



Commission Meeting

JANUARY 13TH, 2026

Commission Meeting Agenda

January 13th, 2026

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

1. Year End 2025 Financial Recap & 2026 Capital Budget Discussion
2. Steam District Steering Committee Concept
3. Closed Session pursuant to Minn. Stat. § 13D.03



Item 1

Item 1 – Year End 2025 Financial Recap & 2026 Capital Budget

January 13th, 2025

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

RE: Item 1 – Year End 2025 Financial Recap & 2026 Capital Budget

Dear Commissioners;

The purpose of this agenda item is to provide a year-end financial discussion that includes a review of the 2025 Operating Results (P&L) and a Capital Budget Update reflecting where we closed the year, as a lead-in to finalizing the 2026 Capital Improvement Plan.

Attached for your review is the draft December 31, 2025 Operating Income and Expense Report, which summarizes system-level performance across Electric, Water, Gas, and Steam operations

Overall, the utility closed the year with a positive change in net position, supported by strong non-operating revenues, including investment income and grant funding. At the system level, Water and Gas operations performed favorably relative to budget, while Electric and Steam results were in line with budget.

Also included is a 2025 Capital Budget Tracking Summary, showing forecasted versus actual capital investment by utility and functional area through year-end

Total capital utilization for 2025 closed at approximately 77%, with notable variances driven by project timing, labor allocation across projects, grant-funded scope additions, and the deferral or pacing of certain projects like the Beltline Substation.

These outcomes provide important context as staff evaluates carry-forward items, sequencing of future work, and alignment with available funding sources.

Tonight's discussion is intended to:

Review where the utility ended 2025 financially and operationally

Highlight key variances and lessons learned from the 2025 capital program

Frame the assumptions and constraints informing the proposed 2026 capital plan

Prepare the Commission for final action on the 2026 Capital Improvement Plan at an upcoming meeting

This item is presented for discussion and direction. Staff welcomes Commissioner feedback on priorities, risk tolerance, pacing of investment, and any adjustments you would like considered as we move toward finalizing the 2026 capital plan.

Thank you, and I look forward to the discussion.

Sincerely;

A handwritten signature in black ink that reads "Luke J. Peterson". The signature is written in a cursive, flowing style.

Luke J. Peterson

Hibbing Public Utilities Commission

Operating Income/Expenses

December 31, 2025

100% of the year
completed

	Jan-Dec 2025 Actual	Annual Budget	% of budget
Electric			
Operating Revenues	17,942,432	18,034,914	
Other Revenue	313,117	221,118	
Total Electric Revenue	18,255,549	18,256,032	100%
Operating Expenses	(15,731,062)	(17,107,709)	
Depreciation and Amortization	(3,678,087)	(3,286,090)	
Total Electric Expenses	(19,409,149)	(20,393,799)	95%
Operating Income (Loss)	(1,153,600)	(2,137,767)	54%
Water			
Operating Revenues	3,002,525	3,208,498	
Other Revenue	98,019	63,348	
Total Water Revenue	3,100,544	3,271,846	95%
Operating Expenses	(1,589,990)	(1,850,443)	
Depreciation	(1,033,249)	(1,020,000)	
Total Water Expenses	(2,623,239)	(2,870,443)	91%
Operating Income (Loss)	477,305	401,403	119%
Gas			
Operating Revenues	8,181,434	8,383,697	
Other Revenue	75,035	52,191	
Total Gas Revenue	8,256,468	8,435,888	98%
Operating Expenses	(5,388,226)	(5,171,544)	
Depreciation	(381,786)	(366,000)	
Total Gas Expenses	(5,770,012)	(5,537,544)	104%
Operating Income (Loss)	2,486,456	2,898,344	86%
Steam			
Operating Revenues	2,272,107	2,504,308	
Other Revenue	98,275	20,997	
Total Steam Revenue	2,370,383	2,525,305	94%
Operating Expenses	(2,696,409)	(2,378,563)	
Depreciation	(1,002,610)	(1,018,800)	
Total Steam Expenses	(3,699,019)	(3,397,363)	109%
Operating Income (Loss)	(1,328,637)	(872,058)	
Net Operating Income/Expense	481,524	289,922	166%
Nonoperating Revenues (Expenses)			
Investment Income	1,766,610		
Changes in Equity in LEA	(78,732)		
Interest Expense	(216,881)		
Misc nonoperating income (expense)	8,824		
Grant income	4,008,843		
Total nonoperating revenue (expenses)	5,488,665	-	
Change in Net Position	5,970,189	289,922	

**Hibbing Public Utilities
Capital Budget Tracking
December, 2025**

\$ Thousands

	Forecast 2025	Actual YTD 2025	% utilized
Electric			
HREC	6,000	6,017	
Electric Distribution	3,000	1,805	
Substation Construction	5,800	4,780	
Total Electric	14,800	12,602	85%
Water			
South Water Treatment Plant	4,612	5,084	*A
Water Treatment - Carey Valley	1,000	123	
Water Distribution	10,000	11,051	*B
Total Water	15,612	16,258	104%
Gas			
Gas Distribution	150	456	*C
Total Gas	150	456	304%
Steam			
Steam investments	2,500	839	
Total Steam	2,500	839	34%
Admin			
AMI	5,000	639	
Facilities - Including Fleet and Equip	2,250	854	
IT & Communications	1,000		*D
Total Admin	8,250	1,493	18%
Total Capital Budget	\$ 41,312	\$ 31,648	77%

*A - Labor is allocated to all capital projects. It was not included in the budgeted amount.

