recovery mechanism, but it is discretionary and/or it fails to dynamically recover costs, though not to the extent that coverage and liquidity may be compromised.

52. Operational management is assessed as "Vulnerable" or "Highly Vulnerable" if the retail utility generally exhibits a combination of the following characteristics:

- Sizable capital needs affecting cost structure or leverage; insufficient planning for near-term power supply needs; very limited fuel, shaft, or source diversity; outages that have a significant financial impact or that call into question the quality of and stewardship of assets; old, inefficient, and high-cost generating units; reliance on market purchases in place of own generation on a long-term basis; and impending expiration of operating permits.
- The need to add, replace, or retrofit significant resources (owned or purchased) at significant cost putting upward pressure on rates; the violation or uncertainty regarding federal or state permits; and burdensome costs associated with complying with renewable portfolio standards.
- Management team that lacks depth and experience or whose level of sophistication is not commensurate with the challenges that the retail utility faces; lack of risk management; aggressive budgeting practices and financial policies; and political interference with

operational decisions.

- Lack of rate-setting autonomy coupled with financial results that demonstrate that timeliness and cost recovery may be a problem; failure to adopt base rate increases on a timely basis; reactive rather than proactive rate increases; lacks long-term financial projections; and an inability to control power or fuel price volatility.
- A failure to disclose key relevant information.

53. We do not necessarily expect an obligor to demonstrate all of the operational management characteristics identified with a given assessment level; rather, we will assess each obligor by looking at the variety of factors cited and use a preponderance of factors to determine the overall assessment. Our assessment of each component is based on our evaluation of the sub-factors that are, in our view, germane to utility operations. In general, our assessment of each component is based on our evaluation of the sub-factors and the extent to which we view these sub-factors as enhancing or detracting from credit quality. One or more sub-factors may be less important or not at all important to our assessment of a given utility. They may not be weighted equally; rather they are considered on a case-by-case basis along with positive or negative adjustment for additional sub-factors that we consider to be important to our assessment of the utility's operational management.

54. For distribution-only electric utilities (municipal retail electric utilities and electric distribution cooperatives with little or no owned generation but that purchase the bulk of their energy from power suppliers), the OMA will consider the characteristics related to the power suppliers if, in our opinion, it is likely to affect the credit quality of the distribution-only electric utility. We generally believe that the operational risks of distribution utilities are somewhat lower than for those that own generation. All else being equal, our assessments reflect this. However, we do believe that while distribution utilities do not directly bear the risks of their power suppliers, they are indirectly exposed to many of their risks that their suppliers embed in their charges to the distribution utilities, and our scoring reflects this as well.

55. We generally assign a neutral assessment of "Adequate" to any component for which there is no meaningful information that would influence our assessment or clear presence of positive or negative characteristics.

OMA Component: Operational Assets

56. In assessing a utility's operational assets, we examine the following considerations:

Diversity of owned or purchased power/gas supply. A utility that sources energy from multiple plants, shafts or counterparties faces less risk that an outage will be disruptive to its energy delivery and cost structure than a utility whose supply comes from relatively few sources. We generally view positively a utility that has multiple baseload shafts or sources energy from multiple counterparties (with diversified assets). We generally view negatively a utility that has one baseload unit or sources energy from one supplier or counterparty (unless from a diverse system).

Diversity of fuels. A utility that sources its energy from a variety of fuels faces less exposure to commodity price volatility, availability, and delivery disruption, as well as less exposure to environmental and operational regulations and mandates, than does a utility that depends to a significant extent on a single fuel. We evaluate the utility's fuel diversity against the backdrop of the current and expected price and regulatory environment for various fuels. We generally view a utility that has a strong mix of fuels as a positive credit factor and dependency on a single fuel

negatively.

Quality of assets. A utility that has older and poorly maintained plants faces greater exposure to planned and unplanned outages, higher maintenance and capital costs (replacement and retrofit), and higher power costs related to inefficiency. We generally view positively a utility that sources its power from newer, more efficient assets. Meanwhile we generally view negatively a utility that has key assets that are older and inefficient, or that exhibit poor availability.

Resource adequacy. A utility that needs to add capacity (owned or purchased) to meet demand or to replace existing units faces financial and operational risks. We evaluate these risks against the backdrop of the utility's projected demand, future power supply plans, financial and capital plans, and expectations for additional leverage. We generally view negatively a utility that needs to add substantial resources, either to replace existing generation (owned or purchased), or to meet projected load growth, when there is expected to be a rate impact or impact on financial metrics. We generally view a utility that has sufficient resources to meet projected needs positively.

Flexibility of supply. A utility that has the ability to change dispatch patterns and/or power purchase volumes has the ability to most effectively tailor energy delivery to changes in commodity pricing and energy demand. In the event of economic downturn or loss of a significant customer that leads to a drop in demand, we generally view positively the ability to respond by reducing power purchases, and in so doing reduce fixed and imputed charges, as a credit protective feature. We generally view negatively a utility that is contractually bound to take power or has no-to-limited ability to shift between fuel and purchases.

OMA Component: Environmental Regulation and Compliance

57. In assessing environmental regulation and compliance, we examine the following considerations:

Compliance status and cost/rate impact of complying with existing or imminent regulation.

Environmental regulation and compliance evaluates the compliance status that power supply resources have to current state and federal environmental regulations. However, it does not consider the status of compliance and cost/rate impact with proposed regulations, unless, in our opinion, the adoption of the regulation in a close-to-the-proposed form is relatively likely and the impact is measurable. Against the backdrop of a utility's current competitive position, we examine the operational and financial impact of adding environmental controls, the potential for curtailment, shuttering, or replacement of key resources, and the need to add additional resources to comply with regulations. We generally view positively a utility that is in compliance, that does not face curtailment or closure of units requiring replacement, or has insignificant spending needs to address current or imminent environmental regulatory requirements, while we generally view negatively a utility that needs to invest significantly to achieve compliance.

Exposure to future regulations. This sub-factor assesses the utility's exposure to what we expect will be future environmental regulations, and it is evaluated against the backdrop of a utility's current and projected fuel and power supply. It does not attempt to assess the financial and operational impact of future regulations, as these are unknowable. Rather, this sub-factor may temper our view of the utility's compliance status and serve as a potentially limiting factor for credit improvement. We generally view negatively a utility that is dependent on what we expect to be more regulated types of fuels. In most other cases, we would likely view this as a credit neutral factor.

OMA Component: Management, Policies, and Planning

58. In assessing a utility's management, policies and planning, we examine the following considerations:

Depth, experience, and sophistication of management. This sub-factor evaluates the depth, breadth, and expertise of the management team relative to the complexity of the retail utility's operational and financial structure, management's identification and communication of financial and operational risks, and the extent to which the identification guides decision making and policy formation. There is no favored governance structure for the retail utility within the methodology. We generally consider the governance structure as a credit-neutral factor so long as management maintains the ability to operate the retail utility as an ongoing viable enterprise largely independent from politics with professionals who are capably engaged in risk oversight and can balance interests appropriately. We generally view positively those utilities that demonstrate sophistication, where management has demonstrated success through financial cycles and a commitment to credit-supportive practices. We generally view management of smaller, less sophisticated utilities as no better than neutral.

Budgetary/financial policies and practices. We examine a utility's budgetary and financial policies to determine the extent to which they are conservatively based and credit supportive. Such policies may include, but are not limited to, transfer policies, liquidity and coverage targets, hedging policies, debt management policies, and the budgeting of potentially volatile revenue streams, such as off-system sales and sales based on hydrological conditions. We generally view robust policies and a history of conforming to those policies as a credit positive, while a lack of policies coupled with evidence that the absence is problematic is generally a credit negative.

Long-term strategic, financial, and capital planning. This sub-factor examines whether the utility conducts long-term strategic, financial, and capital planning, evaluates the robustness of such efforts, and the extent to which they are, in our opinion, conservatively based and credible. We view positively a utility that conducts regular strategic planning; produces annually updated five-year financial forecasts that are based on a robust set of assumptions for load growth, fuel and power costs, operations and maintenance expenses, and that evidence multiyear rate planning; and produces an annually updated five-year capital plan that identifies key projects, along with the sources and uses of funds. We generally view a lack of multi-year planning as a credit negative.

OMA Component: Rate-Setting Practices

59. In assessing a utility's rate-setting practices, we examine the following considerations:

Degree of rate setting autonomy. Rate-setting autonomy is the norm for retail electric utilities, and we consider it to be credit neutral. We view negatively lack of rate setting autonomy or failure to achieve timely rate relief from a regulator.

Cost recovery: timeliness and adequacy of historical base rate changes. This sub-factor evaluates whether management has acted in a manner generally supportive of credit quality when difficult decisions were necessary. The assessment examines the retail utility's record of rate increases and plans for future rate increases and whether they have promoted stable financial metrics. We generally view positively a utility with a track record of adopting necessary base rate

increases in support of stable financial metrics and that we believe will do so in the future. We generally view negatively a utility that has failed to adopt needed base rate increases.

Cost recovery: timeliness and adequacy of power/fuel/gas cost adjustment mechanism. This sub-factor examines the presence or absence of power/fuel/gas cost adjustment mechanisms; whether or not they are automatic or discretionary; and whether or not they provide for dynamic and comprehensive recovery of related costs. This sub-factor is also evaluated against the backdrop of the utility's power and fuel mix and the historical volatility of the components and commodities comprising the utility's power and fuel mix. We view positively a utility with a formally adopted, automatic adjustment mechanism that recovers costs in full on a dynamic basis, while we view negatively the absence of any cost adjustment mechanism for a utility with volatile power/fuel costs and insufficient liquidity and/or weak coverage metrics.

Examples of adjustments to the initial enterprise profile assessment

60. Table 4 outlines examples of situations where we generally adjust the initial enterprise profile assessment to arrive at the final enterprise profile assessment. On an exceptional basis, there may be additional situations we have not yet observed that are not in table 4 but could also result in an adjustment to the initial enterprise profile assessment.

Table 4

Examples Of Adjustments To The Initial Enterprise Profile Assessment

If	Then
Country risk assessment is '4', '5', or '6'	Enterprise profile assessment generally would be capped at 'Adequate', 'Vulnerable', or 'Highly Vulnerable', respectively.
Retail utility faces direct competition for customers and there are significant concerns whether the utility will be able to retain a substantial portion of its load	Enterprise profile generally would worsen by one assessment level
Retail utility faces construction delays and cost overruns that will, in our opinion, significantly pressure rates	Enterprise profile generally would worsen by one assessment level

Country risk is the risk an entity faces by having some of its operations or assets exposed to one or more countries (see "Country Risk Assessment Methodology And Assumptions").

Financial Profile Assessment

61. The financial profile assesses the financial strength of the retail utility. Three factors are assessed as part of the initial financial profile assessment. The factors and their weightings are as follows:

- Coverage metrics 55%
- Liquidity and reserves 25%
- Debt and liabilities 20%

Coverage Metrics (55% weighting)

- 62. We believe that fixed costs and imputed charge coverage best gauges a retail utility's total financial capacity. It measures the ability of the retail utility to service both its total debt* and debt-like obligations*, which together we refer to as fixed costs and imputed charges*.
- 63. Table 5 provides the coverage metrics levels that we generally expect at each assessment level.

Table 5

Coverage Metrics

	Extremely Strong	Very Strong	Strong	Adequate	Vulnerable	Highly Vulnerable
Fixed costs and imputed charge coverage (x)	=>1.6	1.4-1.6	1.2-1.4	1.1-1.2	1.0-1.1	<=1.0

- 64. In making our assessment of coverage metrics, we may also take additional considerations into account. These additional considerations could result in a coverage metrics assessment that is stronger or weaker than that indicated by table 5. The magnitude of such adjustments is based on the preponderance of available information and our view of the relevance of these factors to the overall assessment, with smaller adjustments of one or two assessment levels generally being the case versus greater adjustments of three or more assessment levels.
- 65. Examples of negative considerations:

Volatile surplus sales. Our view of coverage metrics is affected by the extent, if any, to which a utility is exposed to volatile margins either due to sales in competitive markets in which it is a price taker or energy sales under contracts that present re-contracting risk. Mitigating factors include dynamic revenue mechanisms that can adjust native customers' rates to compensate for volatile elements of the revenue stream.

Variable-rate debt. These criteria do not establish a guideline as to an allocation of variable-rate debt as a percentage of total long-term debt. However, if coverage metrics by our estimate would change significantly as a result of an increase in interest rates, we generally worsen our view. Swaps could lessen the exposure to interest-rate volatility but can also create demand on liquidity due to termination events. When demand on liquidity due to termination events is significant, we will assess contingent liquidity risks. See the article "Contingent Liquidity Risks In U.S. Public Finance Instruments: Methodology And Assumptions."

Reliance on future growth and/or large rate increases to meet debt service requirements. If a retail utility is dependent on significant customer growth and/or large rate increases to meet future debt service requirements, or has a backloaded amortization schedule, we generally worsen our assessment

Insufficient legal protections. Legal covenants compel an entity to act or not act to the benefit of bondholders. We believe that in the municipal utility sector those minimums generally include: (1) a rate covenant of 1x or higher, (2) an additional bonds test (ABT) that places some limits on the amount of increased leverage, and (3) remedies for when the rate covenant is violated such as a review of rates. In the event that a utility does have legal provisions that nevertheless do not meet these minimums, we may worsen our view.

Use of stabilization reserves. If a utility is reliant on significant and ongoing transfers of available reserves to produce sufficient coverage, or rolling coverage that, in our opinion, artificially creates the appearance of a trend of higher coverage, then we may worsen our assessment.

Acceleration of pension, other postemployment benefit (OPEB), or other contingent obligations

A material increase or anticipated increase in required pension, OPEB costs, or other contingent obligation. In making this assessment, we consider risk of acceleration of pension, OPEB, or other contingent obligation payments and the likelihood of budgetary stress due to the increase in such payments.

66. Examples of positive considerations:

Power purchase flexibility. This is generally used in cases where we believe a utility is able to respond to potential load loss by dynamically adjusting its power purchases, and in doing so, would reduce the demand charge component of the coverage metrics calculation. Our view of power purchase flexibility will be informed by the fixed costs that might need to be borne by remaining customers should load loss occur.

Extraordinarily low power costs. This is generally used in cases where a utility's cost of power is among the lowest in their region, enabling it to sell its power into the market, at significantly higher margins than are otherwise produced, in the event that native demand declines.

Liquidity And Reserves (25% weighting)

67. The liquidity and reserves assessment measures the retail utility's flexibility to address fluctuations in cash flow, volatility in operating expenses (such as fuel and power costs), and, in some cases, to fund capital needs. The two liquidity and reserves measures we typically consider most important are total days' liquidity* and available reserves*.

Our initial evaluation of a retail utility's liquidity and reserves weighs the preponderance of evidence typically focusing on total days' liquidity* as the most important factor while available reserves* is typically a secondary factor. Characteristics we typically expect to see for each assessment level are shown in table 6.

Table 6

Liquidity And Reserves

	Extremely Strong	Very Strong	Strong	Adequate	Vulnerable	Highly Vulnerable
Total days' liquidity (days)	=>270	150-270	90-150	45-90	15-45	<=15
Available reserves (Mil. \$)	=>250	100-250	50-100	10-50	2-10	<=2

68. The liquidity and reserves assessment is intended to measure how the retail utility's internal sources, such as cash reserves and cash flow, and external sources (namely undrawn capacity under committed lines of credit and commercial paper or other like instruments) provide the liquidity to fund immediate needs on an ongoing basis. Size is also a factor in the retail utility's enterprise risk profile. A retail utility may have a high total days' liquidity metric by virtue of having a very small operating budget, but the level of available reserves may be nominally very small.
69. In assessing liquidity and reserves, we may also take additional considerations into account. These additional considerations could result in a liquidity and reserves assessment that is

stronger or weaker than that indicated by table 6. The magnitude of such adjustments is based on the preponderance of available information and our view of the relevance of these factors to the overall assessment, with smaller adjustments of one or two assessment levels generally being the case versus greater adjustments of three or more assessment levels.

70. Examples of positive considerations include:

Distribution and transmission systems. In cases where the retail utility is a distribution- and/or transmission-only system and off-balance sheet and contingent obligations are predictable, the retail utility's working capital requirements, and therefore liquidity and reserve levels, may not need to be as high as table 6 would otherwise indicate.

71. Examples of negative include:

Contingent liquidity risks. As described in "Contingent Liquidity Risks In U.S. Public Finance Instruments: Methodology And Assumptions," contingent liabilities* correspond to explicit or implicit obligations that a retail utility may incur under certain circumstances. These risks could affect the retail utility's financial position if they materialize, and if not offset by factors such as available liquidity, undrawn capacity under committed lines of credit, or market access. Furthermore, contingent liabilities might arise from a series of smaller risks that, by themselves, may not otherwise appear material, but could cascade in magnitude as proximity to the trigger or timing becomes less remote. In situations where the contingent risks, if realized, could affect our assessment of the retail utility's actual or total days' liquidity, we generally worsen our liquidity and reserves assessment.

Reliance on lines of credit and commercial paper While committed lines of credit and commercial paper can provide a good source of short-term liquidity, because they are renewable instruments, we consider available reserves on the utility's balance sheet to be a more reliable long-term source of financial flexibility. Therefore, we are unlikely to assign a liquidity and reserves assessment of "Extremely Strong" unless available reserves supported such assessment excluding lines of credit. Additionally, we generally apply a negative adjustment to the liquidity and reserve assessment when we believe that a commercial paper line is likely to be drawn on in the near future.

Debt And Liabilities (20% weighting)

72. The debt and liabilities assessment measures the extent existing and proposed liabilities may affect a retail utility's debt servicing capability. It can also be closely tied to the retail utility's rates and capacity for additional debt, which incorporates the analysis of the capital improvement plan (CIP). In assessing debt and liabilities, we generally focus on debt to capitalization*, the pension funded ratio*, and expenses related to other postemployment benefits (OPEB).

We assess a utility's debt and liabilities to gauge its exposure to actual and contingent obligations. In assessing a retail utility's debt and liabilities, we focus on debt to capitalization* (leverage). Characteristics we typically expect to see for each assessment level are shown in table 7.

Table 7

Debt And Liabilities

	Extremely Strong	Very Strong	Strong	Adequate	Vulnerable	Highly Vulnerable
Debt to Capitalization (for Vertically Integrated Utilities) (%)	<=50	50-60	60-70	70-80	80-90	=>90
Debt to Capitalization (for Distribution Utilities (%))	<=20	20-30	30-40	40-50	50-60	=>60

Note: When capitalization is zero or negative, we generally assess "Highly Vulnerable."

