

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
March 27, 2012

Members Present: Mr. Williams, *Mr. Hanson, Mr. Reichert, Mr. Stahl and Mr. Browning
Absent: None
Also Present: Mr. Adkins, City Attorney

Board President Williams called the meeting to order at 4:03 PM.

1. Mr. Reichert moved to approve the minutes of the February 28, 2012 meeting as amended, seconded by Mr. Stahl.

All voting "AYE"

2. Mr. Reichert moved to approve the payables report, seconded by Mr. Browning.

All voting "AYE"

3. Mr. Williams opened the meeting for comments from the public. No one wished to be heard.

Mr. Wylie Rindels was recognized for his 33 years of service to Rochester Public Utilities and the citizens of Rochester.

4. Mr. Bill Angerman, representing Lake Zumbro Forever, Inc., appeared before the Board to discuss the Lake Zumbro restoration project. The objective of the project is to improve fish and wildlife habitat, increase hydroelectric power potential and provide recreation by dredging approximately 1 million cubic yards of sediment from the lake bed. The DNR estimates \$1.5 million in local economic stimulus from summer fishing alone. The estimated cost of the project is \$10 million. Feasibility studies and preliminary engineering have been completed. The project is now in the funding development stage and stakeholders are working towards a 2013 dredging project.

Funding for this project is included in the Rochester area bonding requests. Regardless of the final cost-sharing ratio of state to local dollars, local match funding will be required. The local match will have to be provided by some combination of county funding, RPU funding and taxation of lake residents through a Lake Improvement District (LID). RPU's contribution could range from \$834,000 to \$1,667,000.

Mr. Hensel, Director of Field Services, asked for Board direction regarding RPU funding for the restoration project. As stated in the For Board Action form, if the Board supports cost-sharing for this project, an item will be included in the 2013 Electric Utility operating budget and RPU's level of financial support will be communicated to Lake Zumbro Forever.

Mr. Browning asked how critical the dam output is for meeting RPU's renewables. Mr. Schlink, Director of Power Resources, said the dam is the primary resource for RPU's renewables through 2030. RPU spends \$25,000 on this 2.6 MW facility annually. It was rebuilt in 1998 and is inspected annually. Mr. Hensel said that with this type of maintenance, the dam could continue to operate forever. Mr. Hensel said the benefit of the dam is \$1 million per year. Mr. Stall noted that RPU is being asked to make a one-time contribution for the dam of \$800,000 to \$1.7 million which would cover a period of 30 years or longer. Mr. Stahl asked what the impact to the dam would be if the lake was not dredged. Mr. Koshire said that without the hydro dam, RPU would need to buy energy from the Southern Minnesota Municipal Power Agency as well as renewable energy credits (RECs). Mr. Williams said that if the dam were shut down, RPU would need to come up with \$1 million per year. In other words, between now and 2030, we would save \$18 million by approving the funding.

After additional discussion, Mr. Williams said it was the consensus of the Board that RPU management start planning in the 2013 budget for an \$834,000 to \$1.67 million investment for a three party involvement in the costs of the project as stated by staff to be provided by some combination of county funding, RPU funding and taxation of lake residents through a Lake Improvement District (LID).

5. Mr. Rovang, Senior Civil Engineer, provided the Board with an update on two meetings he attended on the Fourth Street SE Reservoir replacement. The meetings were sponsored by Committee on Urban Design and Environment (CUDE) and the Rochester Downtown Alliance (RDA). He said that the feedback provided by those present was that everyone understands the need to replace the reservoir which was constructed in 1917. He also said that City Administration was not in favor of replacing the reservoir at the current site. The RDA Board took no action at their meeting. Mr. Rovang believes that they received good comments during these meetings. Mr. Williams was present at both meetings and noticed that the RDA members gasped when they saw a picture of a water tower downtown, or the fairly large underground structure that was proposed in place of a water tower. Either structure would take away approximately 360 parking spaces from the downtown area. Mr. Williams suggested that the members of the Public Utility Board visit each of the alternative sites in person. These alternatives include, but are not limited to, the downtown area where the current reservoir stands, the Saint Marys Park site, and a yet to be determined site in the K-Mart/AMPI area. However, nothing is off the table as staff continues to look at alternative site possibilities. The Board will discuss this topic further at their March or April meeting. Mr. Koshire said the consultant will also do a little more work on this project.
6. The proposed 2012 Collective Bargaining Agreement between the City of Rochester and the International Brotherhood of Electrical Workers Local 949 Outside Group was discussed. Mr. Hanson moved to approve the Agreement, seconded by Mr. Browning.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota that the Common Council of the said City is requested to approve a 2012 Collective Bargaining Agreement with IBEW, Outside Group, Local 949, and the City of Rochester Public Utility Board, and that the Common Council authorize the Mayor and the City Clerk to execute the document.