*B - Includes \$2M for Phase 2 of sliplining project to Wegner Road (unbudgeted/grant paid)

*C - Includes \$175K to Nagel Companies for 23rd Street project (unbudgeted)

*D - IT spending included in facilities



HIBBING PUBLIC UTILITIES 2026-2030 CAPITAL IMPROVEMENT PLAN

Watermain Capital Improvement Plan						
CIP Project #	Project Name	2026	2027	2028	2029	2030
2026-01W	E 23rd Street Phase 2	\$ 674,600.00				
2026-02W	Greenhaven Phase 1	\$ 2,421,200.00				
2026-03W	Wegner Road Loop	\$ 1,640,900.00				
2026-05W	Annual Hydrant & Valve Replacement	\$ 1,250,000.00				
2026-11W	Hospital Private Water	\$ 2,520,000.00				
2027-01W	Greenhaven Phase 2		\$ 4,371,000.00			
2027-02W	E 25th Street Phase 1		\$ 1,823,200.00			
2027-03W	TH 169 (Slip lining)		\$ 2,740,600.00			
2027-04W	Annual Hydrant & Valve Replacement		\$ 1,250,000.00			
2027-10W	Lead Service Line Replacement		\$ 500,000.00			
2028-01W	E 25th Street Phase 2			\$ 1,823,200.00		
2028-02W	Kelly Lake			\$ 6,740,000.00		
2028-03W	Annual Hydrant & Valve Replacement			\$ 1,250,000.00		
2028-06W	Lead Service Line Replacement			\$ 500,000.00		
2029-02W	2nd Avenue W				\$ 4,179,400.00	
2029-03W	Annual Hydrant & Valve Replacement				\$ 1,250,000.00	
2029-07W	3rd Ave E				\$ 2,300,000.00	
2029-08W	Lead Service Line Replacement				\$ 500,000.00	
2030-01W	9th Avenue E					\$ 2,480,400.00
2030-02W	Kitzville					\$ 4,028,400.00
2030-03W	Annual Hydrant & Valve Replacement					\$ 1,250,000.00
2030-07W	Lead Service Line Replacement					\$ 500,000.00
Total		\$ 8,506,700.00	\$ 10,684,800.00	\$ 10,313,200.00	\$ 8,229,400.00	\$ 8,258,800.00

DRAFT AS PRESENTED 11/6/25



**HIBBING PUBLIC UTILITIES
2026-2030 CAPITAL IMPROVEMENT PLAN**

Gas Capital Improvement Plan						
CIP Project #	Project Name	2026	2027	2028	2029	2030
2026-08G	Gas Distribution Model	\$ 100,000.00				
Total		\$ 100,000.00	\$ -	\$ -	\$ -	\$ -

DRAFT AS PRESENTED 11/6/25



HIBBING PUBLIC UTILITIES 2026-2030 CAPITAL IMPROVEMENT PLAN

Steam Capital Improvement Plan						
CIP Project #	Project Name	2026	2027	2028	2029	2030
2026-01S	E 23rd St Phase 2	\$ 373,600.00				
2026-06S	Industrial Road & E 19th St	\$ 2,660,700.00				
2026-12S	Annual Steam Maintenance Replacements	\$ 500,000.00				
2027-02S	E 25th Street Phase 1		\$ 275,000.00			
2027-05S	7th Ave E		\$ 1,150,000.00			
2027-09S	Annual Steam Maintenance Replacements		\$ 500,000.00			
2028-01S	E 25th Street Phase 2			\$ 2,057,100.00		
2028-05S	Annual Steam Maintenance Replacements			\$ 500,000.00		
2029-04S	2029 Steam TBD Project				\$ 1,500,000.00	
2029-06S	Annual Steam Maintenance Replacements				\$ 500,000.00	
2030-04S	2030 Steam TBD Project					\$ 1,500,000.00
2030-06S	Annual Steam Maintenance Replacements					\$ 500,000.00
Total		\$ 3,534,300.00	\$ 1,925,000.00	\$ 2,557,100.00	\$ 2,000,000.00	\$ 2,000,000.00