73. In making our assessment of debt and liabilities, we may also take additional considerations into account. These additional considerations could result in a debt and liabilities assessment that is stronger or weaker than that indicated by table 7. The magnitude of such adjustments is based on the preponderance of available information and our view of the relevance of these factors to the overall assessment, with smaller adjustments of one or two assessment levels generally being the case versus greater adjustments of three or more assessment levels.

74. Examples of negative considerations:

- Large, unfunded defined-benefit pension plan and/or OPEB obligations. We assess the unfunded obligation relative to the size and scope of the utility taking a forward-looking view of funding requirements and management's plans to address such risks. Typically, we believe a low pension funding ratio could signal elevated risks. However, retail utility operating expenses are generally driven by fuel, power costs, and debt service requirements, not personnel costs inclusive of pension and OPEB payments. We would make a negative adjustment in cases where we believe that management's plans to address such risks are insufficient or would materially affect debt and liability levels. The magnitude of the adjustment, if applicable, may be affected by whether the unfunded obligations are actuarially determined, based on weak actuarial methods, or required contributions that are not regularly funded. If the enterprise's pension and OPEB are reported as part of a larger general government, we generally assume the enterprise's funded ratio is the same, unless more specific information is available for the enterprise (e.g., we may use the city's pension funded ratio when assessing a city-owned and operated electric system if there is no specific information available).
- Our assessment of a retail utility's debt and liabilities may be adjusted to account for off-balance sheet obligations and contingent liabilities*. For example, we qualitatively adjust the assessment to incorporate the presence of such obligations when off-balance sheet debt is present but cannot be incorporated into a forward-looking ratio, or contingent liability arises from the triggering of the step-up under a joint action agency.

Examples of adjustments to the initial financial profile assessment

75. Table 8 outlines examples of situations where we generally adjust the initial financial profile assessment to arrive at the final financial profile assessment. On an exceptional basis, there may be additional situations we have not yet observed that are not in table 8, but could also result in an adjustment to the initial financial profile assessment.

Table 8

Examples Of Adjustments To The Initial Financial Profile Assessment

If	Then
Total indebtedness likely to increase substantially but magnitude, scope and timing not fully defined	Financial profile generally would be worsened by one point
Cash-basis accounting	Financial profile generally could be worsened by one point

C. Overriding Factors And Rating Caps

76. Certain conditions result in the SACP moving a specified number of notches above or below the anchor. Other conditions place a specific cap on the SACP. Examples of these factors are outlined in table 9. If multiple overriding conditions exist, which we expect to be rare, we generally adjust the anchor by the net effect of those conditions. In those cases, we consider entity-level overriding conditions before we consider related government overriding conditions. However, rating caps are absolute, meaning that the positive relative adjustments described below do not allow SACPs to exceed the cap, and may not be raised above the cap through the use of holistic analysis. Depending on the severity of the condition, we could assign an SACP below the cap. On an exceptional basis, there may be additional situations we have not yet observed that are not listed but could also result in rating overrides and rating caps.

Table 9

Examples Of Overriding Factors To The Anchor

Overriding factor/cap: That would generally:	Additional comments
Cap the SACP in the 'a' category	
Operational Management Assessment is Vulnerable	
Related government has consistently very weak fund balance (e.g., Available Fund Balance < -5% of general fund expenditures for the three most recently reported years)	
Significant and continuous withholdings or delay in payments by related government to support growing general fund deficit or other evidence of continuous structural imbalance of the general government	
Cap the SACP in the 'bbb' category	
Operational Management Assessment is 'Highly Vulnerable'	
Related government has very weak cash (e.g., Total government available cash as % of total governmental funds expenditures = < 1%, or (TGAC) as % of TGF debt service < 40%) without external access to the market	
Related government management demonstrates a lack of willingness to support obligations such as lease, appropriation, or moral obligation debt, receives going concern in most recent audit, or discussing bankruptcy	This cap can be lifted to 'a' category if after 1 year of the condition there is no indication that the enterprise will be raided and removed completely if after 2 to 3 years of the condition there is no indication that the enterprise will be raided
Cap the SACP in the 'bb' category	
Both coverage metrics, and liquidity and reserves, are assessed as vulnerable	

Table 9

Examples Of Overriding Factors To The Anchor (cont.)

Overriding factor/cap: That would generally:	Additional comments
Retail utility is either (i) recovering from a financial crisis, (ii) emerging out of a recent bankruptcy or receivership, or (iii) requiring significant consultant oversight following an event of default including a covenant violation	SACP generally will remain capped in the 'bb' category until the organization achieves a resolution of its covenant defaults and establishes a two- or three-year record of sustainable financial performance
Related government in bankruptcy, receivership or there is an emergency manager due to bankruptcy concerns and there is uncertainty regarding any impact to the municipal enterprise or its debt as part of the recovery plan or a current lack of willingness to pay an unconditional debt obligation of the government, such as general obligations	This cap can be lifted to 'bbb' category if it is clear that the enterprise will not be raided and removed completely if after 2 to 3 years of the condition if there is continued on-time payment with no indication that the enterprise will be raided or bond payments impaired
Cap the SACP in the 'b' category	
Both coverage metrics, and liquidity and reserves, are assessed as 'Highly Vulnerable'	
Management demonstrates a lack of willingness to support debt or contingent liability obligations or we believe the retail utility may be considering bankruptcy or receivership filing	If the obligation is currently vulnerable to nonpayment, and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation the rating would fall under our 'CCC' criteria. See Related Criteria section
Notch the SACP up	
Fixed cost and imputed charge coverage is above 2.2x and available reserves excluding lines of credit for the most recent year is more than 12 months of operating expenses	SACP generally would be one notch above that suggested by Table 1. We may not apply this adjustment if we believe available reserves may be pressured, such as by capital expenses, or weak cash flow
Notch the SACP down	
Related government has a consistently low fund balance (e.g., available fund balance <1% of general fund expenditures in three most recent years and expectation to remain below such level)	SACP generally would be lowered by one notch for enterprise credits above 'a+'. Generally lowered by two notches, but no lower than 'a+', for credits if very weak cash levels or low fund balances are expected to decline materially going forward
Related government has a debt burden (e.g., total government funds debt service as a % of total governmental funds expenditures) or contingent liability that is considered very high and management of the related government lacks a credible plan to address the situation	SACP generally would be lowered by one notch for enterprise credits above 'a+'. Generally lowered by two notches, but no lower than 'a+', for credits if very weak cash levels or low fund balances are expected to decline materially going forward
Significant change in governance of transfers from municipal enterprise to related government, or related government has withheld funds or delayed payment to the enterprise in order to support a growing general fund deficit	SACP generally would be lowered by one notch for enterprise credits above 'a-' at the time of first change if no future changes are anticipated. Generally lowered by two notches, but no lower than 'a+', for credits if additional significant changes are anticipated
Circumstances where we believe that legal or political challenges threaten the retail utility's autonomy	SACP generally could be lowered by one or two notches
Other rating cap	
Negative extraordinary intervention, such as significant cash-striping, diversion of resources from the enterprise for the benefit of the related government, or other actions by the related government that in our opinion demonstrate an ongoing lack of respect for the utility's ability to operate as a stand-alone enterprise	SACP and final ratings are reflective of the related government's credit quality

77. Related government adjustments and caps do not apply if there is a legal or analytical basis for concluding that there is de minimis risk the related government will raid the enterprise (e.g., presence of statutory protections or judicial precedents within the jurisdiction). Use of the adjustments and caps may be considered unnecessary if the affected municipal enterprise has a broader customer base than the related government because from a policy perspective the related government may find it difficult to act when the retail utility enterprise serves customers outside the related government's jurisdiction.

78. An enterprise's rating may not be subject to related government caps or adjustments if there is no negative intervention or political interference and one or more of the following conditions is met:

- Most, if not all, of the enterprise's funds are federally restricted.
- The enterprise is governed and operates independently (e.g., separate board) with no clear linkage to a related government that has an ability to impact the operations of the enterprise.
- The enterprise is owned and operated by two or more governments or a regional authority.
- The enterprise otherwise qualifies as a government-related entity. If so, we review government linkages under our Government-Related Entity criteria.

Additional Information

79. The complete absence of any document such as an indenture or bond resolution, or silence by existing related documents toward establishing an orderly flow of funds, a lien on pledged revenues securing the bonds, a rate covenant, and an additional bonds test likely precludes the assigning of an issue credit rating based solely on these criteria.

80. We typically consider the strength of lease revenue or certificates of participation issued by retail electric and gas utilities to be equivalent to a pledge of the same lien of revenues. There is, therefore, generally no rating distinction on these securities because there is no appropriation or abatement risk, reflecting the enterprise nature of public utilities. If a retail utility were to issue an obligation subject to appropriation that did not meet the above assumptions, we also apply our criteria "Issue Credit Ratings Linked To U.S. Public Finance Obligors' Creditworthiness."

APPENDIXES

Glossary

Actuarially determined contribution (ADC): The actuarially-calculated amount that the retail utility, or its sponsoring plan provider, must make to fully fund its pension and/or OPEB liability over time.

Available reserves:

- Unrestricted cash, cash equivalents and investments unencumbered by legal agreements and not earmarked for specific purposes;
- Restricted cash, cash equivalents and investments that reside on the retail utility's balance sheet but that are lawfully available for any operating purposes. Examples include emergency and contingency funds, operating reserves, cash-funded depreciation reserves, renewal and replacement funds, rate stabilization reserves and other cash that may be designated in

purpose but not restricted for debt service, fiduciary purposes, or asset retirement obligations; and

- The undrawn, lawfully available for any operating purposes portion of commercial paper (or similar instruments) or committed bank lines (expiring at a date beyond the next 12 months). For lines expiring in less than 12 months, we will include the undrawn and available portion if management indicates its intent to extend the line and, in our opinion, such extension is likely. To the extent we believe that a material bank counterparty would be unable to provide committed financing in a stress scenario, and the counterparty could not be easily replaced on a timely basis, we do not include this portion of committed financing for as a source of liquidity within our analysis.

Available reserves do not include amounts that we deem to be restricted or unavailable in a timely manner. Examples of items we do not include are uncommitted lines of credit, a debt service payment-to-be-made, customer deposits, a fiduciary responsibility like a pension or decommissioning fund, debt service reserve, unspent bond proceeds, or monies that are related to a posting of collateral, among other restrictions. It also does not include intra-governmental borrowings that sometimes occur between the retail utility and its associated general government, or sometimes even between one division of the retail utility and another division. However, if a retail utility pools its cash with other major operating funds or governmental units, the portion allocated to the retail utility is counted in the calculation.

Contingent liabilities: Includes variable-rate demand bonds, commercial paper, bullet payments due within five years, bonds with mandatory tender dates in five years or less, direct bank debt with acceleration clauses, the potential for a wholesale provider to reallocate its costs to the retail utility in an unbudgeted or otherwise unpredictable manner, swap or other termination payments if the current rating is two notches or less from the termination trigger. This list is illustrative and the list of securities cited does not exclude other instruments with similar attributes. Other identifiable contingencies, such as litigation judgments that are, in our opinion nearing final ruling, are also included.

Debt-like obligations: Obligations that we consider debt-like in nature are expenditures that include: payments made as an operating expense associated with off-balance sheet obligations, and 2) demand and capacity costs associated with power purchases (whether or not they are fixed or tied to the level of power purchased). The components of debt-like obligations include:

- Expenditures related to off-balance sheet debt, the servicing of which is an operating expense of the retail utility; we treat this in the same manner as on-balance sheet debt service in our fixed costs and imputed charges calculation (deducting it from operating expenses and adding it to total debt service).
- Demand and capacity costs that are paid as an operating expense of the retail utility, which we treat in the same manner as on-balance sheet debt in our Fixed Costs and Imputed Charges calculation.

Debt to capitalization: A measure of the relative leverage of the retail utility, as follows:

(Total short- and long-term debt both on the retail utility's balance sheet and that which is allocable to the retail utility + draws on credit lines + commercial paper notes and other loans, debt or material obligations + current maturities) / (Total debt as calculated in the numerator + net position or its equivalent) * 100.

Distribution utility: A utility that sources the bulk of its energy needs from assets that it does not own, and that are not included on its balance sheet.

Fixed costs and imputed charges: Total debt service + demand and capacity payments (or their imputed proxy) + debt service associated with Off-balance sheet obligations that are paid as an operating expense.

- We generally view power supply arrangements, including demand and capacity charges or off-balance sheet obligations as substitutes for direct, debt-financed investments in generation capacity. In a sense, the retail utility has contracted with a supplier to make the investment in generation capacity on its behalf.
- In some cases this obligation is a fixed cost, which we consider debt-like in nature, even if legally treated as an operating expense or off-balance sheet obligation. These are commonly referred to as hell-or-high-water payments that a retail utility must make regardless of the amount of energy the retail utility is purchasing. An example of a fixed cost would be take-or-pay minimum payments for power purchases.
- In other cases, the amount of the obligation is not truly fixed, in that it can vary with the amount of energy purchased. Nevertheless, it still represents an expense that the purchaser, as an ongoing entity, makes to the supplier to fund the supplier's recovery of its capital investment incurred to construct generation from which the buyer benefits. An example of an imputed charge would be the portion of "take-and-pay" payments members make to cover the debt service issued by the joint action agency in which they participate. Another example would be the demand charges, capacity payments, or other an imputed proxy that a distribution retail utility pays as part of its power purchase from an investor-owned utility or other wholesale supplier (including those for wind energy).

Fixed costs and imputed charge coverage: The measurement of all obligations that are ultimately supported by ongoing operating revenues of the retail utility, as calculated below:

(Revenues-Expenses-Total Net Transfers Out + Fixed Costs and Imputed Charges – Total Debt Service) divided by Fixed Costs and Imputed Charges

- We treat as operating expenses net transfer payments from the rated retail electric and gas utilities to other units and/or funds of local governments, regardless of whether it is treated as such under accounting guidelines and/or bond legal provisions. These transfers may come in a number of forms, including (but not limited to) administrative reimbursements, payments in-lieu-of-taxes (PILOTs), dividend payments, or franchise fees.
- For retail utilities that purchase power, many are able to quantify the portion of their power costs that relate to fixed costs or imputed charges, and we use this figure or percentage of power costs in our FCC calculation. However, there are cases where the retail utility (or its power supplier) is unable to quantify the actual fixed cost or imputed charge that the retail utility pays as part of its purchased power expense. In our experience, debt service represents roughly half the cost of producing power for vertically integrated utilities, and so in these cases, the methodology imputes 50% of purchased power expense as an equivalent proxy for the purpose of calculating FCC.
- The FCC calculation will be the same whether the retail utility's pledge to bondholders is gross operating revenues, net operating revenues, or other revenues, because we believe that for the retail utility to be a viable and ongoing enterprise it must pay all of its expenses on an ongoing basis.

GAAP: Generally accepted accounting principles are the common set of accounting principles, standards, and procedures that most governments and utilities in the U.S. follow. GAAP for the retail utility sector is determined by the Governmental Accounting Standards Board (GASB).

Median household effective buying income (MHHEBI): Commonly known as "disposable income," or that household's wages, salaries, dividends and transfer payments, less all applicable taxes and withholdings. This data comes from the U.S. Census Bureau, though we may rely on other sources in cases where such data is unavailable.

Net operating expenses: Operating expenses, less depreciation, amortization, and other noncash items such as changes in the market value of derivatives or pension obligations.

Off-balance sheet obligation: An obligation for which the retail utility is legally responsible, but which may appear only in the rated retail utility's financial statement notes, or another entity's balance sheet, but not within the long-term debt of the rated retail utility itself. Often these obligations are paid as an operating expense of the rated retail utility.

Other postemployment benefits (OPEB): Health care, dental, vision, disability, long-term care, and life insurance benefits offered to qualified retirees of the retail utility.

Stabilizing customer: Customers that are, in our opinion, historically stable by virtue of their enterprise. Examples include, but are not necessarily limited to units of government, higher education institutions (unless we conclude the risk of co-generation is probable), military installations, or even (in very rare instances) a large and stable corporate presence.

Total debt: Includes on-balance sheet revenue bonds of all liens, capital leases, short-term debt, debt issued by a general government that is supported by the utility system, and any other obligations accounted as long-term debt in the utility's financial statements. Total debt is not reduced by the presence of debt service reserve funds, or by liquid reserves.

Total debt service: The principal and interest payments associated with total debt. However, short-term principal payments are only included if retired with current funds, as opposed to through the issuance of additional debt or commercial paper. It does not include principal payments resulting from refinancing. It does include swap interest payments. For purposes of financial projections, bullet maturities will be treated as amortizing debt over a period of up to 30 years based on our view of the useful life of the asset being financed and our view of management's plan to refinance the bullet maturity.

- On-balance sheet revenue bond debt service for all liens, as this represents the total debt obligations of the retail utility.
- Interest payments associated commercial paper and bond anticipation notes, which are often used to provide interim or bridge financing, with repayment either through cash flow or long term debt issuance.
- Capital lease payments.
- Debt service for obligations issued by other units and/or departments of the local government that is supported through payments from the rated retail utility.

Total days' liquidity: A measure of unrestricted cash, investments and equivalents, as well as restricted cash and investments that is legally and readily available to meet operating requirements and/or debt service.

(Available reserves divided by net operating expenses) multiplied by 365.

Vertically integrated utility: A utility that sources the preponderance of its energy needs from generation assets that it owns and that are included on its balance sheet.

REVISIONS AND UPDATES

This article was originally published on Sept. 27, 2018. The criteria became effective upon publication.

Changes introduced after original publication (other than to the contact list or criteria cross-references):

- On April 9, 2025, we republished this criteria article to make nonmaterial changes. We updated paragraph 36 to clarify that an entity's rate autonomy is not assessed in industry risk. We also updated paragraph 37 and deleted paragraph 38 to remove application information, which is now located in Appendices III and IV of "Methodology: Industry Risk."
- On Jan. 28, 2022, we republished this criteria article to make nonmaterial changes. In paragraph 76, we clarified the order in which overriding factors and caps are considered.
- On Nov. 8, 2019, we republished this criteria article to make nonmaterial changes. We deleted text related to the original publication that was no longer relevant. Additionally, we updated framework terminology in chart 1 and throughout the article to improve consistency across criteria.

RELATED PUBLICATIONS

Related criteria

- Assigning Issue Credit Ratings Of Operating Entities
- Issue Credit Ratings Linked To U.S. Public Finance Obligors' Creditworthiness
- Methodology: Industry Risk
- Contingent Liquidity Risks In U.S. Public Finance Instruments: Methodology And Assumptions
- Environmental, Social, And Governance Principles In Credit Ratings
- Country Risk Assessment Methodology And Assumptions
- General Criteria: Government-Related Entities
- Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions
- Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings
- Methodology: Definitions And Related Analytic Practices For Covenant And Payment Provisions In U.S. Public Finance Revenue Obligations
- Wholesale Utilities
- Methodology: Rating Approach To Obligations With Multiple Revenue Streams
- Stand-Alone Credit Profiles: One Component Of A Rating

- Corporate Methodology
- Sector-Specific Corporate Methodology
- Methodology: Master Limited Partnerships And General Partnerships
- Principles Of Credit Ratings

A complete list of S&P Global Ratings' criteria articles can be found on
<https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria>.