7. Bids for directional boring and miscellaneous excavation were reviewed by the Board. Management recommended a multi-year contract agreement for the work. Mr. Hanson moved to approve a multi-year agreement with MasTec North America, Inc. contingent upon approval of the RPU budget in future years, seconded by Mr. Stahl.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, that the Common Council of the said City is requested to approve a multi-year contract agreement with MasTec North America, Inc., subject to final review by the City Attorney, and contingent upon approval of RPU's budget in future years by the Board and Council, and that the Common Council authorize the Mayor and the City Clerk to execute the agreement for

Directional Boring and Miscellaneous Excavation Work

The annual value of the contract agreement to be determined based on quantity of work performed in a given year per the bid specification, and MasTec North America, Inc. being lowest responsible bidder.

8. Mr. Cook, Senior Electrical Engineer, informed the Board that the Mayo Clinic is installing approximately 10 miles of outside fiber in conduit as part of a communication loop between their downtown facilities and their new data center. The City of Rochester would like to have conduit installed by Mayo's contractor along parts of the route for the City's communication background. There is a considerable cost savings if this work is done now. Mr. Stahl asked about incremental costs and the license fee. Mr. Cook said there was no license fee. Mr. Cook explained that the access fee is towards incremental costs. Mr. Adkins said the Agreement should have stated incremental costs rather than access fee. Mr. Browning stated that he was not directly involved in the project so he could comment on it. He asked what the project was for. Mr. Cook told him that RPU needs communication capacity. He also said that Smart Grid requires a massive communication infrastructure.

Mr. Hanson moved to approve the License Agreement subject to removal of the word "fees" and insertion of the term "incremental costs," seconded by Mr. Reichert.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, that the Common Council of the said City is requested to approve a license agreement with Mayo Clinic and that the Common Council authorize the Mayor and the City Clerk to execute the agreement for

A License Agreement for the joint use of pathways for the
Placement of communication infrastructure

* Mr. Hanson left the meeting at this time.

9. The Board discussed the final versions of the following Board Policies:

- Board Responsibilities and Functions (Policy #2)
- Board Organization (Policy #4)
- Board Procedures (Policy #5)
- Worker Safety (Policy #11)

The policies have been reviewed by the City Attorney to ensure accurate interpretation of Rochester's Home Rule Charter and Minnesota Statutes. The policies were reviewed individually during the meeting.

Mr. Reichert moved to approve Policy #2 "Board Responsibilities and Functions." Mr. Stahl suggested deleting "~~Trusteeship and decision making~~" from item 3 in the policy. Mr. Reichert moved to amend his motion by unanimous consent and without objection to make that change, seconded by Mr. Browning.

All voting "AYE"
Motion Carried

Mr. Stahl moved to approve Policy #4 "Board Organization." He suggested changing the last sentence of item #3 to read, "*The President pro tem shall serve until the President becomes available.*" Mr. Stahl moved to amend his motion by unanimous consent and without objection to make that change, seconded by Mr. Reichert.

All voting "AYE"
Motion Carried

Mr. Stahl suggested adding the word "regular" to item #9 in Policy #5 "Board Procedures" to read, "*At all regular Board meetings an opportunity for the public to speak will be provided during the first fifteen minutes of the meeting.*" Mr. Stahl moved to approve Policy #5 as revised, seconded by Mr. Reichert.

All voting "AYE"
Motion Carried

Mr. Stahl moved to approve Policy #11 "Worker Safety," seconded by Mr. Reichert.


All voting "AYE"
Motion Carried

- 10. The General Manager provided the following report to the Board:
 - a. RPU was awarded the "Best Tasting Water" award at the 2012 American Water Works Association (AWWA) for southeast Minnesota.
 - b. RPU's tenth annual Arbor Day celebration will be held on Friday, April 27 from 11:00 a.m. to 1:00 p.m. at Mayo Park in downtown Rochester. Trees will be given away. There will also be free food and a variety of family activities.
- 11. The management reports were discussed. Mr. Reichert said RPU had a very successful year-end audit. There will be a presentation by the auditor at the April meeting.
- 12. Mr. Reichert moved to adjourn the meeting, seconded by Mr. Stahl.

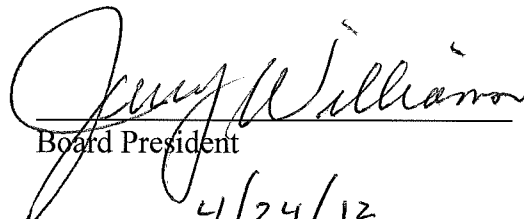
All voting "AYE"

The meeting adjourned at 5:30 p.m.

Submitted by:


Secretary

Approved by the Board:


Board President
Date 4/24/12