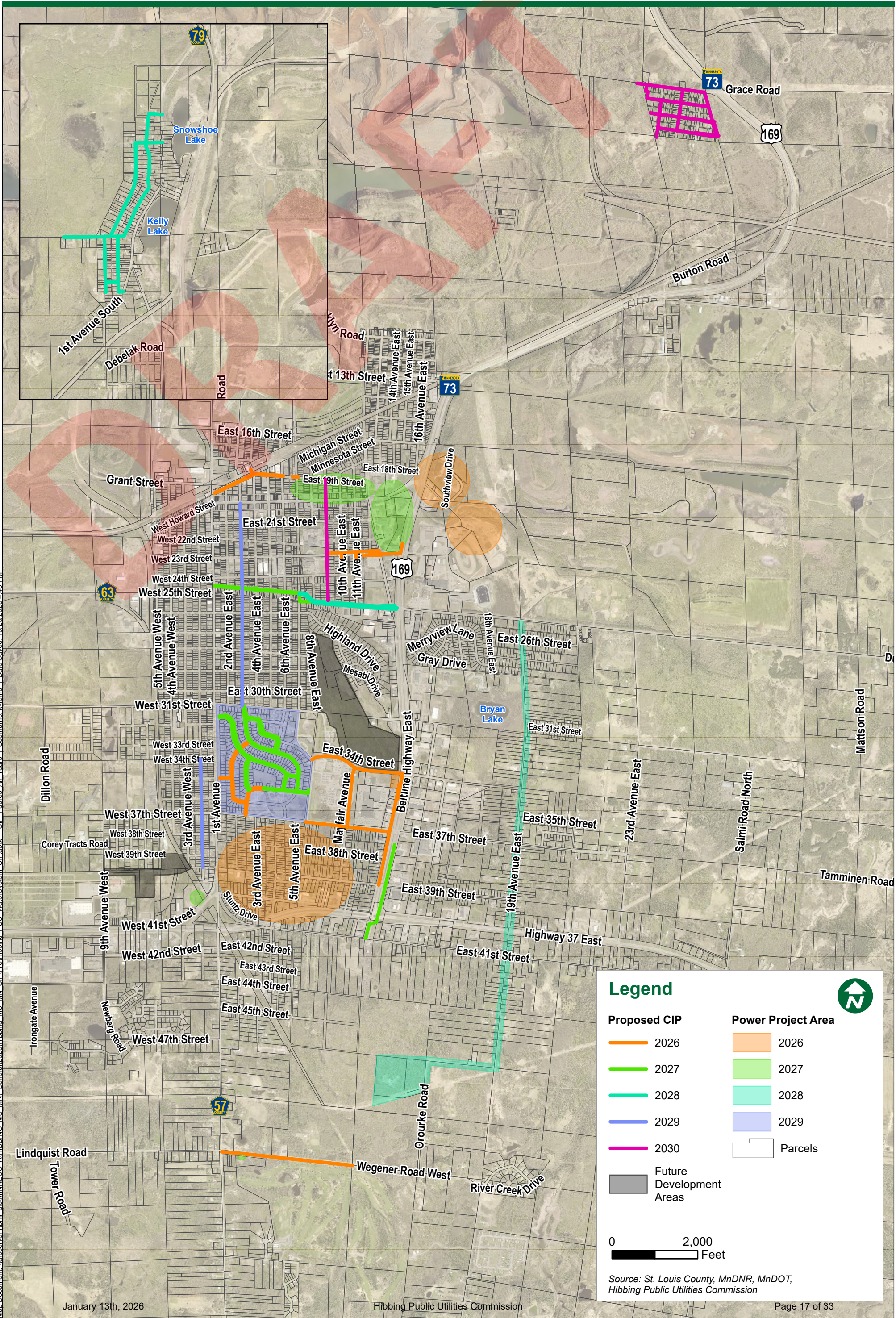
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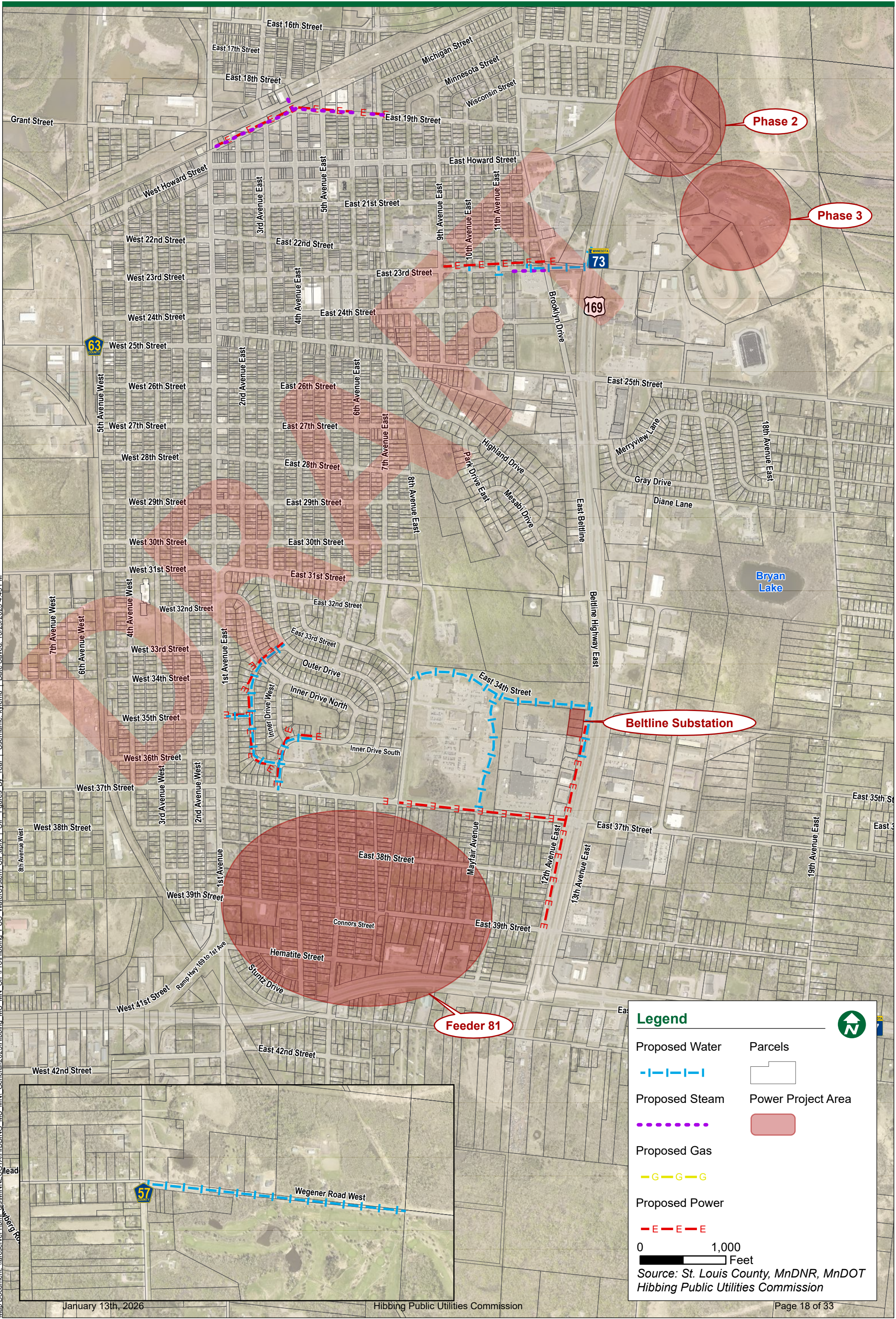
HIBBING PUBLIC UTILITIES 2026-2030 CAPITAL IMPROVEMENT PLAN