Other publications

- S&P Global Ratings Definitions, updated from time to time
- Credit FAQ: All-In Coverage, Transfer Payments, And Credit Quality
- Credit FAQ: U.S. Public Finance Ratings And Criteria For Ratings Above The Sovereign

This article is a Criteria article. Criteria are the published analytic framework for determining Credit Ratings. Criteria include fundamental factors, analytical principles, methodologies, and /or key assumptions that we use in the ratings process to produce our Credit Ratings. Criteria, like our Credit Ratings, are forward-looking in nature. Criteria are intended to help users of our Credit Ratings understand how S&P Global Ratings analysts generally approach the analysis of Issuers or Issues in a given sector. Criteria include those material methodological elements identified by S&P Global Ratings as being relevant to credit analysis. However, S&P Global Ratings recognizes that there are many unique factors / facts and circumstances that may potentially apply to the analysis of a given Issuer or Issue. Accordingly, S&P Global Ratings Criteria is not designed to provide an exhaustive list of all factors applied in our rating analyses. Analysts exercise analytic judgement in the application of Criteria through the Rating Committee process to arrive at rating determinations.

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Research Update:

Hibbing, MN Series 2025A GO Sales Tax Revenue Bonds Rated 'SP-1+'; Existing GO Debt Affirmed At 'AA'; Outlook Stable

October 8, 2025

Overview

- S&P Global Ratings assigned its 'SP-1+' short-term rating to the city of [Hibbing](#), Minn.'s anticipated \$19.84 million series 2025A general obligation (GO) temporary sales tax revenue bonds.
- At the same time, we affirmed our 'AA' long-term rating on the city's GO debt outstanding.
- The outlook, where applicable, is stable.

Rationale

Security

The bonds are secured by the city's full faith and credit, and resources, including its pledge to levy ad valorem property taxes without limitation as to rate or amount. The short-term rating reflects our criteria for evaluating and rating bond anticipation notes and bonds, including the long-term GO rating and the market risk profile, which we consider low. Hibbing maintains a very strong capacity to pay principal and interest when the bonds come due. We view the city's market risk profile as low because it has strong legal authority to issue long-term debt to take out the bonds and is a frequent debt issuer that regularly provides disclosure to market participants. The city anticipates refinancing the series 2025A bonds with long-term debt prior to the 2028 maturity date.

Hibbing anticipates debt service will be paid with gross receipts of a newly authorized 0.5% sales-and-use tax, approved by voters in November 2024 and dedicated solely to finance construction of a new public safety center. The rating is based on the GO pledge given the limited bond provisions associated with the sales tax component.

Bond proceeds will finance the public safety center project.

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Credit highlights

Hibbing's consistently positive budgetary performance over the past decade, resulting in exceptionally high reserves compared with those of peers, are key strengths supporting its general creditworthiness. Furthermore, the city's above-average per capita retail sales demonstrate its capacity to fund the public safety center project through its new 0.5% sales-and-use tax, rather than relying solely on property taxes. In our view, the city's limited local economy, with a reliance on the taconite mining industry, and a rising debt and liability profile, particularly a substantial other postemployment benefits (OPEB) liability of nearly \$30 million in fiscal 2024, remain limiting credit factors.

Strong revenue performance and diligent expenditure management have enabled Hibbing to maintain reserves well above its formal 50%-65% fund balance policy. The city benefits from ample taxing flexibility, demonstrated by a maximum potential general fund levy increase of 11.9% in the preliminary fiscal 2026 budget, which is expected to be balanced. While audited fiscal 2024 and projected fiscal 2025 results show small deficits due to one-time transfers for city hall improvements, we view these actions as prudent given the robust reserves accumulated over the past decade.

Recent layoffs of 250 employees (out of 730) at the city's largest taconite mining company, stemming from federal trade policy changes, may temporarily weaken income metrics and increase county unemployment. However, given that mining represents only 10% of St. Louis County's economic base, we anticipate other industries including health care, manufacturing, and commercial businesses, will likely provide offsetting stability if economic conditions soften. (For more information on our economic outlook, see: "[Economic Outlook U.S. Q4 2025: Below-Trend Growth Persists Amid A Swirl Of Policy Shifts](#)," Sept. 23, 2025).

We expect debt service costs to increase in fiscal years 2026 and 2027 based on current amortization schedules, while also considering the city's plans to issue approximately \$12 million over the next several years, \$6.5 million of which will be fully supported by utility revenue. Despite the city's progress in reducing its OPEB liability since fiscal 2007, including eliminating benefits for new employees and maintaining a \$10 million OPEB reserve fund, the overall obligation remains a limiting credit factor.

Given our expectations of stable budget results and maintenance of very high reserves, we anticipate limited downside risk over the two-year outlook horizon. However, Hibbing's economic dependence on the more volatile mining industry and increasing debt levels constrain near-term upside potential.

The rating reflects our opinion of the city's:

- Per capita gross county product under St. Louis County at 82% of the U.S. level, which is above the statewide average for 'AA' peers, but local income levels are weaker than peer levels. Although management reports some local business expansion and multifamily housing development, local economic metrics are expected to remain at peer levels considering the recent volatility among local taconite mining companies.
- Long record of positive general fund performance, supported by taxing flexibility and conservative budget assumptions. City operations are funded primarily by intergovernmental aid (44%; mainly state local government aid), followed by property taxes (25%), taconite taxes (11%), and charges for services (11%).
- Nominal reserves approaching \$30 million (119% of revenue), reflecting intentional planned drawdowns in fiscal years 2024 and 2025 to support capital improvements. We expect the

city's high reserves will provide a budget cushion if there is volatility with economically sensitive revenue such as taconite mining taxes.

- Budgeting practices grounded in realistic assumptions, incorporating monthly budget-to-actual reporting to the city council. The city has developed draft long-term financial plans for both operations and capital improvements, with the intention of formalizing and updating them in future years. While the city lacks a formal debt policy, it maintains established policies for investments and reserves. Hibbing demonstrates a proactive approach to mitigating cybersecurity risks.
- The debt burden is expected to rise as the city progresses with plans to issue approximately \$12 million in additional debt over the medium term, nearly half of which would be fully paid from utility revenue. Furthermore, revenue from the city's recently implemented sales-and-use tax and a steadily expanding tax base partially offset these debt additions.
- A significant OPEB liability is funded on a pay-as-you-go basis, supplemented by additional reserves of \$10 million held within an OPEB fund. The city contributes to two multiple-employer defined-benefit pension plans administered by the Public Employee Retirement Association of Minnesota, which were funded at 89% and 90%, respectively, as of June 30, 2024.
- For more information on our institutional framework assessment for Minnesota cities, see: ["Institutional Framework Assessment: Minnesota Local Governments," Sept. 10, 2024.](#)

Environmental, social, and governance

We view Hibbing's environmental, social, and governance factors as neutral in our credit analysis. While portions of St. Louis County have experienced significant rainfall and flooding events in recent years, city management reports that Hibbing has historically been less affected due to its elevated terrain compared to other, lower-lying communities within the county.

Outlook

The stable outlook on the long-term rating reflects our view that Hibbing's disciplined financial management and robust reserves are expected to support stable credit quality even if local economic conditions soften.

Downside scenario

We could take negative rating action if the city's financial performance deteriorates unexpectedly, particularly if such a decline reflects structural budgetary imbalances leading to material reserve declines. Furthermore, a negative rating action is possible if future borrowing or sustained increases in fixed costs adversely affect our assessment of the city's debt and liability profile.

Upside scenario

While unlikely, we could raise the rating with material growth and diversification of the local economy, paired with moderation in the city's debt and liability profile.

Hibbing, Minnesota--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.58
Economy	4.5
Financial performance	2
Reserves and liquidity	1
Management	2.65
Debt and liabilities	2.75

Hibbing, Minnesota--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	82	--	82	79
County PCPI % of U.S.	85	--	85	86
Market value (\$000s)	1,303,999	1,204,057	1,129,818	998,033
Market value per capita (\$)	81,582	75,329	70,227	62,722
Top 10 taxpayers % of taxable value	12.5	11.9	14.3	15.2
County unemployment rate (%)	3.7	3.4	3.2	3.1
Local median household EBI % of U.S.	75	75	78	78
Local per capita EBI % of U.S.	82	82	83	86
Local population	15,984	15,984	16,088	15,912
Financial performance				
Operating fund revenues (\$000s)	--	24,789	23,458	20,177
Operating fund expenditures (\$000s)	--	22,173	19,770	18,844
Net transfers and other adjustments (\$000s)	--	(2,911)	(843)	(381)
Operating result (\$000s)	--	(295)	2,845	952
Operating result % of revenues	--	(1.2)	12.1	4.7
Operating result three-year average %	--	5.2	8.3	8.6
Reserves and liquidity				
Available reserves % of operating revenues	--	119.3	124.4	134.2
Available reserves (\$000s)	--	29,573	29,179	27,080
Debt and liabilities				
Debt service cost % of revenues	--	2.1	2.5	3.3
Net direct debt per capita (\$)	2,776	1,067	589	736
Net direct debt (\$000s)	44,376	17,047	9,480	11,713
Direct debt 10-year amortization (%)	80	93	80	--
Pension and OPEB cost % of revenues	--	8.0	9.0	12.0
NPLs per capita (\$)	--	428	595	1,287
Combined NPLs (\$000s)	--	6,846	9,575	20,472

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

Ratings List

New Issue Ratings

US\$19.84 mil GO temp sales tax rev bnds ser 2025A due 11/01/2028

Short Term Rating	SP-1+
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New Rating

Local Government

Hibbing, MN Unlimited Tax General Obligation and Sales Tax Revenues	SP-1+
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Ratings Affirmed

Local Government

Hibbing MN Unlimited Tax Pledge with State Aid and Sewer System Revenues	AA/Stable
--	-----------

Hibbing, MN Unlimited Tax General Obligation, Sewer System	AA/Stable
--	-----------

Hibbing, MN Unlimited Tax General Obligation and Dist 12 Tax Increment Revenues	AA/Stable
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The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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Hibbing Public Utilities Commission

Financial Statements and
Supplementary Information

October 31, 2025 and December 31, 2024

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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 October 31, 2025 and December 31, 2024 and the related statements of revenues, expenses and changes in net position and cash flows for the 10 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 October 31, 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 Schedules of Departmental Revenues and Expenses and Budget to Actual Comparison 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. 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
November 13, 2025

Hibbing Public Utilities Commission

Statements of Net Position

October 31, 2025 and December 31, 2024

	October 31, 2025	December 31, 2024
Assets and Deferred Outflows of Resources		
Current Assets		
Cash	\$ 616,071	\$ 4,447,094
Investments	16,653,533	26,119,909
Restricted assets:		
Cash held for fuel assistance recipients	6,171	70,788
Cash held for customer deposits	474,831	461,999
Accounts receivable, net of allowance for doubtful accounts of \$150,552 and \$58,000, respectively	1,416,518	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	81,372	82,014
Inventories	1,733,105	1,326,496
Prepaid expense	241,422	747,445
Total current assets	<u>23,859,158</u>	<u>38,914,099</u>
Noncurrent Assets		
Restricted assets:		
Bond reserve account	810,670	783,347
Notes receivable, steam conversion program	137,111	174,059
Lease receivable	432,344	439,674
Investment in joint venture	747,025	812,882
Regulatory assets	3,462,668	4,035,931
Capital assets:		
Plant in service	176,541,609	174,589,777
Accumulated depreciation/amortization	(100,390,300)	(95,944,137)
Construction work in progress	33,070,868	8,500,209
Total noncurrent assets	<u>114,811,995</u>	<u>93,391,742</u>
Total assets	<u>138,671,153</u>	<u>132,305,841</u>
Deferred Outflows of Resources		
Related to net pension liability	861,143	861,143
Related to postemployment benefits liability	674,169	674,169
Related to the purchase of LEA	134,126	170,246
Total deferred outflows of resources	<u>1,669,438</u>	<u>1,705,558</u>
Total assets and deferred outflows of resources	<u><u>\$ 140,340,591</u></u>	<u><u>\$ 134,011,399</u></u>

Hibbing Public Utilities Commission

Statements of Net Position

October 31, 2025 and December 31, 2024

	October 31, 2025	December 31, 2024
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	\$ 2,563,761	\$ 5,267,622
Accrued interest	49,527	98,582
Accrued expenses	86,550	252,451
Due to City of Hibbing	599,794	1,162,904
Compensated absences payable	419,988	400,080
Current portion of lease liability	206,164	201,246
Current portion of long-term debt, bonds and notes payable	622,000	596,939
Current liabilities payable from restricted assets:		
Third-party advances for fuel assistance	6,171	70,788
Customer deposits payable	474,831	461,999
 Total current liabilities	 5,028,786	 8,512,611
Noncurrent Liabilities		
Compensated absences payable	958,717	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	12,174,098	5,911,437
Unamortized discount	(122)	(1,282)
Lease liability	138,944	311,160
 Total noncurrent liabilities	 30,321,479	 24,348,294
 Total liabilities	 35,350,265	 32,860,905
Deferred Inflows of Resources		
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	513,716	521,688
 Total deferred inflows of resources	 5,766,650	 5,774,622
Net Position		
Net investments in capital assets	96,254,560	80,294,569
Restricted for debt service	637,203	615,127
Unrestricted	2,331,913	14,466,176
 Total net position	 99,223,676	 95,375,872
 Total liabilities, deferred inflows of resources and net position	 \$ 140,340,591	 \$ 134,011,399

Hibbing Public Utilities Commission

Statements of Revenues, Expenses and Changes in Net Position

Ten Months Ended October 31, 2025 and Year Ended December 31, 2024

	October 31, 2025	December 31, 2024
Operating Revenue		
Charges for services	\$ 25,898,159	\$ 30,249,624
Other	508,453	605,157
 Total operating revenues	 26,406,612	 30,854,781
Operating Expenses		
Operation and maintenance	21,914,997	24,601,433
Depreciation and amortization	5,055,332	5,300,138
 Total operating expenses	 26,970,329	 29,901,571
 Operating income	 (563,717)	 953,210
Nonoperating Revenues (Expenses)		
Investment income	1,645,447	1,352,466
Miscellaneous nonoperating income (expense)	5,896	21,278
Equity in net income of joint venture	(65,857)	(96,147)
Interest expense	(173,965)	(162,473)
 Total nonoperating revenues (expenses)	 1,411,521	 1,115,124
 Income before contributions	 847,804	 2,068,334
Capital Contributions		
Change in net position	3,847,804	3,418,606
Net Position, Beginning	 95,375,872	 91,957,266
Net Position, Ending	 \$ 99,223,676	 \$ 95,375,872

Hibbing Public Utilities Commission

Statements of Cash Flows

Ten Months Ended October 31, 2025 and Year Ended December 31, 2024

	October 31, 2025	December 31, 2024
Cash Flows From Operating Activities		
Receipts from customers	\$ 27,455,769	\$ 30,762,561
Principal collected from steam conversion loan program	36,948	55,179
Payments to suppliers	(17,543,907)	(18,868,697)
Payments for payroll and benefits	(5,750,192)	(6,026,532)
Net cash from operating activities	<u>4,198,618</u>	<u>5,922,511</u>
Cash Flows From Capital and Related Financing Activities		
Payments for additions to property, plant and equipment	(28,606,437)	(21,342,598)
Capital contributions received	3,575,272	775,000
Principal and interest paid on leases	(177,872)	(230,343)
Proceeds from debt issued	6,884,661	6,546,060
Principal payments on long-term debt	(596,939)	(337,684)
Interest paid	(244,611)	(62,499)
Net cash from capital and related financing activities	<u>(19,165,926)</u>	<u>(14,652,064)</u>
Cash Flows From Investing Activities		
Investments income received	1,203,484	1,017,640
Investments matured	10,301,100	22,633,700
Investments purchased	(420,084)	(13,533,448)
Net cash from financing activities	<u>11,084,500</u>	<u>10,117,892</u>
Net change in cash	(3,882,808)	1,388,339
Cash, Beginning	<u>4,979,881</u>	<u>3,591,542</u>
Cash, Ending	<u>\$ 1,097,073</u>	<u>\$ 4,979,881</u>
Cash is Presented on the Statements of Net Position		
Cash	\$ 616,071	\$ 4,447,094
Restricted assets	1,291,672	1,316,134
Total cash and restricted assets	1,907,743	5,763,228
Less noncash equivalents included in restricted assets	(810,670)	(783,347)
\$ 1,097,073	<u>\$ 4,979,881</u>	

Hibbing Public Utilities Commission

Statements of Cash Flows

Ten Months Ended October 31, 2025 and Year Ended December 31, 2024

	October 31, 2025	December 31, 2024
Reconciliation of Operating Income to Net Cash From Operating Activities		
Operating income	\$ (563,717)	\$ 953,210
Adjustments to reconcile operating income to net cash from operating activities:		
Other nonoperating income (loss)	5,896	(10,771)
Depreciation and amortization	5,055,332	5,300,138
Change in operating assets, deferred outflows or resources, liabilities and deferred inflows of resources:		
Accounts receivable	1,042,442	185,857
Unbilled revenue	-	(74,915)
Other receivable	(12,013)	(196,558)
Inventories	(406,609)	(111,449)
Prepaid expenses	506,023	(42,247)
Receivable for steam conversion loan program	36,948	55,179
Lease receivable	7,972	72,636
Regulatory assets	-	(684,245)
Accounts payable	(586,376)	1,300,377
Compensated absences payable	(98,512)	288,711
Accrued expenses	(165,901)	19,960
Due to City of Hibbing	(563,110)	605,197
Third-party advances for fuel assistance	(64,617)	15,222
Customer deposits payable	12,832	4,167
Accrued post employment benefits	-	(1,586,971)
Net pension liability	-	(98,351)
Deferred inflows of resources	<u>(7,972)</u>	<u>(72,636)</u>
Net cash from operating activities	<u><u>\$ 4,198,618</u></u>	<u><u>\$ 5,922,511</u></u>
Noncash Capital and Related Financing Activities		
Unrealized gain on investments	<u><u>\$ 441,963</u></u>	<u><u>\$ 334,826</u></u>
Regulatory capitalized interest - net with interest expense	<u><u>\$ 22,751</u></u>	<u><u>\$ -</u></u>
Capital purchased on account	<u><u>\$ -</u></u>	<u><u>\$ 2,117,485</u></u>
Noncash lease asset additions	<u><u>\$ -</u></u>	<u><u>\$ 80,636</u></u>

