

FOR BOARD ACTION

Agenda Item # 5

Meeting Date:

12/11/12

SUBJECT:

Approval of CapX 2020 Transmission Project Agreements

PREPARED BY:

Mark Kotschevar, Director of Core Services
Randy Anderton, Manager of Engineering

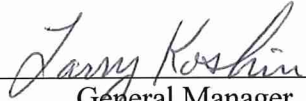
ITEM DESCRIPTION:

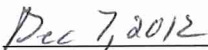
In June of 2002, RPU staff initiated a study to identify future transmission capacity necessary in order to reliably serve the future Rochester area load. Several upgrades to the existing transmission system were completed as a result of that study but the long term results showed the need for a more regional transmission solution in the future. In 2006 RPU along with six other regional utilities performed the Southeastern Minnesota - Southwestern Wisconsin Reliability Enhancement Study in order to develop the most cost effective regional solution to long term load service and reliability. In parallel to the RPU 2006 study, Xcel Energy was studying additional transmission needs in other areas of the State under an initiative called CapX 2020. It became apparent after completion of the 2006 study that there were significant benefits for RPU to join the CapX 2020 group and have the regional solution included as part of the multi-state CapX 2020 plan. The work with the CapX 2020 group culminated in the Hampton-North Rochester-LaCrosse 345 kV line and two associated 161kV lines to our Northern Hills and Chester substations being the most cost effective regional solution to RPU's transmission needs.

As a result, the Board approved a resolution in February of 2007 recommending the City Council approve the City entering into a Project Development Agreement with Dairyland Power Cooperative, Southern Minnesota Municipal Power Agency, Wisconsin Public Power Inc., and Xcel Energy to begin the engineering and permitting process for the Hampton-North Rochester- LaCrosse transmission project as a member of CapX 2020. In addition to the CapX 2020 studies, the 2012 update to the 2005 Infrastructure Plan prepared by Burns & McDonnell, states that RPU's investment in the CapX projects will increase the ability to rely more on the market for capacity.

RPU's ownership share of the project is based on our load ratio share between the five utilities and calculates out to 9%. To date, RPU's 9% contribution to the project under the existing PDA has been \$2.2 million. The work under the PDA has resulted in the project securing the necessary Certificate of Need and Route Permits for construction. The scope of the PDA is nearing completion and the project is ready for the participants to enter into the next phase of project agreements.

The project agreements team along with Nixon-Peabody, counsel representing the CapX group, and Winthrop & Weinstine, counsel representing the City, has drafted twelve project agreements necessary for the construction, ownership, and operations of the transmission facilities. The Board and City Attorney have received under separate cover those agreements along with a summary of the key agreements from Nixon-Peabody. In addition, Winthrop and Weinstine has assisted the City Attorney in reviewing the agreements on behalf of the City. A couple of key issues that are addressed in the agreements are:


General Manager


Date

FOR BOARD ACTION

Agenda Item # 5

Meeting Date:

12/11/12

The Joint Cooperation Agreement sets up a Management Committee under which each owner has a representative. All decisions in respect to constructing, equipping, designing, operating, maintaining, and administering the project will be made by the owners acting through the Management Committee. There are three levels of voting depending on the issue and in no case can a single owner unilaterally exercise control over the project.

RPU is only obligated to 9% of the maximum project cap of \$551,109,471 or \$49,599,852 identified in the Construction Management Agreement. Should the project go over the cap, RPU has the option to invest additional monies in the project but it is not obligated to do so. This is a conservative estimate and includes future year material and labor escalation along with a 15% project contingency. It is anticipated that these project costs will be financed and the debt service costs have been included in the 2013 budget and in the pro forma budget plans. Winthrop and Weinstine along with staff will be available at the Board meeting to answer any questions.

FOR CAPITAL PURCHASES/BIDS/MAJOR PROJECTS:

The total not to exceed project cost is established at \$49,599,852. It is anticipated that this project will be financed and if approved staff will present a financing recommendation in early 2013. The approved 2013 budget contains the necessary monies for the project.

UTILITY BOARD ACTION REQUESTED:

Management recommends that the Board request the Council approve various contract agreements in connection with the purchase of an interest in the proposed Southeast Twin Cities-Rochester-La Crosse Transmission Project (Minnesota) and Southeast Twin Cities-Rochester-La Crosse Transmission Project (Wisconsin) 125-mile, 345 kV transmission line and two 161 kV transmission lines that will run from the proposed North Rochester substation on the aforementioned line to Rochester, Minnesota's existing Northern Hills substation and to Rochester, Minnesota's existing Chester substations and that the Common Council authorize the Mayor and the City Clerk to execute the agreements, subject to review by the City Attorney of any final non-substantive revisions, for the La Crosse Project including the

Joint Cooperation Agreement
Transmission Easements
Minnesota Project Participation Agreement
Administrative Agent Agreement (Easements)
Administrative Agent Agreement (General Contracting Powers)
Minnesota Construction Management Agreement
Self-Performance Agreements
Minnesota Trust Agreement
Minnesota Operation and Maintenance Agreement
Transmission Capacity Exchange Agreement
Transmission-To-Transmission Interconnection Agreements
Project Development Agreement (PDA) Amendment

General Manager

Date

ROCHESTER PUBLIC UTILITIES



RESOLUTION

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 various contract agreements in connection with the purchase of an interest in the proposed Southeast Twin Cities-Rochester-La Crosse Transmission Project (Minnesota) and Southeast Twin Cities-Rochester-La Crosse Transmission Project (Wisconsin) 125-mile, 345 kV transmission line and two 161 kV transmission lines that will run from the proposed North Rochester substation on the aforementioned line to Rochester, Minnesota's existing Northern Hills substation and to Rochester, Minnesota's existing Chester substations and that the Common Council authorize the Mayor and the City Clerk to execute the agreements, subject to review by the City Attorney of any final non-substantive revisions, for the La Crosse Project including the

Joint Cooperation Agreement
Transmission Easements
Minnesota Project Participation Agreement
Administrative Agent Agreement (Easements)
Administrative Agent Agreement (General Contracting Powers)
Minnesota Construction Management Agreement
Self-Performance Agreements
Minnesota Trust Agreement
Minnesota Operation and Maintenance Agreement
Transmission Capacity Exchange Agreement
Transmission-To-Transmission Interconnection Agreements
Project Development Agreement (PDA) Amendment

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 11th day of December, 2012.

President

Secretary