Power Capital Improvement Plan						
CIP Project #	Project Name	2026	2027	2028	2029	2030
2026-01P	E 23rd St Phase 2 - Underground Lighting	\$ 100,000.00				
2026-02P	Greenhaven Phase 1 - Underground Lighting	\$ 100,000.00				
2026-06P	Industrial Road & E 19th St - Vaults & Switch	\$ 500,000.00				
2026-08P	Utility Network - Distribution System Modeling	\$ 100,000.00				
2026-09P	Beltline Substation Reconstruction	\$ 1,500,000.00				
2026-10P	Feeder 15 PH 2 & 3 - 2400V to 13.8KV Conversion	\$ 1,500,000.00				
2026-13P	Feeder 81 - 4160V to 13.8KV Conversion	\$ 300,000.00				
2026-14P	Feeder 61 - 2400V to 13.8KV Conversion	\$ 100,000.00				
2027-01P	Greenhaven Phase 2 - Underground Lighting		\$ 300,000.00			
2027-02P	E 25th Street Phase 1 - Underground Lighting		\$ 300,000.00			
2027-06P	Wegener Sub - 4KV to 13.8KV Conversion		\$ 500,000.00			
2027-07P	Feeder 15 PH 4 & 5 - 2400V to 13.8KV Conversion		\$ 500,000.00			
2027-08P	LED Street Light Conversion		\$ 1,000,000.00			
2027-11P	Decomission Gas Plant Substations		\$ 500,000.00			
2028-01P	E 25th Street Phase 2 - Underground Lighting			\$ 300,000.00		
2028-07P	Feeder 2 Recabling			\$ 500,000.00		
2029-05P	Voltage Conversion Feeder TBD				\$ 500,000.00	
2030-05P	Voltage Conversion Feeder TBD					\$ 500,000.00
Total		\$ 4,200,000.00	\$ 3,100,000.00	\$ 800,000.00	\$ 500,000.00	\$ 500,000.00