OTHER INFORMATION

Hibbing Public Utilities Commission

Schedules of Departmental Revenues and Expenses

Periods Ended October 31, 2025 and December 31, 2024□

	Ten Months Ended October 31, 2025				
	Electric	Steam	Gas	Water	Total
Operating Revenue					
Charges for services	\$ 14,934,076	\$ 1,761,458	\$ 6,709,582	\$ 2,493,043	\$ 25,898,159
Other operating revenues	277,459	81,882	66,708	82,404	508,453
Total operating revenues	<u>15,211,535</u>	<u>1,843,340</u>	<u>6,776,290</u>	<u>2,575,447</u>	<u>26,406,612</u>
Operating Expenses					
Operation and maintenance	14,401,369	2,229,685	3,829,011	1,454,932	21,914,997
Depreciation and amortization	3,051,714	831,697	316,339	855,582	5,055,332
Total operating expenses	<u>17,453,083</u>	<u>3,061,382</u>	<u>4,145,350</u>	<u>2,310,514</u>	<u>26,970,329</u>
Operating (loss) income	<u>\$ (2,241,548)</u>	<u>\$ (1,218,042)</u>	<u>\$ 2,630,940</u>	<u>\$ 264,933</u>	<u>\$ (563,717)</u>
	Year Ended December 31, 2024				
	Electric	Steam	Gas	Water	Total
Operating Revenue					
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	<u>17,559,480</u>	<u>2,325,324</u>	<u>7,787,305</u>	<u>3,182,672</u>	<u>30,854,781</u>
Operating Expenses					
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	<u>18,808,887</u>	<u>3,395,383</u>	<u>5,362,834</u>	<u>2,334,467</u>	<u>29,901,571</u>
Operating (loss) income	<u>\$ (1,249,407)</u>	<u>\$ (1,070,059)</u>	<u>\$ 2,424,471</u>	<u>\$ 848,205</u>	<u>\$ 953,210</u>

Hibbing Public Utilities Commission

Budget to Actual Comparison
Ten Months Ended October 31, 2025

	Actual	Budget	Difference
Operating Revenue			
Electric revenue	\$ 15,211,535	\$ 15,197,047	\$ 14,488
Steam revenue	1,843,340	1,953,405	(110,065)
Gas revenue	6,776,290	6,735,189	41,101
Water revenue	2,575,447	2,781,309	(205,862)
 Total operating revenues	 26,406,612	 26,666,950	 (260,338)
Operating Expenses			
Electric:			
Operation and maintenance	14,401,369	14,378,166	23,203
Depreciation	3,051,714	2,200,000	851,714
 Total electric	 17,453,083	 16,578,166	 874,917
Steam:			
Operation and maintenance	2,229,685	2,398,803	(169,118)
Depreciation	831,697	849,000	(17,303)
 Total steam	 3,061,382	 3,247,803	 (186,421)
Gas:			
Operation and maintenance	3,829,011	4,309,620	(480,609)
Depreciation	316,339	305,000	11,339
 Total gas	 4,145,350	 4,614,620	 (469,270)
Water:			
Operation and maintenance	1,454,932	1,542,036	(87,104)
Depreciation	855,582	850,000	5,582
 Total water	 2,310,514	 2,392,036	 (81,522)
 Total operating expenses	 26,970,329	 26,832,625	 137,704
Operating Income (Loss)			
Electric	(2,241,548)	(1,381,119)	(860,429)
Steam	(1,218,042)	(1,294,398)	76,356
Gas	2,630,940	2,120,569	510,371
Water	264,933	389,273	(124,340)
 Total operating income (loss)	 \$ (563,717)	 \$ (165,675)	 \$ (398,042)



Item 6.B

Item 6.B – Approve 2026 Operating Budget

November 13, 2025

James Bayliss
Commission Chair
1902 E. 6th Avenue
Hibbing, MN 55746

RE: Item 6.B – Approve 2026 Operating Budget

Dear Commissioners;

Please find enclosed 2026 proposed operating budget.

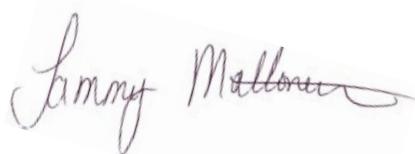
In follow-up to the November 6, 2026 commission working meeting, we are pleased to present to the Commission the HPU Operational Budget for Fiscal Year 2026. This proposed budget reflects HPU's commitment to providing reliable, industry-competitive utility rates, and community-building utility services to the residents and businesses of Hibbing.

The draft budget outlines projected revenues and expenditures across all services; Electric, Water, Steam, and Natural Gas. Assumptions made in the construction of this budget include:

- Electric load projections are based on a 90% confidence load forecasts.
- Electric generation forecasts are based on a 70% wood/30% gas operating assumption total plant /100% wood for biomass operations.
- Six additional staffing positions have been added from current staffing levels.
- The attached budget includes additional staffing costs of \$360,000 which includes high-priority positions and reduced dependence on outside contractors.
- Gas, Steam and Water load is based on the prior 12-month actual unit sales.
- A 2% expense inflation multiplier was used where actual expenses are not known.

We look forward to starting 2026 with an approved budget to starting January 1 to help guide operations in service to the citizens of Hibbing.

Sincerely;



Tammy Mattonen

2026 BUDGET PRESENTATION



2026 draft budget

			2025 Budget		projected 2025		2024 Actual
	2026 Draft Budget	Total 2025	Variance from 2025 projection	Total 2025	Variance from 2025 projection	Total 2024	Variance from 2024 Actual
Total Operating Revenue							
Charges for Services	33,245,132.94	32,094,733.00	1,150,399.94	31,567,844.48	1,677,288.46	30,250,674.00	2,994,458.94
Other	368,714.72	357,654.00	11,060.72	492,262.80	(123,548.08)	605,157.00	(236,442.28)
Total Operating Revenue	33,613,847.66	32,452,387.00	1,161,460.66	32,060,107.28	1,553,740.38	30,855,831.00	2,758,016.66
Total Operating Expenses							
Operation and Maintenance	(26,703,005.78)	(25,920,789.00)	(782,216.78)	(27,020,851.00)	317,845.22	(24,848,067.00)	(1,854,938.78)
Depreciation and Amortization	(7,148,667.74)	(6,278,360.00)	(870,307.74)	(5,924,040.00)	(1,224,627.74)	(5,428,165.00)	(1,720,502.74)
Total operating Expenses	(33,851,673.52)	(32,199,149.00)	(1,652,524.52)	(32,944,891.00)	(906,782.52)	(30,276,232.00)	(3,575,441.52)
Operating income (loss)	(237,825.86)	253,238.00	(491,063.86)	(884,783.72)	646,957.86	579,599.00	(817,424.86)
Nonoperating Revenues (Expenses)							
Investment Income	705,691.50	750,000.00	(44,308.50)	1,766,723.00	(1,061,031.50)	1,352,466.00	(646,774.50)
Changes in Equity in LEA	(243,693.77)	-	(243,693.77)	(63,967.00)	(179,726.77)	261,063.00	(504,756.77)
Interest Expense	(386,357.16)	(160,000.00)	(226,357.16)	(195,743.00)	(190,614.16)	(162,473.00)	(223,884.16)
Misc nonoperating income (expense)	2,264.30		2,264.30	(222,024.00)	224,288.30	38,730.00	(36,465.70)
Grant income	1,000,000.00	(500,000.00)	1,500,000.00	1,914,237.00	(914,237.00)	1,350,272.00	(350,272.00)
Total nonoperating revenue	1,077,904.87	90,000.00	987,904.87	3,199,226.00	(2,121,321.13)	2,840,058.00	(1,762,153.13)
Change in Net Position	840,079.01	343,238	496,841	2,314,442	(1,474,363)	3,419,657.00	(2,579,577.99)

Assumptions:

- 90% HREC load assumption
- Rate increase recommended by Baker Tilly implemented 5/1/2026
- 2% general inflation rate for undefined expenses
- \$210K expensed contractor fees – Down from \$585K in 2025
- Consultant fees include attorney, audit, strategic planning, lobbying and IT
- Net increase of \$326,194.49 to staffing budget from 10/26/2025 budget draft

2026 HPU draft water budget

WATER		2026 budget	2025 Budget		projected 2025		2024 Actual	
	Operating Revenues	3,472,320.03	3,297,533.00	174,787.03	3,043,791.47	(1,903,957.51)	3,079,224.00	393,096.03
	Other Revenue	108,627.97	63,348.00	45,279.97	93,484.00	(78,484.00)	104,498.00	4,129.97
	Total Water Revenue	3,580,948.00	3,360,881.00	220,067.00	3,137,275.47	(1,982,441.51)	3,183,722.00	397,226.00
	Operating Expenses	(1,794,173.23)	(1,850,443.00)	56,269.77	(1,739,948.00)	1,160,773.71	(1,623,766.00)	(170,407.23)
	Depreciation and Amortization	(1,100,000.00)	(1,020,000.00)	(80,000.00)	(1,019,246.00)	581,418.45	(710,701.00)	(389,299.00)
	Total Water Expenses	(2,894,173.23)	(2,870,443.00)	(23,730.23)	(2,759,194.00)	1,742,192.16	(2,334,467.00)	(559,706.23)
	Operating Income (Loss)	686,774.77	490,438.00	196,336.77	378,081.47	(240,249.35)	849,255.00	(162,480.23)

2026 HPU Draft Electric Budget

Electric	2026 budget	2025 Budget		projected 2025		2024 Actual	
Operating Revenues	19,214,319.70	18,034,914.00	1,179,405.70	17,963,816.67	(12,163,650.43)	17,237,531.00	1,976,788.70
Other Revenue	168,731.19	221,118.00	(52,386.81)	310,954.00	(396,952.43)	321,949.00	(153,217.81)
Total Electric Revenue	19,383,050.89	18,256,032.00	1,127,018.89	18,274,770.67	(12,560,602.86)	17,559,480.00	1,823,570.89
Operating Expenses	(17,185,052)	(16,019,439.00)	(1,165,613.28)	(17,142,089.00)	12,258,136.53	(15,847,846.00)	(1,337,206.28)
Depreciation and Amortization	(4,553,985)	(3,874,360.00)	(679,624.74)	(3,532,113.00)	2,327,681.87	(3,335,702.00)	(1,218,282.74)
Total Electric Expenses	(21,739,037)	(19,893,799.00)	(1,845,238.02)	(20,674,202.00)	14,585,818.40	(19,183,548.00)	(2,555,489.02)
Operating Income (Loss)	(2,355,986.13)	(1,637,767.00)	(3,010,851.31)	(2,399,431.33)	2,025,215.54	(1,624,068.00)	(731,918.13)

Assumptions:

- 90% load rate assumption – 50% assumption results in cost decrease of \$365K
- Assumes a 70% wood-30% gas fuel usage

2026 HPU Draft Gas Budget

Gas		2026 budget	2025 Budget		projected 2025		2024 Actual	
Operating Revenues		8,156,933.89	8,257,978.00	(101,044.11)	8,204,342.35	(6,710,485.64)	7,706,682.00	450,251.89
Other Revenue		70,445.53	52,191.00	18,254.53	65,844.03	(53,344.03)	80,623.00	(10,177.47)
Total Gas Revenue		8,227,379.42	8,310,169.00	(82,789.58)	8,270,186.38	(6,763,829.67)	7,787,305.00	440,074.42
Operating Expenses		(5,298,192.67)	(5,171,544.00)	(126,648.67)	(5,132,207.00)	3,442,886.88	(4,971,322.00)	(326,870.67)
Depreciation and Amortization		(414,683.00)	(366,000.00)	(48,683.00)	(372,798.00)	391,455.48	(391,512.00)	(23,171.00)
Total Gas Expenses		(5,712,875.67)	(5,537,544.00)	(175,331.67)	(5,505,005.00)	3,834,342.36	(5,362,834.00)	(350,041.67)
Operating Income (Loss)		2,514,503.74	2,772,625.00	(258,121.26)	2,765,181.38	(2,929,487.32)	2,424,471.00	90,032.74

2026 HPU Draft Steam Budget

STEAM	2026 budget	2025 Budget		projected 2025		2024 Actual	
Operating Revenues	2,401,559.33	2,504,308.00	(102,748.67)	2,355,894.00	(1,562,654.25)	2,227,237.00	174,322.33
Other Revenue	20,910.03	20,997.00	(86.97)	21,980.77	(93,991.14)	98,087.00	(77,176.97)
Total Steam Revenue	2,422,469.36	2,525,305.00	(102,835.64)	2,377,874.77	(1,656,645.39)	2,325,324.00	97,145.36
Operating Expenses	(2,425,587.59)	(2,879,363.00)	453,775.41	(3,006,607.00)	2,352,999.36	(2,405,133.00)	(20,454.59)
Depreciation and Amortization	(1,080,000.00)	(1,018,000.00)	(62,000.00)	(999,883.00)	774,332.00	(990,250.00)	(89,750.00)
Total Steam Expenses	(3,505,587.59)	(3,897,363.00)	391,775.41	(4,006,490.00)	3,127,331.36	(3,395,383.00)	(110,204.59)
Operating Income (Loss)	(1,083,118.24)	(1,372,058.00)	288,939.76	(1,628,615.24)	1,470,685.96	(1,070,059.00)	(13,059.24)

Hibbing Public Utilities 2026 payroll budget

	Water	Electric Plant	Electric Distribution	Gas	Steam	Total
Engineering	78,406.42	312,419.45	-	66,394.16	45,385.26	502,605.28
Meter Maintenance	78,667.38	96,430.98		65,979.09	12,688.29	253,765.74
Meter Reading	81,264.74	99,614.84		68,157.52	13,107.22	262,144.31
Admin Salaries	304,261.18	372,965.31		255,186.79	49,074.38	981,487.66
Fleet	25,888.68	103,156.43	-	21,922.40	14,985.56	165,953.07
Water Crew & Water Mechanics	77,332.13	308,138.79		65,484.45	44,763.40	495,718.77
Electric Plant		3,993,965.01				3,993,965.01
Line Crew			788,825.50			788,825.50
Heat Crew Apprentice				68,264.80		68,264.80
Cashiers	51,357.94	204,641.64		43,489.64	29,728.35	329,217.57
Total payroll	697,178.46	5,491,332.44	788,825.50	654,878.85	209,732.46	7,841,947.71
Less Capitalized Labor	(305,931.00)	(3,258,971.96)		(30,269.51)	(31,925.64)	(3,627,098.11)
Plus Benefits	569,541.68	2,269,404.55		482,284.98	329,677.01	3,650,908.22
Total Payroll and Benefits	960,789.14	4,501,765.03	788,825.50	1,106,894.32	507,483.83	7,865,757.82

- Current staff count – 74
- Staff included in budget – 82 (Four net additional from 10/27 version total cost of \$360,000)
- New positions included – Controller, Biomass tech, Chief Operator, Engineering manager, Procurement Supervisor, Executive Assistant, Electrical Engineer & Transportation Technician
- Biomass Tech and Chief Operator are backfilled positions
- ~~Includes a 2% across the board increase assumption~~ Total cost \$138,041.97



Item 6.C

Item 6.C – Approve Closing US Bank account number 791527056

November 13, 2025

James Bayliss
Commission Chair
1902 E. 6th Avenue
Hibbing, MN 55746

RE: Item 6.C – Resolution authorizing the closing of US Bank Trust Company account (No. 791527056)

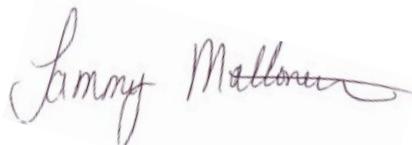
Dear Commissioners:

We are happy to report that the final payment has been made on Revenue Note, Series 2005B. With this payment, the commission no longer holds debt established prior to 2023.

On January 24, 2008, an escrow reserve account was established according to compliance requirements for the debt issued under Revenue Bonds 2005A, 2005B. The account was also used as an escrow account for Revenue Bond 2015A. US Bank Trust Company has completed their review of the loan covenant requirements. They determined that the determined there is no rebate liability associated with tax exempt financing under the IRS. Since the debt is paid off, the account is no longer needed the debt reserve account can be closed.

Commission approval is required to close deposit accounts; therefore, we are hereby requesting the Commission authorize the closing of the reserve account held with US Bank Trust Company.

Sincerely;



Tammy Mattonen

RESOLUTION NO. 25-09

STATE OF MINNESOTA
COUNTY OF ST. LOUIS
HIBBING PUBLIC UTILITIES COMMISSION

**RESOLUTION AUTHORIZING HIBBING PUBLIC UTILITIES TO CLOSE
ACCOUNT NO 791527056 HELD AT US BANK TRUST COMPANY**

WHEREAS, the Public Utility Commission of the City of Hibbing established account number 791527056 with U.S. Bank Trust Company on 1/24/2008.

WHEREAS, the account was utilized as a reserve escrow account as required by loan agreements for the 2005A, 2005B and 2015A revenue notes.

WHEREAS, the debt has been fully repaid. The final payment on Revenue Note Bond 2025B was issued on 10/31/2025.

WHEREAS, the satisfaction of loan covenants deems the above-mentioned account is no longer necessary.

WHEREAS, the Hibbing Public Utilities Commission acknowledges that that a tax-exempt interest arbitrage review of the escrow was completed by the Minnesota Consortium of Municipal Utilities and it was determined that there was no rebate liability.

WHEREAS, given the defeasance of loan obligations, the account is no longer needed.

WHEREAS, US Bank Trust Company has prepared a transfer of funds request, estimating that the funds to be released at \$173,615.15 on December 1, 2025.

NOW BE IT RESOLVED that the Commission as required by the Authorization and Signature Matrix is the Approving Authority adopts this Resolution to close account number 791527056 held at U.S. Bank Trust Company and authorize the transfer of remaining funds to the depository account held at National Bank of Commerce.

Upon vote taken, the following voted:

For:

Against:

Whereupon said Resolution No. 25-09 was declared duly passed and adopted this 25th day of October, 2025.

James Bayliss
Chairman

Jeff Hart
Commission Secretary

BORROWER ESCROW RESERVE ACCOUNT
WITHDRAWAL REQUEST

November 25, 2025

U.S. Bank Trust Company, National Association, Escrow Agent
60 Livingston Avenue
St. Paul, MN 55107

RE: Withdrawal from the Public Utilities Revenue Note, Series 2005B Borrower Escrow Reserve
Account (No. 791527056)

Pursuant to the Borrower Escrow Reserve Agreement dated January 24, 2008, by and between the Public Utilities Commission of the City of Hibbing, Minnesota (the "Borrower") and U.S. Bank Trust Company, National Association, successor in interest to U.S. Bank National Association (the "Escrow Agent"), including, without limitation, Paragraph 4 and Paragraph 8 thereof, the Borrower hereby gives notice to the Escrow Agent of the following Withdrawal to be transferred by Escrow Agent to the Borrower thereunder:

Fund: Public Utilities Revenue Note, Series 2005B Reserve
Fund No: 791527056
Amount: 173,615.15 plus accrued interest
Withdrawal Date: upon receipt of this request

In connection therewith, the Holder hereby certifies to Provider that the remaining outstanding \$2,030,000 Public Utilities Revenue Note, Series 2005A was paid in full on December 1, 2025, and there are no further revenue notes outstanding that are subject to the Borrower Escrow Reserve, thereby fulfilling the terms of the Borrower Escrow Reserve Agreement.

The Borrower respectfully requests the transfer of funds upon receipt of this request. The Wire Transfer Instructions applicable to such transfer shall be as follows:

Bank: National Bank of Commerce
ABA No: 0918000028
Account: Account No.: 1935203818
Reference: Transfer HPUC Funds

Very truly yours,

Public Utilities Commission of the City of Hibbing, Minnesota

By: _____
Its: Chairman

By: _____
Its: Secretary

cc: Midwest Consortium of Municipal Utilities, Issuer

jkegel@mnce.online
lpederson@mmua.org
leo@lawrenson.com

U.S. Bank National Association, Credit Facility Provider

James.Cassidy@usbank.com
steve.touvelle@usbank.com
christy.chambless@usbank.com

[Signature page to Borrower Escrow Reserve Account Withdrawal Request]



Item 6.D

Item 6.D – Approve FM Global Insurance Renewal

PLACEHOLDER

November 18th, 2025

James Bayliss
Commission Chair
1902 E. 6th Avenue
Hibbing, MN 55746

RE: Item 6.D – Approve FM Global Insurance Renewal

Dear Commissioners;

At the time of distribution, HPU Staff have not yet received documents regarding the FM Global Insurance Renewal. This is the annual insurance policy for the plant. Staff will distribute related files at the earliest availability for Commission review and consideration.

Sincerely;



Luke J. Peterson



Item 6.E

Item 6.E – Approve Purchase of 1,000 Tons of Coal from DTE Energy
in the amount of \$83,640

November 18th, 2025

James Bayliss
Commission Chair
1902 E. 6th Avenue
Hibbing, MN 55746

RE: Item 6.E – Approve Purchase of 1,000 Tons of Coal from DTE Energy in the amount of \$83,640

Dear Commissioners;

For your consideration, Hibbing Public Utilities has received a quote from DTE Energy for 1000 tons of Black Thunder Coal at \$83.64 per ton. The total for this transaction comes to \$83,640.00 and should last us through RATA testing scheduled for the first quarter of next year providing there are no severe weather instances.

Due to the closure of the Superior Terminal, this may be the last purchase of coal from DTE as we begin to work with others through our membership in Western Fuels Association for alternative fuel supply.

Thank you for your consideration.

Sincerely;



Luke J. Peterson

COAL SUPPLY AGREEMENT

This Agreement is made as of this 12th day of November, 2025, by and between Midwest Energy Resources Company ("Seller") and Hibbing Public Utilities Commission ("Buyer"). Buyer and Seller are sometimes referred to herein individually as a "Party" or collectively as "Parties".

This Agreement covers the terms and conditions for the sale by Seller and purchase by Buyer of coal for use at Buyer's Hibbing electricity generating plant, Hibbing, Minnesota ("Plant").

ARTICLE I SOURCE OF COAL

The coal to be sold by Seller and purchased by Buyer under this Agreement shall be Black Thunder coal purchased from Arch Coal Sales Company ("Coal") produced from the Black Thunder Mine ("Mine") located in Campbell County, Wyoming. Seller represents that it has acquired the coal to be furnished hereunder from Arch Coal Sales Company.

ARTICLE II TERM OF AGREEMENT

This Agreement shall become effective as of November 15, 2025 and unless terminated through another provision of this Agreement, this Agreement shall continue in effect until January 31, 2026 ("Term").

ARTICLE III QUANTITIES TO BE SUPPLIED

3.01 Quantity

During the Term of this Agreement, Buyer will purchase approximately 1,000 net tons of Coal ("Quantity").

3.02 Delivery Schedule

Buyer and Seller shall develop mutually agreeable delivery schedules on an ongoing basis throughout the Term of this Agreement. Seller shall deliver coal to the Plant pursuant to such delivery schedules.

ARTICLE IV
QUALITY OF COAL

Coal sold and delivered by Seller to Buyer shall reasonably conform to the typical specifications as sampled at the Mine as highlighted below.

Coal Typical Specifications

Moisture	27.00
Ash	5.50
Lbs SO ₂ /mmbtu	.80
BTU/lb	8800

The unit train delivered to the MERC Terminal hereunder for Buyer shall meet the following minimum specifications:

	Coal
Lbs SO ₂ /mmbtu	< 1.20
BTU/lb	> 8550

In the event the Coal quality fails to meet the above minimum specifications Buyer's exclusive remedy shall be as follows. Buyer may elect to suspend shipments by written notice to Seller. Seller shall have 15 days to provide Buyer reasonable assurance that coal quality will conform to such minimum specifications.

ARTICLE V
LOADING, WEIGHING, SAMPLING AND ANALYSIS

5.01 Loading/Unloading

Seller shall arrange to load the Coal into railcars at the Mine and arrange for rail delivery to the MERC Terminal in Superior, Wisconsin. Seller shall unload Coal at the MERC Terminal and stockpile such Coal within a segregated stockpile containing only like-quality coal which may contain like-quality coal destined for other customers. Seller shall independently contract for truck transportation services in covered trailers from the MERC Terminal to the Plant. Buyer agrees to make available to Seller between the hours of 07:00 and 19:00 daily, a coal receiving stockpile area or receiving hopper where Seller or its contract trucker may make immediate and uninterrupted Coal dumping by truck. Seller agrees to make a good faith effort to make all deliveries between 07:00 and 16:30.

5.02 Weighing

The weights of the Coal delivered shall be determined by certified truck scales at the MERC Terminal, which shall be inspected and approved by an independent testing organization selected by Seller. The weights thus determined shall be accepted as the quantity of Coal for which invoices are rendered and payments made under this Agreement. Buyer shall have the right, at Buyer's sole risk and expense, to have a representative present at any and all times to observe the weighing of the Coal and to observe any scale tests.

5.03 Sampling and Analysis

Representative samples of coal from each unit train of Coal delivered to the MERC terminal shall be taken at the Mine and analyzed by an independent, third party laboratory selected by the Mine in accordance with the methods and procedures approved by the American Society for Testing and Materials. Quality values on Coal delivered to Seller shall be derived from the 30-Day Rolling Average for all Coal received in the stockpile at the MERC Terminal. Buyer shall have the right, at Buyer's sole risk and expense, to have a representative present at any and all times to observe the sampling and analysis of coal from unit trains at the Mine that are to be delivered to the MERC terminal. Buyer may request at any and all times a split of the samples from the unit trains of Coal that are to be delivered to the MERC terminal for delivery to Seller.

ARTICLE VI PURCHASE PRICE

6.01 Base Prices

The Base Prices as set forth below includes all estimated costs for governmental impositions and all other costs to be incurred by the Mine and Seller in the mining, processing, loading, unloading and transportation of coal in accordance with all Federal, State and local laws and regulations (and judicial and administrative interpretations thereof) including but not limited to mine closing, reclamation and subsidence, in effect as of November 1, 2025. The Base Prices are comprised of the following Cost Components:

<u>Coal Component</u>	<u>Base Price</u>	<u>Adjustments</u>
Base Coal Price	\$24.00	None

Rail Component

Base Railcar Service Fee	\$ 2.50	None
Base BNSF Railway Cost	\$23.76	None
Base BNSF Fuel Adj.	\$ 4.04	None

Dock Component

Dock Services Fee	\$ 6.50	None
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Truck Component

Base Trucking Price	\$20.00	None
Base Trucking Fuel Adj.	\$ 1.84	See Section 6.02(a)

<u>Balance of Price</u>	<u>\$ 1.00</u>	None
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TOTAL:	\$83.64	Coal Per net ton
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6.02 Base Price Adjustments

(a) Truck Component

Trucking Fuel Adjustment

The Base Price shall be subject to changes from the Lakehead Trucking Fuel Adjustment as such index may be revised or replaced. The Lakehead Trucking Fuel Adjustment is presently calculated on or about the fifteenth (15th) day of each month and shall be effective beginning on the first day of the following calendar month. The fuel adjustment is based upon the change in the price of Minnesota on-highway diesel fuel from a base value of \$2.00 per gallon. The adjustment is determined by multiplying the estimated fuel use by the change in fuel price and dividing the result by the average tons per load. The November, 2025 Lakehead Trucking Fuel Adjustment of \$1.84 per net ton is calculated below:

Calculation Date: October 14, 2025.

Current Fuel Price Per Gallon	\$ 3.424
----------------------------------	----------

Base Fuel Price Per Gallon	<u>\$ 2.000</u>
-------------------------------	-----------------

Increase	\$ 1.424
----------	----------

Fuel Adjustment per ton = (Mileage/5.71 mpg) * \$1.424
24 tons

Fuel Adjustment per ton = $\frac{(176.7/5.71) * \$1.424}{24}$

Fuel Adjustment per ton = $\frac{30.95 * \$1.424}{24}$

Fuel Adjustment per ton = \$ 1.84

(b) Other Changes in Government Impositions

Any change in the cost per net ton of Coal, operation of the dock, or cost change imposed on Seller by the rail carrier or trucker after date of this Agreement resulting from any new Federal, Tribal, State or local laws or regulations which is attributable to the coal being sold hereunder, shall result in a change in the Base price retroactive to the date of such change upon Seller providing notice to Buyer. Buyer shall have the right to audit such adjustments by retaining, at its expense, a firm of certified public accountants of its choosing.

6.03 Rounding

All calculations of adjustments shall be rounded to the nearest whole cent or if there is no nearest cent, to the next higher cent.

6.04 Retroactive Adjustment Term

Seller shall be permitted to submit retroactive adjustments allowed pursuant to this Article VI for a maximum of one year beyond the date of the applicable invoice.

ARTICLE VII
DELIVERY, TITLE, PAYMENT AND SECURITY INTEREST

7.01 Point of Delivery

Coal shall be delivered FOB Buyer's Plant, 1832 Sixth Avenue East, Hibbing, MN 55746.

7.02 Title and Risk of Loss

Title to and risk of loss of Coal shall pass from Seller to Buyer when the Coal is unloaded from the truck at the Point of Delivery.

7.03 Invoices and Payment

Seller shall invoice Buyer monthly. Seller shall submit its invoice together with supporting documentation including price adjustments as soon as such supporting documentation is available. Payment for each invoice is due from Buyer by wire transfer, within ten (10) days of the date of Buyer's receipt of invoice. Unless instructed by Midwest in writing, such wire transfer shall be made to the following account:

Midwest Energy Resources Company
Bank Name: JP Morgan Chase
Bank Location: Detroit, MI
Account # 719531980
ABA # 072000326

In the event Buyer fails to make payment within the above-stated period, Buyer agrees to pay a late charge of 1/365th of the sum of two percentage points plus the prime rate in effect on the date the payment was due as published in the Wall Street Journal (Money Rate Section) times the delinquent amount, for each calendar day after the date payment was due. If Buyer fails to comply with these payment terms, Seller may suspend further shipments until Buyer pays for all previous shipments.

ARTICLE VIII DISCLAIMERS OF WARRANTIES

8.01 Express Warranties

BUYER AGREES THAT SELLER MAKES NO EXPRESS WARRANTIES OTHER THAN THOSE IDENTIFIED AS SUCH IN THIS AGREEMENT.

8.02 Implied Warranties

ALL WARRANTIES IMPLIED AT COMMON LAW, BY CONTRACT, BY STATUTE, OR OTHERWISE, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY OR OF FITNESS FOR A PARTICULAR PURPOSE OR ARISING FROM A COURSE OF DEALING OR USAGE OF TRADE ARE SPECIFICALLY DISCLAIMED AND EXCLUDED.

ARTICLE IX FORCE MAJEURE AND ENVIRONMENTAL REGULATION CHANGE

A Party may be excused from the performance hereunder if prevented or delayed by a Force Majeure. The term "Force Majeure" shall mean any act, event, condition, incident or occurrence

beyond the control of the Party claiming Force Majeure, including but not limited to the following: acts of God, including flood, storm, earthquake or other geological disturbances, hurricane, tornado, accumulation of snow or ice, or other severe weather or climatic conditions; authority of law; fire; explosion; strikes; labor disputes; labor or material shortages; railroad car shortage; transportation issues with railroad; acts of public enemy; riot or other civil disturbance; embargo; blockade; war; vandalism, accident; wreck; government law, orders, or regulations; unplanned plant outages; mechanical or electrical breakdown of equipment; or other acts, events, conditions, incidents or occurrences similar or dissimilar to those enumerated in this article. Force Majeure affecting Arch Coal Sales Company, Buyer's transportation suppliers and other suppliers shall be Force Majeure under this Agreement. It shall not, however, include any change in demand or projected demand for electrical power and/or steam generation, whether foreseeable or not. Seller and Buyer shall be excused from the performance of any obligation under this Agreement when the cause of such nonperformance is Force Majeure except that the Buyer shall not be excused from accepting and paying for coal already delivered by Seller to Buyer's Plant. Provided the Party claiming Force Majeure gives the other Party prompt written notice of such claim, the obligation of the Party giving such notice so far as it is affected by the Force Majeure shall be suspended during, but not longer than, the continuation of the Force Majeure. Deliveries of coal excused by an event of Force Majeure shall not be made up except by mutual agreement.

Seller's obligation under this Agreement to provide Coal is contingent on all necessary mining permits (federal and state) either being maintained for those currently in place or being obtained for those necessary for future mining production by Arch Coal Sales Company. The failure of the forgoing condition for any reason other than gross negligence or willful misconduct of Arch Coal Sales Company shall be considered a Force Majeure event.

The Parties recognize that, during the Term of this Agreement, legislative or regulatory bodies may adopt environmental laws, rules, or regulations that will, as a direct result thereof, make it impossible or commercially impracticable for Buyer to utilize this or like kind and quality of Coal ("Environmental Regulation Change"). If, as a result of the adoption of such laws, rules, and regulations or change in the interpretation or enforcement thereof, Buyer, in good faith, decides that it will be impossible or commercially unreasonable for the Buyer to utilize the Quantity of Coal agreed to under this Agreement, Buyer shall notify Seller, and thereupon Buyer and Seller shall promptly consider whether

corrective actions can be taken to allow for the continued burning of the Quantity of Coal. If in Buyer's reasonable judgement such action will not, without unreasonable expense to Buyer, make it possible and commercially practicable for Buyer to utilize Coal without violating any applicable law, regulation, or policy, Buyer shall have the right, upon 30 days written notice to Seller, to adjust the Quantity to levels that will allow Buyer to be compliant with any applicable law, regulation, or policy.

ARTICLE X
LIMITATION OF LIABILITY

IN NO EVENT SHALL SELLER BE LIABLE FOR LOST PROFITS, COST OF PURCHASE OR REPLACEMENT ELECTRICITY, OR LOSS OF RETURN ON CAPITAL INVESTMENT, AND NEITHER BUYER NOR SELLER SHALL BE LIABLE FOR ANY INCIDENTAL OR CONSEQUENTIAL DAMAGES.

ARTICLE XI
MISCELLANEOUS

11.01 Assignment

Neither Party may assign its rights or delegate its duties created by this Agreement without the other Party's written consent, which consent shall not be unreasonably withheld; provided.

11.02 Assumption of Assignee. In the event of an approved assignment of this Agreement by either Party, the assignee shall assume all of the obligations under this Agreement of such Party, unless the assignee is a mortgagee, corporate trustee, leasing company, bank, insurance or other financial institution; provided, however, that such Party shall not (nor by the consent to such assignment) be relieved of any of its obligations under this Agreement, it being understood that such Party shall in all respects remain fully obligated and responsible for the performance of its obligations under this Agreement unless and until expressly released in writing by the other Party.

11.03 Successors and Assigns

This Agreement shall bind and inure to the benefit of the Parties, their respective successors and assigns.

11.04 Notices

All notices and other communications relating to this Agreement shall be in writing except where telephonic or

radio notices are specifically authorized and shall be effective when received by the authorized representative of the other Party designated below. For the purposes of this notice, notices sent by telex or telegram or telecopier or other electronic mail media shall be considered written notices.

If to Seller:

MIDWEST ENERGY RESOURCES COMPANY
Attention: President
P.O. Box 787
2400 West Winter Street
Superior, Wisconsin 54880
Tel: 715-395-3501
Fax: 715-392-9137

If to Buyer:

HIBBING PUBLIC UTILITIES COMMISSION
Attention: General Manager
1902 E 6th Ave
Hibbing, Minnesota 55746
Tel: 218-262-7700
Fax: 218-262-7702

11.05 Non-Waiver

Failure of either Party at the time to require performance for any provision of this Agreement shall not limit that Party's right to enforce the provisions of this Agreement, nor shall any waiver of any breach of any provisions be a waiver of any succeeding breach of the provision itself or of any other provision.

11.06 Entire Agreement

This Agreement is the entire Agreement between the Parties. There are no other provisions, representations, warranties or understandings expressed or implied. No modification, variation or amendment of this Agreement, or trade or local custom not expressly stated in this Agreement shall have any effect unless set forth in writing and signed by both Parties. Buyer may elect to issue its standard purchase order form for purposes of ordering coal and billing only. The terms and conditions stated on Buyer's standard purchase order shall have no effect with respect to the relationship of the Parties hereto.

11.07 Governing Law

This Agreement shall be construed and enforced according to the laws of the State of Minnesota.

11.08 Severability

If any provisions of this Agreement are declared invalid or unenforceable, all other provisions of this Agreement shall remain in full force and effect.

11.09 Confidentiality

The Parties agree that the terms of this Agreement and any proprietary information of either Party that is disclosed to the other Party in the course of dealing under this Agreement shall be held in confidence and shall not be disclosed to any third party without the other Party's written consent, provided that either Party may disclose such information in response to an order, rule or regulation of a court or governmental body having jurisdiction. With the exception of government open meeting law, in which Buyer will make one copy of relevant materials available for inspection by the public at commission meetings, or as requested under public information laws.

11.10 Construction of Terms

The terms of this Agreement have been arrived at after mutual negotiations and, therefore, it is the intention of the Parties that the terms not be construed against either Party by reason of the fact that the Agreement was prepared by such Party. The captions in this Agreement are for the convenience of reference only and shall not define or limit any of the terms or provisions hereof.