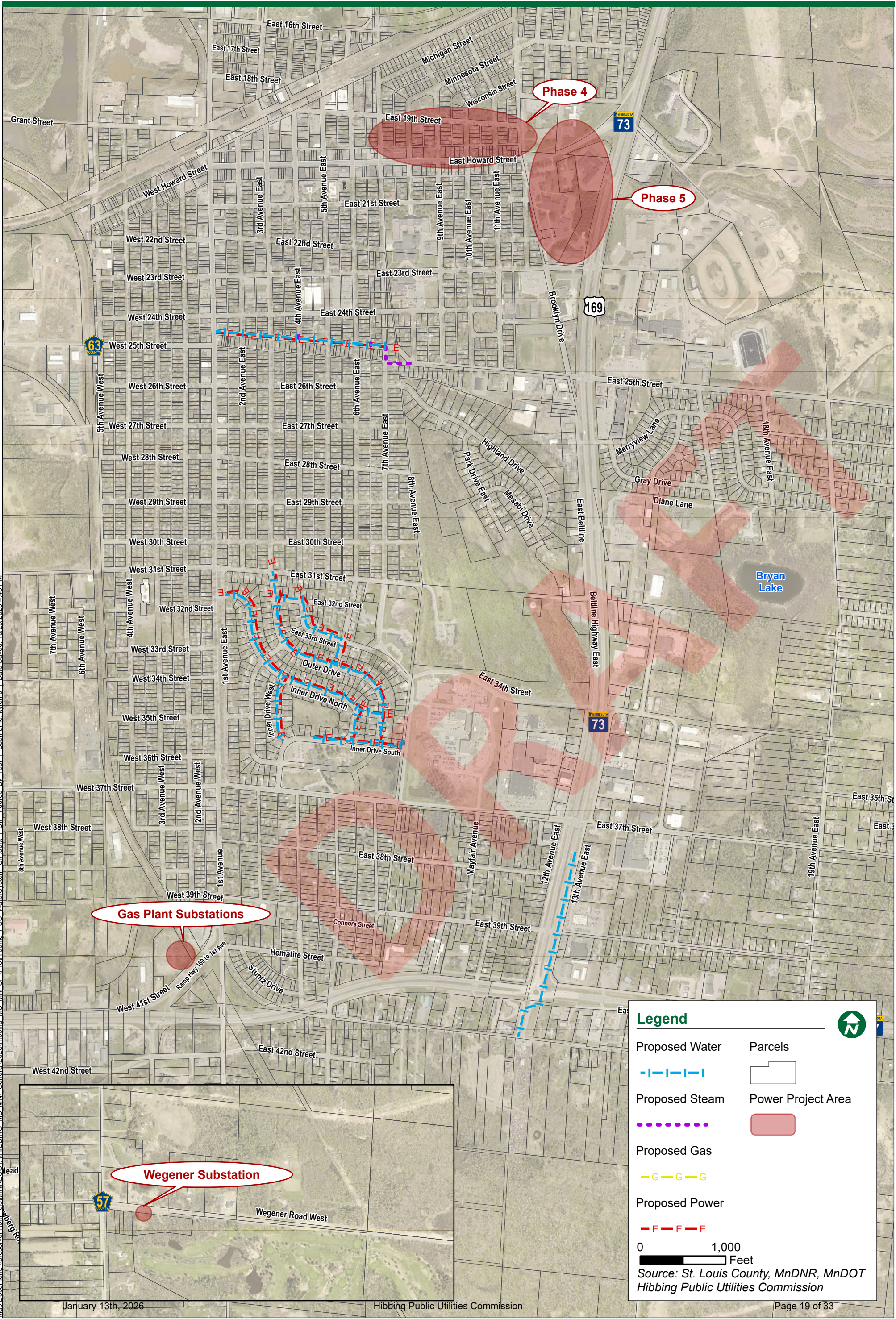
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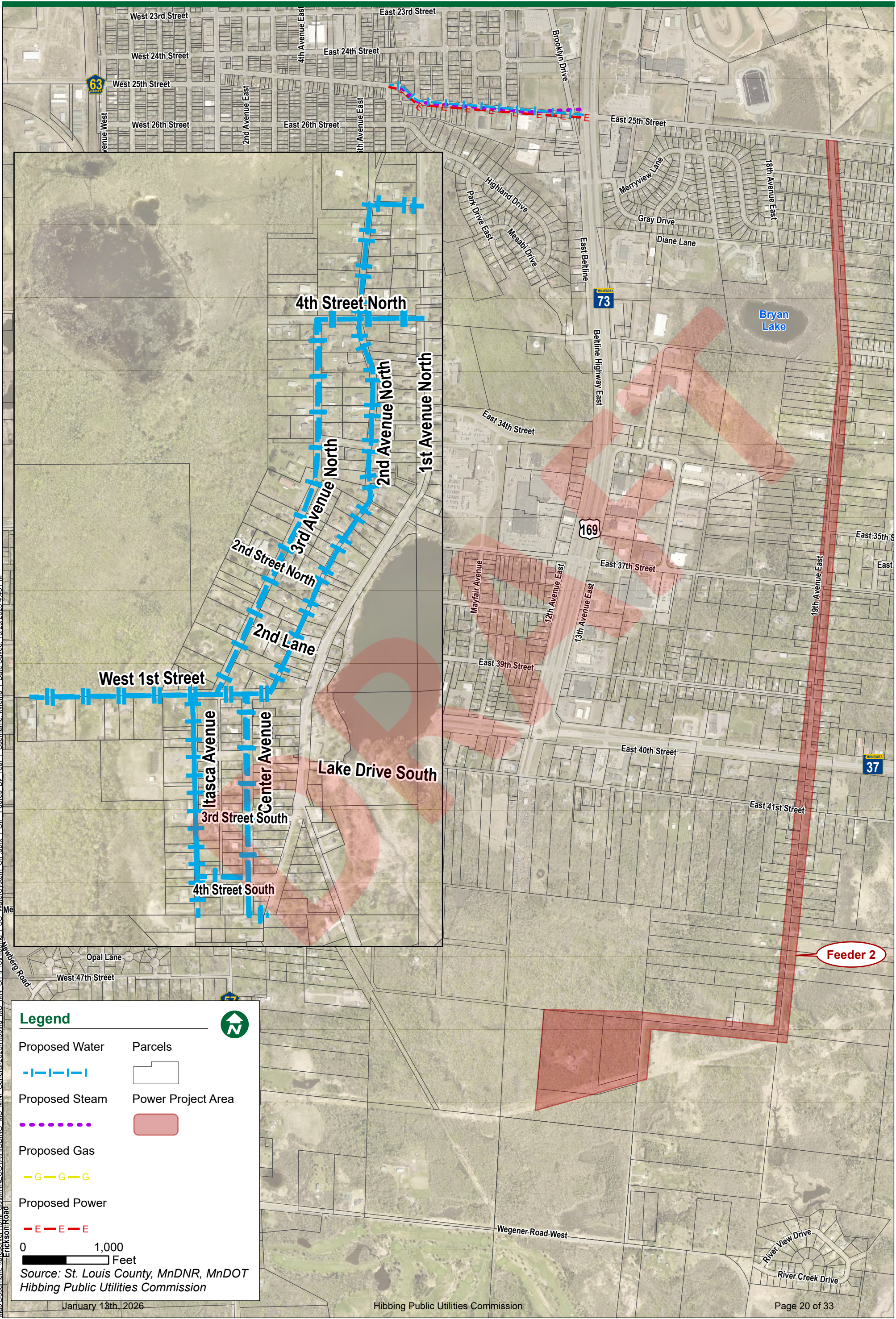