11.11 Representation and Warranties

Buyer and Seller represent and warrant to each other that:

- (i) they are duly organized and validly exist in good standing under the laws of their states of incorporation and have all requisite power and authority to enter into this Agreement and to carry out the terms and provisions hereof;
- (ii) the person(s) executing this Agreement on behalf of that party are duly authorized and empowered to bind their respective Party to this Agreement; and (iii) to the best of their knowledge, there is no action, proceeding or investigation current or pending, and no term or provision of

any charter, by-law, certificate, license, mortgage, indenture, contract, agreement, judgment, decree, order, status, rule or regulation which in any way prevents, hinders, or otherwise adversely affects or would be violated by, entering into and performing this Agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this Coal Supply Agreement to be executed as of the day and year written above.

BUYER:
HIBBING PUBLIC UTILITIES COMMISSION

By: _____ By: _____

Title: _____ Title: Commission Chairperson

Date: _____ Date: _____

SELLER:
MIDWEST ENERGY RESOURCES COMPANY

By: _____

Title: _____ 
President

Date: 11/13/2025



Item 6.F

Item 6.F – Approve Purchase of Beltline Substation Stepdown
Transformers from T&R Electric in the amount of \$69,969

November 12th, 2025

James Bayliss
Commission Chair
1902 E. 6th Avenue
Hibbing, MN 55746

RE: Item 6.F – Approve Purchase of Beltline Substation Stepdown Transformers
from T&R Electric in the amount of \$69,969

Dear Commissioners,

I am requesting authorization to proceed with the purchase of (3) step-down
transformers for our upcoming 2026 substation construction project. Other long lead
equipment for our Beltline site was procured with our 2024/25 material. The step-
downs weren't projected to have a long lead.

These transformers will initially serve as part of the 2026 substation installation to
support our voltage conversion efforts and serve load from the Beltline. Upon
completion of the voltage conversion on feeders fed from Beltline, these transformers
can be redeployed within our electrical system to facilitate future conversions or, if no
longer required, we surplus transformers back to a vendor to recover a portion of the
investment.

This planned purchase aligns with our long-term system reliability and efficiency
goals, and the flexibility in future use provides both operational and financial benefits.

HPU received two quotes for this equipment. Attached, you'll find the low quote from
T&R Electric. I respectfully request Commission approval to proceed with the
equipment purchase of (3) 833kVA pole mount transformers from T&R. They are less
cost and shorter lead.

- T&R Electric (3) \$23,313.00 Total 69,969.00
- Sunbelt Solomon (3) \$32,500.00 Total \$97,500.00 8 - 10 week lead time

Sincerely;



Luke J. Peterson



"The Transformer People"

When Every Minute Counts

Call Toll Free 800-843-7994
(Outside U.S.) 605-534-3555
FAX 605-534-3861
Website <http://t-r.com>

Quote Rev. 134822-1

Date: 10/28/2025

Contact: Joe Peterson

Phone: 218-996-5301

Company: Iron Range Engineering and
Consulting Services, PLLC

Fax:

Email: jpeterson@ireacs.com

Quote Summary

#	Item	Type	Qty	Category	Ph	KVA	Primary	Secondary	Price	Total
1	0	RW	3	STATION	1	500	13800 DELTA	2400 DELTA	\$45,321.00 USD	\$135,963.00 USD
2	0	RC	3	STATION	1	833	13800 DELTA	2400 DELTA	\$23,323.00 USD	\$69,969.00 USD
Grand Total										\$205,932.00 USD

Additional Notes

1. All quotes are subject to the "Standard Terms and Conditions of Sale".
2. This quote is valid for 15 days.
3. Estimated manufacturing lead-time is a best estimate at time of quotation and may vary.
4. Upon completion of order, immediate shipment is available plus freight on a common carrier. Unless otherwise specified, freight on quotes is prepaid and allowed in the contiguous US on our next available truck going to your area.
5. Electrical Test reports available upon request.
6. Prices subject to change. Due to the current volatility of the transformer components market (including copper), prices are subject to change in the event a rapid or extreme fluctuation in price occurs between the time of order placement and sourcing of materials. A rapid or extreme fluctuation occurs when a component part increases by more than 5% from the time the order is placed, and the time materials are ordered. T&R Electric agrees to use its best efforts to obtain advantageous pricing from materials suppliers. In the event there is a price increase through no fault of T&R Electric, we will notify the customer as soon as practicable.
7. Note: In order for a Purchase Order to be entered into the work queue and receive a designated time slot for production, these conditions must be accepted, and a note of acknowledgement must be present on said purchase order.

If you have any questions or need any additional information please call me at 800-843-7994. You may also email me at sara.schmidt@trelectric.com.

Sincerely,
Sara Schmidt
Sales Representative



"The Transformer People"

When Every Minute Counts

Call Toll Free 800-843-7994
(Outside U.S.) 605-534-3555
FAX 605-534-3861
Website <http://t-r.com>

Quote Rev. 134822-1

Date: 10/28/2025

Contact: Joe Peterson

Phone: 218-996-5301

Company: Iron Range Engineering and
Consulting Services, PLLC

Fax:

Email: jpeterson@ireacs.com

Item #1 - Single Phase 500 KVA Station

Product Type: Rewind

Transformer Type: Station

Specifications:

KVA:	500	Phase:	1
High Voltage:	13800 DELTA	Low Voltage:	2400 DELTA
Taps:	W/TAPS 2 X 2 1/2% +/-		

Accessories:

- Primary Top Mount Bushings
- Secondary Side Mount Bushings
- Pressure Relief Device
- Mineral Oil (standard)
- Non-PCB Label
- Drain Valve with Sampler
- ANSI 70 Paint

Notes:

**QUOTED MANUFACTURING LEAD TIME IS
ESTIMATED / NOT GUARANTEED**
REWIND UNITS - ALL NEW COPPER WINDINGS AND
INSULATION
ESTIMATED WEIGHT 4250 POUNDS/EACH
MATCHED BANK
PLATFORM MOUNTED TRANSFORMERS
FREIGHT IS ALLOWED IN THE CONTIGUOUS UNITED
STATES WITH STANDARD DELIVERY ON OUR FIRST
AVAILABLE TRUCK TO YOUR AREA AFTER
MANUFACTURING
FUEL SURCHARGE FEE WILL BE APPLIED AT TIME OF
SHIPMENT

Quantity: **3**

Warranty: 36 Month Guarantee

Delivery: Fob: Destination

Price: **\$45,321.00 USD Each**

Manufacturing Time: 18 - 20 weeks (ARO)

After Release to Production

Electrical Tests:

1. Transformer Turns Ratio Test
2. Polarity and Phase Relation Test
3. DC HYPOT TEST
4. Core Loss and Excitation Test
5. Load and No Load Testing
6. Induced Potential Test at 400 Hertz for 7200 Cycles

Performed at Two Times Rated Line Voltage Plus 1000 Volts

- a. HV to LV
- b. HV to Ground
- c. LV to Ground



"The Transformer People"

When Every Minute Counts

Call Toll Free 800-843-7994
(Outside U.S.) 605-534-3555
FAX 605-534-3861
Website <http://t-r.com>

Quote Rev. 134822-1

Date: 10/28/2025

Contact: Joe Peterson

Phone: 218-996-5301

Company: Iron Range Engineering and
Consulting Services, PLLC

Fax:

Email: jpeterson@ireacs.com

Item #2 - Single Phase 833 KVA Station

Product Type: Reconditioned

Transformer Type: Station

Specifications:

KVA:	833	Phase:	1
High Voltage:	13800 DELTA	Low Voltage:	2400 DELTA
Taps:	W/TAPS 2 X 2 1/2% +/-		

Accessories:

- Primary Top Mount Bushings
- Secondary Side Mount Bushings
- Pressure/Vacuum Gauge
- Temperature Gauge
- Liquid Level Gauge
- Pressure Relief Device
- Mineral Oil (standard)
- Non-PCB Label
- Drain Valve with Sampler
- ANSI 70 Paint

Notes:

**QUOTED MANUFACTURING LEAD TIME IS
ESTIMATED / NOT GUARANTEED**
RECONDITIONED UNITS
ESTIMATED WEIGHT 8750 POUNDS/EACH
MATCHED BANK
PLATFORM MOUNTED TRANSFORMERS
FREIGHT IS ALLOWED IN THE CONTIGUOUS UNITED
STATES WITH STANDARD DELIVERY ON OUR FIRST
AVAILABLE TRUCK TO YOUR AREA AFTER
MANUFACTURING
FUEL SURCHARGE FEE WILL BE APPLIED AT TIME OF
SHIPMENT

Quantity: **3**

Warranty: 36 Month Guarantee

Delivery: Fob: Destination

Price: **\$23,323.00 USD Each**

Manufacturing
Time: 4 - 6 weeks (ARO)

After Release to Production

Electrical Tests:

1. Transformer Turns Ratio Test
2. Polarity and Phase Relation Test
3. DC HYPOT TEST
Performed at Two Times Rated Line Voltage Plus 1000 Volts
 - a. HV to LV
 - b. HV to Ground
 - c. LV to Ground
4. Core Loss and Excitation Test
5. Load and No Load Testing
6. Induced Potential Test at 400 Hertz for 7200 Cycles



**36 MONTHS
100%
Guarantee**

GUARANTEE

ALL T&R TRANSFORMERS ARE GUARANTEED TO BE FREE FROM DEFECTS IN WORKMANSHIP AND MATERIALS FOR 36 MONTHS UNDER NORMAL USE OR SERVICE ; THAT NORMAL USE OR SERVICE DOES NOT INCLUDE ABNORMAL STRESSES OR STRESS FROM SUCH CAUSES AS INCORRECT PRIMARY VOLTAGE, FREQUENCY OR IMPROPER LOAD.

We are not responsible for consequential losses or damages outside of this equipment nor for any repairs or replacements made by others without our written authorization. Should any unit fail within 36 months, we will either repair or replace the transformer or refund your money at our option.

Excluded under this guarantee are all newly-manufactured transformers and all transformers rebuilt by other rebuilders, in which case their guarantee will prevail.

This guarantee is expressly in lieu of other guarantees.

(605) 534-3555

(800) 843-7994

FAX: (605) 534-3861

E-MAIL: t-r@t-r.com

T&R Electric Supply Co., Inc.
STANDARD TERMS AND CONDITIONS OF SALE
Effective Date: January 23, 2020

1. Applicable Terms. These Terms and Conditions of Sale (the "Terms") apply to and govern the sale of all material, equipment, components, products, goods and/or documents (the "Products") sold by T&R Electric Supply Co., Inc. ("T&R") to Customer, unless otherwise expressly agreed in a written agreement signed by T&R. T&R offers to sell the Products solely pursuant to these Terms, and any acceptance is expressly limited to these Terms. Any terms proposed by Customer in any offer, acceptance, confirmation or other document are rejected by T&R and do not bind the parties. If Customer objects to any provisions of these Terms, such objection must be in writing and received by T&R prior to commencement of performance by T&R. If Customer fails to timely provide a written objection, Customer will be deemed to have conclusively accepted these Terms. All dollar amounts referenced herein, or payments owed under the terms hereof, refer to and shall be paid in US dollars.

2. Quotations. Each quotation is valid for 30 days from its issue date unless otherwise stated in the quotation or unless revoked by T&R prior to the issuance of Customer's purchase order.

3. Prices. Prices are subject to change by T&R without notice. Unless otherwise specified, prices will be the prices in effect at the time of written order acknowledgement by T&R, subject to any mutually agreed upon escalation formula and/or adjustment for any subsequent change to the Product requested by Customer and agreed to by T&R. Except as otherwise provided in Section 6 (Delivery/Shipment) or as otherwise agreed in writing by T&R, prices will include freight Prepaid and Allowed to the accessible common carrier point nearest the first destination designated by Customer in the 48 contiguous United States on the next available T&R truck delivering to Customer's area, unless immediate shipping is required by Customer, in which case such charges are not included in the original quote and shall be additionally paid by Customer. In the event of a price change, the effective date of the change will be the date shown on the revised quotation. Where a price change is made by letter, fax or email, the effective date may be given as part of the letter, fax or email. Pallets are not included in the price of quote and must be requested separately by Customer. Pallets and export packaging provided by T&R will not be fumigated and any special requests shall be made in advance, and may not be available through T&R. Customer shall give at least two weeks' notice to T&R in the event witness tests are required by Customer, and charges for such tests will be set by T&R but will be no less than \$1,000 per day.

4. Taxes. The price quoted by T&R for the Products does not include any federal, state or local property, license, privilege, sales, use, excise, gross receipts or other like taxes which may now or hereafter apply. Customer shall be solely responsible for paying all such applicable taxes. Payment by T&R of any such taxes will be for the account of Customer, and shall be immediately reimbursed by Customer to T&R. Where Customer's or the end-user's destination is located outside of the United States, Customer shall pay all customs, duties and local customs broker fees and costs (U.S. and/or non-U.S.), as well as all other non-U.S. taxes of any type.

5. Payment. Payment terms are 30 calendar days from the date of invoice, unless otherwise agreed in writing by T&R. If the financial condition of Customer at any time prior to shipment is reasonably questioned by T&R, T&R may require payment in advance by Customer or cancel any outstanding order, without any liability or obligation to Customer and whereupon, in the event of cancellation, T&R will be entitled to receive reasonable cancellation charges. If any payment is not made when due, Customer shall pay a late charge equal to the greater of 1 1/2% per month cumulative or the highest applicable rate allowed by law on all principal outstanding and prior assessed late charges. In addition, Buyer shall pay T&R all costs and expenses incurred by T&R in enforcing these Terms, including reasonable attorneys' fees.

6. Delivery/Shipment. Unless otherwise agreed in writing by T&R, all orders of Products with net invoice values of \$1,000 or more are shipped F.O.B. Colman, South Dakota Prepaid and Allowed, and all orders with net invoice values of less than \$1,000 are shipped F.O.B. Colman, South Dakota Prepaid and Added. All shipments are F.O.B. accessible common carrier point nearest first destination designated by Customer in the 48 contiguous United States on the next available contracted carrier truck delivering to Customer's area, unless immediate shipping is required by Customer (which charges are not included in the original quote, freight prepaid, and shall be paid by Customer).

Cartage (Store Door Delivery): Transportation charges incurred from the nearest accessible common carrier point to final destination or to shipside (in case of shipment to U.S. possessions) are the responsibility of Customer unless the common carrier furnishes store delivery at no extra charge.

Method of Shipment: T&R will determine the point of origin of shipment, the method of transportation, and the routing of shipment. Customers requiring shipment by a method or routing other than that of T&R's selection will be billed any excess or premium in transportation charges. Any charges for special services, including special train, lighterage, coordinated arrival times of multiple trucks or other modes of conveyance shall be paid or reimbursed by Customer.

Shipping Dates: Shipping dates contained in quotations are approximate and are based on receipt of complete information with the order. If drawing approval by Customer is required, drawings must be returned to T&R by Customer and released to production within 14 days, in writing, by email, facsimile or first class mail. Upon release to production, a shipment date will be determined by work load level at the time of release and may not be the same as initially quoted. An acknowledgement of shipment date will be provided upon Customer request.

Customer Pick-Up: No allowance will be made in lieu of transportation if Customer accepts shipment at the factory or warehouse or freight station.

Will Call Orders: Customer expressly consents that will-call orders (e.g. orders for which Customer elects to arrange for transportation) will be invoiced on the later of the contractually acknowledged shipment date or the date of Product completion. T&R will not be responsible in any way for Customer's inability to secure timely transportation or any other delay by Customer or its service providers whatsoever. Any applicable storage charges of completed Products will be in accordance with Section 17 (Delayed Shipment).

Shipment Damage: Except in the event of F.O.B. Destination shipment, T&R will not participate in any settlement of claims for concealed or other shipment damage. When shipment has been made on an F.O.B. Destination basis, Customer shall unpack immediately and, if damage is discovered, shall: (i) not move the Product from the point of examination; (ii) retain shipping container and packing material (if applicable); (iii) notify the carrier of any apparent damage in writing on carrier's delivery receipt and request carrier to make an inspection; (iv) notify T&R within 72 hours of delivery; and (v) send T&R a copy of the carrier's inspection report.

Inspection and Acceptance: Products will be deemed accepted by Customer upon receipt. Should a Product not comply with required technical specifications, Customer shall notify T&R in writing of any alleged noncompliance within two calendar days of receipt and off-loading. Any notification of alleged noncompliance must cite each specification criteria that is alleged to be non-compliant, with evidence of the deviation. Correction of any confirmed noncompliance will be in accordance with T&R's obligations under Section 8 (Warranty).

7. Force Majeure. T&R shall not be liable for failure to perform or for delay in performance due to any cause beyond its reasonable control, including but not limited to: acts of God; acts or omissions which are substantially attributable to Customer or Customer's service providers; fire; floods, hurricanes, tornadoes or other unusually severe or harsh weather conditions; strikes or other labor difficulties; any act or failure to act or delay in acting on the part of any governmental authority or entity; changes in law; epidemics; quarantine restrictions; war; insurrection or riot; acts of a civil or military authority; title or environmental issues; embargoes; fuel or energy shortage; blockage; transportation delays or accidents; inability to obtain necessary labor, material or manufacturing facilities from usual sources; or delays of subcontractors. In the event of delay in performance due to any such cause, the date of shipment or time for completing will be extended by a period of time equal to the greater of (i) the time reasonably necessary to overcome the effect of such delay, or (ii) the time equal to the period of the delay.

8. Warranty. T&R warrants to Customer that, for the length of time stated in the quote given by T&R to Customer (or if no length of time is stated, for a period of one year from the date of invoice), the Products will be free from defects in material and workmanship under normal use, service and conditions. T&R shall have no liability for the failure of any Product to conform with this warranty if such failure is caused by abnormal stresses (such as stresses caused by incorrect primary voltage, frequency or improper overload), accident, misuse, neglect, alteration, improper installation or repair, inadequate maintenance, normal wear and tear, or use contrary to any product specifications or instructions of T&R. Customer may elect, at Customer's sole expense, to install, use and maintain a metering device that will record values for current (amps), voltage (V), frequency (Hz), loading of the transformer (kW), and such other information as may be required by T&R (collectively, the "Metered Information"). In the event of a defect or other failure of the Product, Customer is required to provide Metered Information regarding the Product to T&R, and such Metered Information will be used by T&R to determine whether the alleged defect or failure is covered by this warranty. If Customer elects not to install, use, and maintain a metering device, or otherwise fails to provide Metered Information to T&R, T&R shall analyze the Product and make the determination, in its sole discretion, whether the alleged defect or failure is covered by this warranty. In the event a Product fails to conform to this warranty during the warranty period, T&R, at its sole option, will repair the Product, replace the Product, or refund the purchase price of the Product to Customer. Excluded from this warranty are all newly manufactured transformers, regulators, switches and other equipment and all transformers, regulators, switches and other equipment rebuilt by other rebuilders, in which case such other manufacturers' or rebuilders' warranties will apply and be Customer's exclusive warranty to be enforced directly by Customer against such third party. **TO THE MAXIMUM EXTENT PERMITTED BY LAW, THIS WARRANTY CONSTITUTES T&R'S SOLE LIABILITY, AND CUSTOMER'S SOLE REMEDY, FOR ANY BREACH OF WARRANTY OR OTHER NONCONFORMITY OF PRODUCTS.** T&R MAKES NO OTHER WARRANTY, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR NON-INFRINGEMENT, OR THAT MAY ARISE FROM COURSE OF DEALING, COURSE OF PERFORMANCE OR USAGE OF TRADE. T&R does not extend this warranty, and Customer may not transfer it, to any third party; in the event this warranty is deemed to extend to any third party, this warranty shall be subject to all conditions and limitations of these Terms.

9. Limitation of Liability. The total, aggregate, and cumulative liability of T&R, and its affiliates, parent, subsidiaries, shareholders, directors, officers, employees, agents, assigns and their respective predecessors and successors, to Customer or any third party, whether by indemnity, in contract, guaranty or tort (including negligence or strict liability), by statute or under any other legal theory, shall in no event exceed the amount paid by Customer for the Product giving rise to such liability. The existence of multiple claims with respect to the same Product will not enlarge this limit.

Under no circumstances will T&R be liable to Customer or any third party, whether by indemnity, in contract, guaranty or tort (including negligence or strict liability), by statute or under any other legal theory, for any punitive, special, incidental, indirect or consequential damages or losses of any nature, even if Customer advised T&R in advance of the possibility of such damages, including without limitation loss of profit, loss of production, loss of contract, loss of revenue, cost of replacement power or temporary equipment, claims of Customer's customers, cost of money, loss of investment or business opportunity, increased operating costs, financing costs or government fines, penalties or sums due.

No action, regardless of form, arising with respect to any Product may be brought by Customer more than one year after the event giving rise to the cause of action occurred. T&R shall be entitled to the payment of its attorneys' fees and costs in the event T&R is forced to defend a legal action by Customer on a claim precluded by this section. The remedies of Customer set forth in these Terms are exclusive and include anything done in connection with the Products, such as the performance or breach of these Terms or the manufacture, sale, repair, replacement, delivery, resale or use of the Products.

Customer acknowledges that T&R set its prices, and agreed to sell the Products to Customer, in reliance on the limitations of liability, disclaimer of warranties, and remedies set forth in these Terms,

and that such provisions form an essential basis of the bargain between the parties, without which T&R would not have agreed to sell the Products to Customer.

10. Delay Damages. In the event T&R fails to deliver a Product at the time required by an order, T&R's liability for such delay shall be limited by these Terms (including, but not limited to, Section 9 (Limitation of Liability)) and in no event shall exceed an amount equal to 5% of the purchase price of the Product at issue. Such compensation shall represent full and final satisfaction of T&R's liability for delay. Customer shall be entitled to the delay damages described in this section only if Customer substantiates through appropriate and reliable documents the damages it incurred due to the late performance of T&R. Customer shall be entitled to such damages only if T&R fails to meet the final shipment date of a Product; no delay damages shall apply with respect to any intermediate milestone or deliverable. Any amounts payable by T&R pursuant to this section shall be subject to the terms of Section 9 (Limitation of Liability) including the total, aggregate liability cap set forth therein. Customer shall use all reasonable efforts to mitigate the effect of any delay caused by T&R. In no event shall T&R be liable for delay damages where late shipment was caused by a force majeure event as defined in Section 7 (Force Majeure), a suspension of the work, a change order or modification to the Product requested by Customer, or any other act or omission of Customer or end-user which contributed to the delay at issue.

11. Intellectual Property. The sale by T&R of a Product does not convey or grant any license, express or implied, to Customer regarding any of T&R's intellectual property, including but not limited to any patents, copyrights, trademarks, trade secrets, designs, artwork or other proprietary rights, except Customer's non-exclusive right to use such intellectual property solely for the purpose of, and only to the extent necessary for, use of the Product in accordance with T&R's specifications or use documentation.

12. Transfer. In the event Customer sells, assigns or otherwise transfers a Product or any right or interest therein to a third party, such third party shall be bound by these Terms in the same manner as Customer. In the event such third party is for any reason determined to not be bound by these Terms, Customer shall indemnify, defend and hold harmless T&R from and against all liability of T&R to such transferee or any subsequent transferee in excess of what T&R's liability would have been if such transferee had been bound by these Terms in the same manner as Customer.

13. Title; Risk of Loss. Title to the Products will pass to Customer at the point of delivery to Customer. Risk of loss of the Products will pass to Customer upon the earlier of the invoicing date or the date of delivery to Customer. Until such time as Customer has paid T&R in full for a Product, Customer shall perform all acts necessary to protect the Product free of claims, demands, liens and encumbrances, to insure the Product for its full replacement value at Customer's expense, and, to the extent Customer owes T&R any amount under the purchase order, hold the proceeds of any insurance claim in respect of the Product in trust for T&R.

Without prejudice to any other remedy or right of T&R, if Customer fails to timely pay for a Product delivered to Customer, T&R may take possession of the Product and sell it. Customer irrevocably authorizes T&R or its agents to enter any premises owned, leased or otherwise occupied by Customer for the purpose of taking possession of the Product. If T&R takes possession of and sells a Product, Customer continues to be liable to T&R for an amount equal to the aggregate of the unpaid amounts and costs and expenses incurred by T&R in taking possession of, transporting, storing and selling the Product, less an amount equal to the proceeds of the sale.

14. Contract Variations. The following terms apply to purchase order variations.

Drawing Approval and Changes: If Customer approval of drawings is required, such review, comment or approval must be received by T&R no later than 14 calendar days after submittal of drawings by T&R to Customer. If Customer fails to meet this requirement, or if the Product has not otherwise been released to production within 30 calendar days of written order acknowledgement by T&R, the order shall be subject to adjustment of price and shipment terms. Where Customer's specifications are not sufficiently detailed, T&R reserves the right to design the Product in accordance with T&R's professional judgment and good commercial practices. If at any time Customer makes changes to a design as covered in Customer's specifications, the order shall be subject to adjustment of price and shipment terms to reasonably cover any additional costs and commitments caused by the change.

Hold: An order placed on hold by Customer for any reason, or by T&R while awaiting payment of overdue invoices, will be taken out of the production schedule. If/when the hold is removed, the order will be rescheduled from that subsequent release date at the then prevailing lead-time, and Customer shall be responsible for all additional costs and expenses associated therewith.

Change Order: A change order submitted by Customer for a previously acknowledged purchase order is subject to additional charges. Changes to purchase orders that have not been released for production are subject to price adjustments for changes to the Products and the costs of technical and administrative services, as well as applicable material and/or restocking costs. Changes made to purchase orders that have been released to production are subject to these same price adjustments, plus \$500 per change for production disruption and inefficiency costs. Lead-time extensions may result, depending on the nature of the changes.

Customer Supplied Material: In the event T&R agrees to install Customer-supplied material, the following additional terms shall apply:

(i) T&R will not be responsible for delays in shipment caused by delays in the receipt of Customer-supplied material. Such delays will be subject to possible price adjustments due to Customer-induced delays and disruptions.

(ii) Customer shall supply T&R all applicable technical data and drawings, in sufficient detail as determined by T&R, at time of order entry, so as to ensure the Product design can be made to accommodate form, fit, function and interface with Customer-supplied material.

(iii) Failure by Customer to supply the correct material per the detailed technical data supplied at the time of order may result in delays in shipment and price adjustments.

T&R will not be responsible for Customer-supplied material that is inferior, damaged or defective. In such an event, delays in shipment may result and shall be subject to price adjustments in favor of T&R.

Service Conditions: Liquid-filled transformer products supplied by T&R shall be suitable for operation within the "usual service conditions" as defined in IEEE Standard C57.12.00, Section 4.1. These usual service conditions include, without limitation, the following:

(i) The transformer is designed for step down duty.

(ii) The transformer is designed for operation at the rated kVA, at 3300 feet altitude, without exceeding temperature limits, provided the average temperature of the ambient air does not exceed the limits as listed below. The dielectric strength of the bushings and arrestors will be suitable to allow satisfactory operation at 3300 feet.

(iii) The temperature of the ambient air may not exceed 40 degrees C at any one time and the average temperature of the ambient air, for any 24 hour period, may not exceed 30 degrees C.

(iv) The input voltage when applied to any rated tap, at rated frequency, may not result in an output voltage greater than 110% at no load, and 105% at rated output load. The output load power factor must be 80% or better.

(v) When unusual or special service conditions occur or exist, such as damaging or explosive vapors, abnormal vibrations, shocks, transportation or storage conditions, poor wave form, unbalanced voltage, or planned regular short circuits, or service conditions other than those described in (i), (ii), (iii) or (iv) above, it is the responsibility of Customer to bring these conditions to the attention of T&R at the time a quotation is requested by Customer.

Failure by Customer to expressly provide advance notice to T&R of any unusual or special service conditions which do not meet the above shall render the Product warranty void.

15. Termination by Customer. An order or contract may be terminated by Customer only by written notice to T&R and upon payment to T&R of the termination charges described in this section, which must be paid with 30 days of the notice of termination.

Where the order is in process, but the Product is not released for manufacture, cancellation charges paid by Customer to T&R shall equal the cost of materials that are not useable on other orders, plus 20% of the price of the Product noted on the purchase order.

Where the order is in process and the Product is released for manufacture, the following charges shall be paid by Customer to T&R, based on stage of production:

If engineering is complete, 25% of the Product price

If purchasing is complete, 50% of the Product price

If materials have been received by T&R, 75% of the Product price

Within six weeks of acknowledged date of shipment, 100% of the Product price

16. Suspension by Customer. Any order held or delayed or rescheduled at the request of Customer shall be subject to the prices and conditions of sale in effect at the time of the release of the hold or reschedule. Any such order held or delayed beyond 30 calendar days will be treated as a Customer termination pursuant to Section 15 (Termination by Customer).

17. Delayed Shipment; Storage. When a Product is ready for shipment and shipment cannot be made because of reasons beyond T&R's control, T&R shall submit an invoice for the Product due and payable in accordance with the agreed payment terms, and T&R, upon written notice to Customer, shall store the Product, subject to the terms of this section.

Notwithstanding anything to the contrary herein, risk of loss of the Product shall pass to Customer upon moving the Product to storage. All expenses incurred by T&R in connection with the storage of the Product, including demurrage, cost of preparation for storage, storage charges, insurance and handling charges, shall be payable by Customer upon submission of invoices by T&R.

T&R, in its sole discretion, may agree to store completed Products for a maximum of two weeks at no additional charge on a space available basis, with the understanding and the hereby expressed consent of Customer that the date of invoice will be the date the Product was originally scheduled to ship and that payment terms will not be changed. After such two-week timeframe, a storage charge of \$250 per Product per week, or part thereof, will be assessed and billed monthly to Customer.

18. Termination by T&R. T&R shall have the right to terminate an order at any time in the event Customer breaches these Terms. T&R shall notify Customer of termination by written notice.

19. Returning of Product. No Product may be returned to T&R by Customer, except with the prior written agreement of T&R and subject to the terms specified therein by T&R.

20. Product Notices. Customer shall provide the end-user of a Product with all T&R-supplied Product and patent notices, warnings, instructions, recommendations and similar materials. Under no circumstances shall Customer or the end-user remove any such information which may be affixed to the Product or to the related materials shipped with the Product.

21. United States Export Controls. Customer acknowledges that the Products and all documentation and other technical information delivered pursuant to these Terms is subject to export controls under U.S. laws, including but not limited to the Export Administration Act and the regulations promulgated thereunder. Customer shall comply with all legal requirements established under these controls and cooperate fully with T&R in any official or unofficial audit or inspection that relates to these controls. Customer shall not export, re-export, divert or transfer, directly or indirectly, the Products or any documentation or other technical information delivered pursuant to these Terms to any country, or to the nationals of any country, which the U.S. government determines is a country to which such export, re-export, diversion, transfer or disclosure is restricted. Customer shall defend, indemnify and hold harmless T&R from and against any claims, liability and expenses arising from or related to any breach of this section by Customer. T&R's obligation to deliver the Products to Customer is conditioned upon Customer's attainment of all required licenses and permits.

22. Testing and Acceptance of Goods. Testing of the Products before shipment is done in accordance with T&R's standard factory test procedures. Upon Customer's request, T&R will provide test reports for the Products. In the event Customer requests testing other than T&R's standard factory tests and/or requests witness testing and/or inspections, Customer shall pay for all such additional testing, witness costs, and all associated charges.

23. Severability. If any provision of these Terms is found to be in violation of law or unenforceable, the remainder of these Terms shall remain in full force and effect.

24. No Assignment. Neither these Terms nor any rights, interest or benefits of Customer hereunder may be assigned by Customer to any other party, except upon the prior written consent of T&R.

25. Disputes; Choice of Law; Venue. If any dispute arises under these Terms between Customer and T&R, no action, suit, arbitration or other proceeding may be commenced before the parties have attempted to resolve the dispute pursuant to mediation, unless immediate injunctive relief is being sought. The validity, performance, construction, and effect of any purchase order which is subject to

these Terms shall be governed by the laws of the State of South Dakota, without regard to its choice of law rules or those of any other jurisdiction. The parties agree that the United Nations Convention on Contracts for the International Sale of Goods shall not apply to any Products sold by T&R to Customer or any agreement or dispute between the parties. The sole and exclusive jurisdiction and venue for any legal action arising from or related to a dispute between T&R and Customer with respect to the Products, a purchase order, these Terms or any related matter shall be in the federal or state courts located in the State of South Dakota, and the parties consent to such jurisdiction and venue.



Item 6.G

Item 6.G – Authorize Execution of MISO Zonal Resource Credit confirmation for Wright-Hennepin Electric/GRE

November 18th, 2025

James Bayliss
Commission Chair
1902 E. 6th Avenue
Hibbing, MN 55746

RE: Item 6.G – Authorize Execution of MISO Zonal Resource Credit confirmation for Wright-Hennepin Electric/GRE

Dear Commissioners;

HPU has negotiated a sale of MISO Zonal Resource Credits (ZRC's) for capacity to Great River Energy on behalf of its member-coop Wright Hennepin Electric Coop for the MISO Planning Years 2026/2027 and 2027/2028.

The agreement contemplates a sale of 5-15MW's varying by season and total revenue of \$1-2 million over the term of the agreement.

With the finalization of the HREC Biomass Optimization Project in 2025, and the years of work leading up to this capacity sale, HPU is very pleased to be entering into 2026 with additional revenue sources and support to our regional partners in the MISO network.

Special thanks to the many team members, staff, and consultants / contractors who have supported HPU's return to biomass and our subsequent membership in MISO.

Sincerely;



Luke J. Peterson



Item 7.A

Item 7.A – Approve Job Description & External Posting for Financial Controller

November 18th, 2025

James Bayliss
Commission Chair
1902 E. 6th Avenue
Hibbing, MN 55746

RE: Item 7.A – Approve Job Description & External Posting for Financial Controller

Dear Commissioners;

In accordance with our recently approved Organizational Chart, I seek the Commission's approval to advertise the vacant position of Financial Controller externally.

Given the strategic importance of this role in overseeing financial management, compliance, and reporting, it is recommended that the position be opened to external applicants to attract a wide pool of qualified candidates.

Attached you will find an updated job description, along with the most recently approved version for comparison.

I would appreciate the Commission's consideration and approval to proceed with the external posting.

Thank you for your consideration,



Kendra Powers
Senior Director of HR & OD
Hibbing Public Utilities Commission

Financial Controller

Job Title: Financial Controller

Department: Finance

Reports To: General Manager

Location: Hibbing, MN

FLSA Status: Exempt

Job Type: Full-Time

Drug & Alcohol Policy Classification: Non-Mandate

Position Summary

The Financial Controller is responsible for overseeing all financial management, accounting operations, and reporting functions for HPU. This role ensures the accuracy and integrity of financial data, compliance with regulatory and rate-setting requirements, and effective stewardship of the organization's financial resources. The Controller provides strategic financial leadership, supporting the utility's mission to deliver reliable and affordable services to customers.

Key Responsibilities

- Oversee all accounting operations, including billing, accounts payable, accounts receivable, payroll, and general ledger.
- Manages utility rate structures and HPU assets by establishing financial policies, procedures, controls, and reporting systems.
- Prepare monthly, quarterly, and annual financial statements in accordance with regulatory standards.
- Manage the preparation of financial reports for management, the commission, auditors, and regulatory bodies.
- Achieves budget objectives by scheduling expenditure, analyzing variances and initiate corrective action.
- Coordinate the annual audit and ensure timely resolution of audit findings.
- Lead the annual budgeting and forecasting process, including revenue projections, expense planning, and capital budgets.
- Provide variance analysis and recommendations to improve financial performance.
- Support rate case development and financial modeling for rate adjustments and capital projects.
- Ensure compliance with all financial reporting requirements under local, state, and federal regulations.
- Maintain cost accounting systems that comply with regulatory and rate-making standards.
- Prepare and submit financial reports required by the commission and other governing agencies.
- Advise senior management on financial strategies, capital financing, and long-term planning.
- Support risk management, insurance, and internal control activities.
- Supervise and develop finance and accounting staff, fostering a culture of accountability and continuous improvement.
- Collaborate with operations, engineering, and customer service teams to align financial and operational goals.
- Manages cash flow and treasury functions.

Qualifications

- Bachelor's degree in Accounting, Finance, or related field required.
- 7–10 years of progressive accounting or finance experience.
- Strong knowledge of GAAP, utility accounting principles, and regulatory reporting standards.
- Experience with financial reporting software, Microsoft systems, and utility management systems.
- Exceptional analytical, problem-solving, and financial modeling skills.
- Ability to interpret complex regulatory and rate structures.
- Strong leadership and communication skills with the ability to present complex financial data to non-financial stakeholders (e.g., commission, regulators, and city councils).
- High attention to detail and commitment to integrity and transparency.

Preferred Qualifications

- Master's degree in Accounting, Finance, or related field.
- Certified Public Accountant Certification (CPA)
- Experience with regulatory accounting, FERC Chart of Accounts, and utility rate making.

Work Environment

- Primarily office-based with periodic site visits to operational facilities.
- Occasional evening or weekend hours may be required for commission meetings or reporting deadlines.
- Occasional travel to project sites or client meetings.
- Physical Requirements:
 - Sitting 80%, Standing 10%, Walking 10%, Lifting up to 25 lbs



Item 7.B

Item 7.B – Approve Job Description & External Posting for Engineering Manager

November 18th, 2025

James Bayliss
Commission Chair
1902 E. 6th Avenue
Hibbing, MN 55746

RE: Item 7.B – Approve Job Description & External Posting for Engineering Manager

Dear Commissioners;

I respectfully request the Commission's review and approval of the proposed updated job description for the Engineering Manager.