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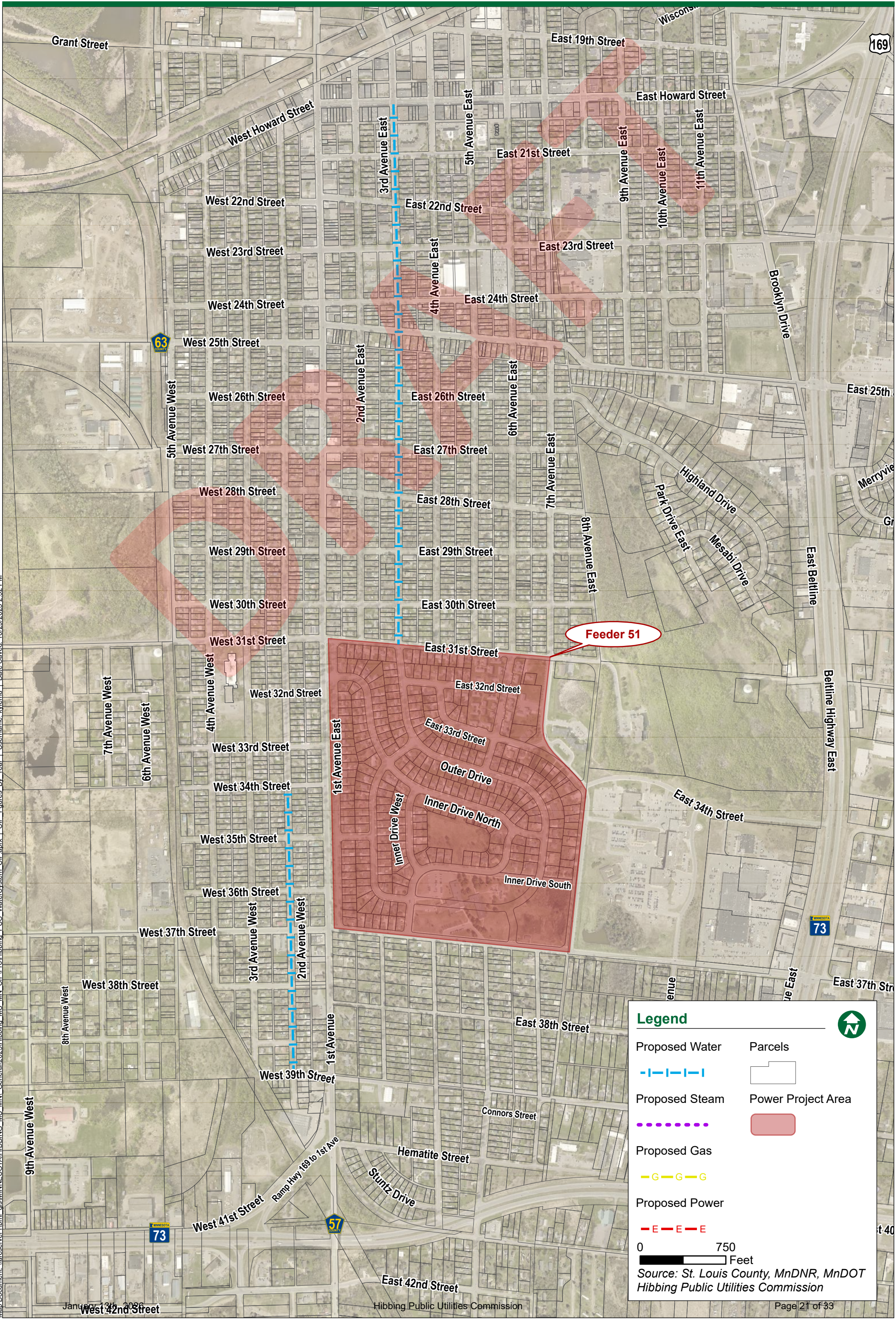
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Legend

Proposed Water
- - - - -

Proposed Steam
.....

Proposed Gas
- G - G - G

Proposed Power
- E - E - E

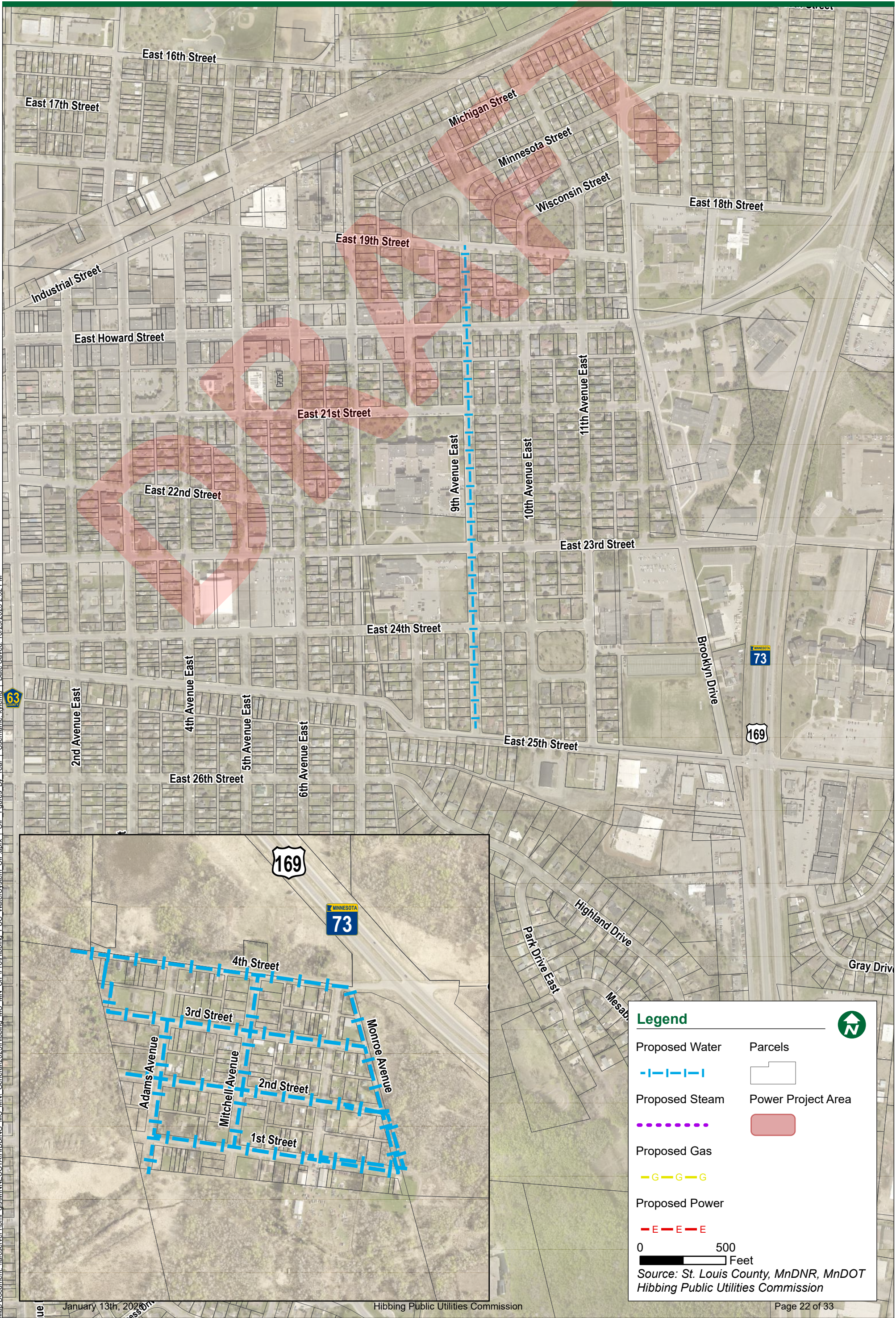
Parcels
[Outline]

Power Project Area
[Red Box]

0 750
Feet

Source: St. Louis County, MnDNR, MnDOT
Hibbing Public Utilities Commission

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Item 2

Item 2 – Discuss Steam District Steering Committee Concept

January 13th, 2025

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

RE: Item 2 – Steam District Steering Committee Concept

Dear Commissioners;

The purpose of this discussion item is to establish a Steam District Steering Committee for calendar year 2026 and to seek Commission feedback on the concept, scope, and structure of the committee prior to formal action.