We previously recruited for an Electrical Engineer position that required a Professional Engineer (PE) designation; however, this search did not produce any qualified candidates. After internal discussions and to align with our approved organizational chart, we have decided to revise the job description and requirements for the department head position in Engineering. The proposed job description will expand our search to include candidates with an engineering degree in various disciplines, an industrial project management degree, or an equivalent qualification.

Upon approval of the job description, I am also requesting permission to update our recruitment efforts to align with it.

Thank you for your consideration,



Kendra Powers
Senior Director of HR & OD
Hibbing Public Utilities Commission

Engineering Manager

Job Title: Engineering Manager

Department: Engineering

Reports To: General Manager

Location: Hibbing, MN

FLSA Status: Exempt

Job Type: Full-Time

Drug & Alcohol Policy Classification: Non-Mandate

Position Summary

The Engineering Manager oversees the planning, design, optimization, and execution of capital infrastructure and operation & maintenance projects for HPU's Electric, Water, Gas, and District Heating (Steam) utilities and production facilities. This role coordinates with internal teams and external resources to ensure that projects are completed safely, on schedule, within budget, and in compliance with technical standards, regulatory requirements, and stakeholder expectations. The engineering manager also drives strategic improvements to reduce utility costs, enhance reliability and sustainability, and support best-class regulatory compliance.

Key Responsibilities

- Lead HPU's Engineering function to deliver best-in-class regulatory compliance with MN Department of Health (MN DOH), Pipeline and Hazardous Materials Safety Administration (PHMSA), Environmental Protection Agency (EPA), Minnesota Pollution Control Agency (MPCA), Occupational Health & Safety Administration (OSHA), MN Department of Labor & Industries (DOLI) and other State of Minnesota and Federal Agencies as appropriate through approved capital infrastructure operating and maintenance projects.
- Manage all phases of utility projects; from concept and design through construction, commissioning, and turnover, including Manage project documentation, submittals, and change control processes.
- Direct and facilitate multidisciplinary teams, including Engineering staff, contractors, and consultants to successfully achieve HPU's desired outcomes including supervisory and mentoring of HPU staff and contractors.
- Implement systems to meet HPU's Engineering objectives.
- Plan, prioritize, and recommend projects to meet HPU's strategic objectives.
- Manage detailed project scopes, schedules, budgets, and risk management plans and report utility-wide progress and adherence to project goals, milestones, and quality standards.
- Oversee project budgets and teams ensuring projects remain within scope and budget.
- Ensure technical feasibility, constructability, and system compatibility with HPU's objectives and standards.
- Oversee construction activities and conduct site inspections to ensure compliance with plans and safety standards.
- Support commissioning, startup, and performance testing of utility systems.
- Prepare cost estimates, forecasts, and progress reports for the General Manager and Commission on HPU's projects.

- Identify opportunities for cost savings and resource optimization.
- Develop team performance goals and KPIs to ensure system reliability and efficiency.
- Participate in the development of Standard Operating Procedures and ensure compliance with operational standards.
- Assist with environmental permits and reporting for utility operations.
- Participate in risk assessments and implement corrective and preventive actions for the engineering department.
- Identify cost-saving opportunities in energy and resource utilization.
- Evaluate emerging technologies and best practices to improve efficiency.

Qualifications

- Bachelor's degree in Mechanical, Electrical, Civil, or Industrial Engineering or Industrial Project Management or equivalent degree.
- 5–10 years of project management experience in utilities, infrastructure, or industrial facilities.
- Proven track record of managing complex, multi-disciplinary utility projects from concept to completion.
- Strong leadership and project management abilities.
- Excellent analytical, communication, and interpersonal skills.
- Experience with capital project budgeting, scheduling, and contractor management.

Preferred Qualifications

- Professional Engineer (PE) license or equivalent certification preferred.
- PMP (Project Management Professional) certification or equivalent strongly preferred.
- Proficiency in utility systems design, troubleshooting, and optimization.
- Strong background in operation and design of industrial utility systems.

Work Environment

- Mix of office and field work with occasional visits to substations, plants, or construction sites.
- Must adhere to all safety protocols when working around energized equipment or in industrial environments.
- Occasional travel to project sites or client meetings.
- Physical Requirements:
 - Sitting 60%, Standing 20%, Walking 20%, Lifting up to 25 lbs



Item 7.C

Item 7.C – Approve Updates to Water Installation Fees

November 18th, 2025

James Bayliss
Commission Chair
1902 E. 6th Avenue
Hibbing, MN 55746

RE: Item 7.C – Approve Updates to Water Installation Fees

Dear Commissioners;

For your consideration, we are presenting an updated rate sheet for water service connections. Our current rates were reviewed and found to not be cost-effective when considering industry standards. It is important that HPU has and established service fee approved by the commission so customers can appropriately budget for new and existing construction.

Please see attached updated rates.

Thank you for your consideration.

Sincerely;



Luke J. Peterson

ESTIMATED
Standard Water Service Installation Fees

<u>¾" Water Service</u>	\$250.00	<u>2" Water Service costs</u>	\$600.00
<u>1" Water Service</u>	\$310.00	<u>4" Water Service Costs</u>	\$875.00
<u>1½" Water Service</u>	\$425.00	<u>6" Water Service Costs</u>	\$875.00

HPU *does not* provide "Hot Tap"

Contractor is responsible for all excavations and One Call Tickets. ***HPU will provide curb-stop, standpipe, corp. value, 90° elbow, and copper from main to the standpipe.*** Customer is responsible for the rest. (Remember: Price is from Main to Standpipe; customer (or contractor of choice) will be responsible from Standpipe to home.)

The ready for service date is determined when **all** the following requirements are complete by customer:

- A completed site sketch and liability waiver has been received by HPU
- Installation route is clear of brush, trees, lumber, dumpsters, equipment and any other obstructions
- Meter location marked on attached site survey (if applicable)
- Site is within 6' of final grade
- Easements are signed and received by HPU (if applicable)
- Construction charges are paid in full and received by HPU
- Application is approved by HPU.

HPU CHARGES MUST BE PAID PRIOR TO SERVICE BEING INSTALLED (an HPU representative will contact you to go over fees once project is reviewed). **Above** prices are generalized estimations. To receive an actual quote, you must complete an application, ***with site plan***, and provide advance notice prior to construction for HPU review and approval.

Standard Water Service Installation Fees

<u>¾" Water Service</u>	\$500.00	<u>2" Water Service costs</u>	\$1,200.00
<u>1" Water Service</u>	\$620.00	<u>4" Water Service Costs</u>	\$1,750.00
<u>1½" Water Service</u>	\$850.00	<u>6" Water Service Costs</u>	\$2,500.00

HPU *does not* provide "Hot Tap for Services Greater Than 2 Inches"

Backflow Prevention Device Required For Commercial/Industrial Applications

Contractor is responsible for all excavations and One Call Tickets, and to follow all local and state codes. Customer (or contractor of choice) is responsible from standpipe to home.

The ready for service date is determined when **all** the following requirements are complete by customer:

- A completed site sketch and liability waiver has been received by HPU
- Installation route is clear of brush, trees, lumber, dumpsters, equipment and any other obstructions
- Meter location marked on attached site survey (if applicable)
- Site is within 6' of final grade
- Easements are signed and received by HPU (if applicable)
- Construction charges are paid in full and received by HPU
- Application is approved by HPU.

For services 2" and less, HPU will provide labor for tapping and all materials. For services 4" and greater, HPU will provide appropriate materials, but will not conduct hot taps. Backflow devices and any required cross-connect devices are at the contractor's expense.

Above fees are to be paid with application submittal.



Item 7.D

Item 7.D – Approve MMUA for Strategic Planning Consulting Agreement in the amount of \$21,000

November 18th, 2025

James Bayliss
Commission Chair
1902 E. 6th Avenue
Hibbing, MN 55746

RE: Item 7.D – Approve MMUA for Strategic Planning Consulting Agreement in the Amount of \$21,000

Dear Commissioners;

As per discussion at the November 6th Working Session, staff is bringing forward for final consideration and approval the MMUA Consulting Agreement for HPU's Strategic Planning Process to take place over the remainder of 2025 and into 2026.

Sincerely;



Luke J. Peterson

CONSULTING AGREEMENT

CLIENT	CONSULTANT
Hibbing Public Utilities (HPU) 1902 6 th Ave E. Hibbing, MN 55746 (the "Client")	Minnesota Municipal Utilities Association (MMUA) 600 Highway 169 S, Ste 701 St. Louis Park, MN 55426 (the "Consultant")

BACKGROUND

- A. The Client is of the opinion that the Consultant has the necessary qualifications, experience, and abilities to provide consulting services to the Client.
- B. The Consultant is agreeable to providing such consulting services to the Client on the terms and conditions set out in this Agreement.

IN CONSIDERATION OF the matters described above and of the mutual benefits and obligations set forth in this Agreement, the receipt and sufficiency of which consideration is hereby acknowledged, the Client and the Consultant (individually the "Party" and collectively the "Parties" to this Agreement) agree as follows:

SERVICES PROVIDED

1. The Client hereby agrees to engage the Consultant to provide the Client with the following consulting services (the "Services"):
 - a. Development of a Long-Range Strategic Plan ("LRSP"), including but not limited to meeting in person with the HPU Commission on three occasions, working with Client staff on gathering relevant stakeholder input, facilitation of planning meetings, and production of a final LRSP document, customized and branded for Client.
 - b. In person and remote coaching of relevant stakeholders on processes and steps for translating the LRSP into an annual operating plan.
 - c. Development of an annual operating plan for a fiscal period to be determined at the completion of the LRSP, working with Client staff both in person and remotely as mutually agreed. This includes development of appropriate deliverables for each strategic area of focus, timelines, and a report card template, customized and branded for Client.
2. The Services will also include any other consulting tasks to which the Parties may agree. The Consultant hereby agrees to provide such Services to the Client.

TERM OF AGREEMENT

3. The term of this Agreement (the "Term") will begin on the date of this Agreement and will remain in full force and effect until the completion of the Services, subject to earlier termination as provided in this Agreement. The Term may be extended with the written consent of the Parties.

PERFORMANCE

4. The Parties agree to do everything necessary to ensure that the terms of this Agreement take effect.

CURRENCY

5. Except as otherwise provided, all monetary amounts referred to in this Agreement are in USD (US Dollars).

COMPENSATION

6. The Consultant will charge the Client for the Services as follows (the "Compensation"):
 - a. Client will pay Consultant a fee of \$21,000 as follows: \$7,000 by January 15, 2026; \$7,000 within 30 days of completion and delivery of the work product described in paragraph 1-a of this Agreement; balance to be paid upon delivery of the work product described in paragraph 1-c of this Agreement.
 - b. Client will reimburse Consultant for reasonable expenses incurred related to gathering stakeholder information.
 - c. Client will reimburse Consultant for reasonable travel expenses including mileage, lodging, and meals related to facilitating three in person meetings at the Client's location, provided the expenses are properly documented and receipts are provided when applicable.
 - d. Client will pay Consultant a fee of \$185 per hour over and above the flat rate listed in 6-a above for consultation related to ad hoc issues and projects unrelated to the services and work products described in section one of this agreement.
7. Invoices submitted by the Consultant to the Client are due within 30 days of receipt.
8. In the event this Agreement is terminated by the Client prior to completion of the Services but where the Services have been partially performed, the Consultant will be entitled to pro rata payment of the Compensation to the date of termination provided that there has been no breach of contract on the part of the Consultant.
9. The Consultant will not be reimbursed for any expenses incurred in connection with providing the Services of this Agreement except for those specified in items 6-b and 6-c above.

CONFIDENTIALITY

10. Confidential information (the "Confidential Information") refers to any data or information relating to the business of the Client which would reasonably be considered to be proprietary to the Client including, but not limited to, accounting records, business processes, and ratepayer records, and that is not generally known in the industry of the Client and where the release of that Confidential Information could reasonably be expected to cause harm to the Client.
11. The Consultant agrees that they will not disclose, divulge, reveal, report, or use for any purpose any Confidential Information which the Consultant has obtained, except as authorized by the Client or as required by law. The obligations of confidentiality will apply during the Term and will survive indefinitely upon termination of this Agreement.
12. All written and oral information and material disclosed or provided by the Client to the Consultant under this Agreement is Confidential Information regardless of whether it was provided before or after the date of this Agreement and regardless of how it was provided to the Consultant.

OWNERSHIP OF INTELLECTUAL PROPERTY

13. All intellectual property and related material, including any trade secrets, moral rights, goodwill, relevant registrations or applications for registration, and rights in any patent, copyright, trademark, trade dress, industrial design and trade name (the "Intellectual Property") that is developed or produced under this Agreement, is a "work made for hire" and will be the sole property of the Client with the following exceptions:
 - a. Consultant retains the ownership rights to any facilitation materials including slide decks, handouts, survey designs, and related items that are used in the process of creating the work products described in item 1 but are not included in it;
 - b. Consultant retains ownership of their methods of facilitation and the right to employ them with other Clients.
14. In the use of Intellectual Property described in paragraph 13 above, but not that Intellectual Property specifically excluded in 13-a and 13-b, the Client will not be restricted in any manner.
15. The Consultant may not use the Intellectual Property owned by the Client for any purpose other than that contracted for in this Agreement except with the written consent of the Client. The Consultant will be responsible for any and all damages resulting from the unauthorized use of the Intellectual Property by the Consultant or their agents.

RETURN OF PROPERTY

16. Upon the expiration or termination of this Agreement, the Consultant will return to the Client any property, documentation, records, or Confidential Information which is the property of the Client.

CAPACITY/INDEPENDENT CONTRACTOR

17. In providing the Services under this Agreement it is expressly agreed that the Consultant is acting as an independent contractor and not as an employee. The Consultant and the Client acknowledge that this Agreement does not create a partnership or joint venture between them, and is exclusively a contract for service. The Client is not required to pay, or make any contribution to, any social security, local, state, or federal tax, unemployment compensation, worker's compensation, insurance premium, pension, or any other employee benefit for the Consultant during the Term. The Consultant is responsible for paying, and complying with reporting requirements for all local, state, and federal taxes related to payment made to the Consultant under this Agreement.

RIGHT OF SUBSTITUTION

18. Except as otherwise provided in this Agreement, the Consultant may, at the Consultant's absolute discretion, engage a third-party sub-contractor to perform some or all of the obligations of the Consultant under this Agreement.

19. In the event that the Consultant hires a sub-contractor:

- a.** The Consultant will pay the sub-contractor for its services and the Compensation will remain payable by the Client to the Consultant.
- b.** For the purposes of the indemnification clause of this Agreement, the sub-contractor is an agent of the Consultant.

AUTONOMY

20. Except as otherwise provided in this Agreement, the Consultant will have full control over working time, methods, and decision-making in relation to provision of the Services in accordance with the Agreement. The Consultant will work autonomously and not at the direction of the Client. However, the Consultant will be responsive to the reasonable needs and concerns of the Client.

EQUIPMENT

21. Except as otherwise provided in this Agreement, the Consultant will provide at the Consultant's own expense, any and all equipment, software, materials, and any other supplies necessary to deliver the Services in accordance with the Agreement. Client will provide, at the Client's own expense, reasonable facilities for the in person meetings described under item 1 of this Agreement including space, furniture, fixtures, equipment, and food/beverage required by Client's stakeholders.

NO EXCLUSIVITY

22. The Parties acknowledge that this Agreement is non-exclusive and that either Party will be free, during and after the Term, to engage or contract with third parties for the provision of services similar to the Services provided in this Agreement.

NOTICE

23. All notices, requests, demands, or other communications required or permitted by the terms of this Agreement will be given in writing and delivered to the Parties at the following addresses:

- a.** Attn: Luke Peterson
Hibbing Public Utilities
1902 6th Ave E.
Hibbing, MN 55746
via email to: luke.peterson@hpuc.com

- b.** Attn: Karleen Kos
Minnesota Municipal Utilities Association
600 Highway 169 S, Ste 701
St. Louis Park, MN 55426
via email to: kkos@mmua.org

or to such other address as either Party may from time to time notify the other to substitute. Communications will be deemed to be properly delivered (a) immediately upon being served personally, (b) immediately if sent by email and receipt is acknowledged via return email, (c) two days after being deposited with the postal service if served by registered mail, or (d) the following day after being deposited with an overnight courier.

INDEMNIFICATION

24. Except to the extent paid in settlement from any applicable insurance policies, and to the extent permitted by applicable law, each Party agrees to indemnify and hold harmless the other Party, and its respective directors, members, ratepayers, affiliates, officers, agents, employees, and permitted successors and assigns against any and all claims, losses, damages, liabilities, penalties, punitive damages, expenses, reasonable legal fees and costs of any kind or amount whatsoever, which result from or arise out of any act or omission of the indemnifying party, its respective directors, members, ratepayers, affiliates, officers, agents, employees, and permitted successors and assigns that occurs in connection with this Agreement. This indemnification will survive the termination of this Agreement.

MEMBERSHIP REQUIREMENT

25. Client will maintain membership in good standing with the Minnesota Municipal Utilities Association for the duration of this Agreement.

MODIFICATION OF AGREEMENT

26. Any amendment or modification of this Agreement or additional obligation assumed by either Party in connection with this Agreement will only be binding if evidenced in writing signed by each Party or an authorized representative of each Party.

ASSIGNMENT

27. The Consultant will not voluntarily, or by operation of law, assign or otherwise transfer its obligations under this Agreement without the prior written consent of the Client.

ENTIRE AGREEMENT

28. It is agreed that there is no representation, warranty, collateral agreement, or condition affecting this Agreement except as expressly provided in this Agreement.

ENUREMENT

29. This Agreement will enure to the benefit of and be binding on the Parties and their respective heirs, executors, administrators and permitted successors and assigns.

TITLES/HEADINGS

30. Headings are inserted for the convenience of the Parties only and are not to be considered when interpreting this Agreement.

GENDER

31. Words in the singular mean and include the plural and vice versa. Words in the masculine mean and include the feminine and vice versa.

GOVERNING LAW

32. This Agreement will be governed by and construed in accordance with the laws of the State of Minnesota.

SEVERABILITY

33. In the event that any of the provisions of this Agreement are held to be invalid or unenforceable in whole or in part, all other provisions will nevertheless continue to be valid and enforceable with the invalid or unenforceable parts severed from the remainder of this Agreement.

WAIVER

34. The waiver by either Party of a breach, default, delay, or omission of any of the provisions of this Agreement by the other Party will not be construed as a waiver of any subsequent breach of the same or other provisions.

Dated and effective this _____ day of _____, 2025

FOR CONSULTANT

Karleen Kos, CEO
Minnesota Municipal Utilities Association

FOR CLIENT

Luke Peterson, General Manager
Hibbing Public Utilities