The community steam system serves a wide range of customers, including major institutions, local businesses, and residential homeowners. As the Commission considers future planning, investments, and policy direction related to the steam system, staff believes it is appropriate to create a structured and representative forum to gather stakeholder input and better understand community priorities and expectations.

The proposed Steering Committee would serve in a strictly advisory capacity, with no decision-making authority. Its role would be to advise the Commission on community desire and requirements for the steam system, help identify priority issues, and provide perspective on potential next steps. Membership would include representatives from the largest steam customers—such as Fairview Range Hospital, Minnesota North College, the City of Hibbing, and the Hibbing School District—as well as residential homeowners, local businesses, and the Hibbing Area Chamber of Commerce.

Staff is proposing that the committee meet four times in 2026, with the initial meetings focused on confirming the scope and mandate of the committee, followed by discussion of priorities and key issues facing the steam system. Staff would facilitate the meetings and provide summary reports back to the Commission to ensure transparency and continuity.

Tonight's item is intended for discussion only. Staff is seeking Commissioner input on the proposed structure, representation, and objectives of the committee, and whether the Commission wishes to proceed with formal establishment at a future meeting.

Thank you, and I look forward to your guidance.

Sincerely;

A handwritten signature in black ink that reads "Luke J. Peterson". The signature is written in a cursive style with a large, stylized 'L' and 'P'.

Luke J. Peterson

Proposal to Establish a Steam District Steering Committee

Hibbing Public Utilities – 2026

Purpose

Hibbing Public Utilities (HPU) proposes the formation of a **Steam District Steering Committee** to provide structured, representative input to the Hibbing Public Utilities Commission on the future of the community steam system. The committee will serve in an advisory capacity only and will help ensure that community needs, priorities, and expectations are clearly understood as the Commission considers next steps for the steam system.

Background

The steam district is a critical piece of Hibbing's energy and community infrastructure, serving major institutional customers, businesses, and residential homeowners. As HPU evaluates long-term operational, financial, and strategic considerations for the system, it is important to formally engage stakeholders who rely on steam service and represent the broader community interest.

Committee Role and Scope

The Steam District Steering Committee will:

- Serve as an **advisory body** to the Hibbing Public Utilities Commission
- Provide input on **community desire, service expectations, and system requirements**
- Review and discuss the **scope, purpose, and mandate** of the committee itself
- Identify and advise on **priority issues and next steps** related to the steam system
- Offer perspective on affordability, reliability, resiliency, customer impacts, and community value

The committee will **not** have decision-making authority and will not direct staff or operations. Even so, it is believed, the Committee will serve a great benefit by providing a source of information and formal recommendations the Commission can use in making strategic decisions about the future of the utility.

Committee Composition

To ensure balanced and representative input, the committee will include:

- Representatives from the **largest steam customers**, including:
 - Fairview Range Hospital
 - Minnesota North College (Hibbing Campus)
 - City of Hibbing
 - Hibbing Public Schools
- **Residential steam customers / homeowners**
- **Local business representatives**
- **Hibbing Area Chamber of Commerce**
- **Commission Representative(s)**
- HPU staff facilitation and engineering support where necessary.

Appointments will be recommended by staff and confirmed by the Commission.

Meeting Frequency and Duration

- The committee will meet **four (4) times during calendar year 2026**
- Meetings will be scheduled quarterly or as determined by the committee and staff
- Each meeting will be structured with a clear agenda and defined outcomes

Expected Outcomes

By the conclusion of the 2026 meeting cycle, the committee is expected to:

- Provide a clear summary of **community priorities and concerns**
- Offer recommendations on **key focus areas** for the steam system
- Help inform Commission discussion on **future planning, studies, or engagement efforts**
- Establish whether continued stakeholder engagement is warranted beyond 2026

Reporting

Committee feedback and recommendations will be summarized by staff and presented to the Hibbing Public Utilities Commission following each meeting, or at key milestones, to ensure transparency and accountability.

Recommendation

Staff recommends that the Hibbing Public Utilities Commission approve the formation of the Steam District Steering Committee for calendar year 2026 and authorize staff to proceed with member outreach, scheduling, and facilitation.



Item 3

Item 3 – Closed Session Pursuant to Minn. Stat. § 13D.03,

January 13th, 2025

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

RE: Item 3 – Closed Session Pursuant to Minn. Stat. § 13D.03,

Dear Commissioners;

Under Minn. Stat. § 13D.03, the Commission may close a public meeting to discuss Strategy for Labor Negotiations. Staff is recommending to enter closed session in alignment with state statute.

Sincerely;



Luke J. Peterson