

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
December 20, 2011

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

Board President Williams called the meeting to order at 4:00 PM.

1. Mr. Reichert moved to approve the minutes of the November 29, 2011 meeting, seconded by Mr. Stahl.

All voting "AYE"

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

All voting "AYE"

3. Mr. Williams opened the meeting for comments from the public. No one signed up to speak.

4. Bids for the purchase of cable were discussed. The cable will be used for the Mayo Support Center Project and work at the IBM substation. Mr. Browning and Mr. Reichert announced that they would abstain from the voting. Mr. Hanson moved to approve the cable purchase, seconded by Mr. Stahl.

Three voting "AYE"

Two Abstaining (Mr. Browning and Mr. Reichert)

Motion Carried

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a purchase order agreement with Stuart C. Irby Company for

30,000 feet of 750 kcmil, AL, 220 mil EPR Cable
With metals escalation and de-escalation allowed

The amount of the purchase order agreement to be ONE HUNDRED SEVENTY ONE THOUSAND, NINE HUNDRED THIRTY AND 00/100 DOLLARS (\$171,930.00), plus tax, and Stuart C Irby Company being the lowest acceptable bidder.

5. The insurance quotations for 2012 were reviewed with the Board. Mr. Darwin Olson from the C.O. Brown Agency appeared before the Board to discuss the quotations and answer questions. The quotations included property insurance, excess general liability and auto insurance.

Mr. Hanson moved to approve a property insurance agreement for 2012, seconded by Mr. Browning.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve an insurance agreement with the National Union Fire / Lloyds of London Syndicates for

ALL RISK PROPERTY INSURANCE

The insurance agreement to be for a twelve month policy period commencing December 31, 2011, and expiring December 31, 2012.

The amount of the contract agreement to be FOUR HUNDRED THIRTY-EIGHT THOUSAND FIVE HUNDRED THIRTY-SEVEN AND 50/100 DOLLARS (\$438,537.50).

Mr. Browning moved to approve automobile and general liability insurance for 2012, seconded by Mr. Stahl.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve an insurance agreement with the League of Minnesota Cities Insurance Trust for

COMMERCIAL AUTOMOBILE AND GENERAL LIABILITY INSURANCE

The insurance agreement to be for a twelve month policy period commencing December 31, 2011, and expiring December 31, 2012.

The amount of the contract agreement to be ONE HUNDRED TWENTY-EIGHT THOUSAND SIX HUNDRED SIXTY-EIGHT AND 00/100 DOLLARS (\$128,668).

Mr. Stahl moved to approve excess general liability insurance for 2012, seconded by Mr. Reichert.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve an insurance agreement with the Associated Electric and Gas Insurance Services, Ltd. (AEGIS) for

EXCESS GENERAL LIABILITY INSURANCE

The insurance agreement to be for a twelve month policy period commencing December 31, 2011, and expiring December 31, 2012.

The amount of the contract agreement to be TWO HUNDRED FOURTEEN THOUSAND THREE HUNDRED SIXTY-SEVEN AND 65/100 DOLLARS (\$214,367.65).

6. Mr. Anderton, Manager of Engineering, appeared before the Board to discuss the scope of the CapX2020 transmission projects and the Joint Effort Agreement the Board was being asked to approve. CapX2020 consists of four large scale transmission projects in the Minnesota area: the Fargo project, the Bemidji project, the Brookings project, and the La Crosse project. RPU is a partner in the La Crosse project. A substation will be built just north of Hampton, MN that will be a common point between two of the CapX projects (Brookings and La Crosse), and will be allocated equally between the two projects. The Hampton Joint Effort Agreement describes the terms and conditions that all signing parties from both projects agree to for the development of the substation. Xcel Energy will fund the construction of the substation.

Mr. Williams asked for clarification regarding the terms and conditions in the agreement. Mr. Adkins informed the Board that the Joint Effort Agreement approves who builds the Hampton project and who pays for what. Mr. Stahl said that the Board is not obligating itself to paying anything right now, but is simply agreeing to the methodology that will be used. Mr. Anderton said that RPU will not be under any additional funding obligation by signing the Joint Effort Agreement unless RPU and the City sign an amendment to the Project Development Agreement which was originally signed in 2007, and/or RPU and the City sign and authorize the Project Participation Agreement which will be available sometime in 2012. Mr. Stahl moved to approve the Joint Effort Agreement, 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 contract agreement with Xcel, Great River Energy, Central Minnesota Municipal Power Agency, Western Minnesota Municipal Power Agency, Ottertail Power Company, Northern States Power Company, Dairyland Power Cooperative, Southern Minnesota Municipal Power Agency, WPPI Energy and the City of Rochester acting through its Public Utility Board, and that the Common Council authorize the Mayor and the City Clerk to execute the agreement for

CapX2020 Hampton Joint Effort Agreement

The Hampton Joint Effort Agreement describes the terms and conditions that all signing parties from both projects are agreeing to for the development of the substation. The approval of the Hampton Joint Effort Agreement obligates RPU to terms and conditions when and if RPU/City signs the Project Participation Agreement (PPA) in 2012. RPU will not be under additional funding obligation by signing the Hampton Joint Effort Agreement until RPU/City authorizes an amendment to the PDA (Project Development Agreement),

and/or RPU/City signs and authorizes the PPA.

7. Mr. Hanson moved to approve RPU's authorized depositories, seconded by Mr. Reichert.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, that the following banks, authorized to do business in Minnesota, are the designated depositories for the demand deposit accounts and temporary investment of funds of Rochester Public Utilities, City of Rochester, Minnesota, within the limits established by the City of Rochester, for the term commencing January 1, 2012 through the 31st day of December, 2012.

US Bank
Wells Fargo

The above depositories, and any added during the term by the City Finance Director, shall pay interest at such rates or rates, per annum, as may be mutually agreed upon the Rochester Public Utilities and the respective depository at the time such deposits and investments are made.

The depository shall pay on demand all deposits subject to payment on demand, with accrued interest, and pay on demand all time deposits with accrued interest, at or after maturity.

8. A request for the full implementation of OPOWER's Home Energy Reports to RPU residential customers from May 2012 to May 2013 was presented to the Board by RPU staff. Home Energy Reports was originally launched as a two-year pilot program for 25,000 RPU residential customers. Savings of 3,759,239 kWh resulted in the first year of the program. With the full implementation to RPU's 41,000 residential customers, savings of approximately 6,500,000 kWh are anticipated. Mr. Reichert moved to approve the additional extension, seconded by Mr. Hanson.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve an addendum to the Agreement for OPOWER, Inc. for a one year period in 2012 not to exceed \$441,000.00, subject to review by the City Attorney, and request that the Mayor and City Clerk execute the Agreement.

9. The Board discussed a contract to continue the RPU Plugged In magazine in 2012. The term of the agreement is January 2012 through December 2015. RPU has the ability to cancel the agreement if budget dollars are not approved for a future year. Mr. Hanson moved to approve the contract, seconded by Mr. Browning.

All voting "AYE"

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10. The Board discussed draft documents of the following Utility Board Procedures:

- *Worker Safety*
- *Board relationship with the Common Council*
- *Delegation of Authority/Relationship with Management*

Mr. Stahl suggested reviewing the policies from a strategic perspective on the part of the Board rather than an operational perspective which is management's responsibility. Mr. Browning suggested that staff review the procedures annually and bring suggested changes to the Board in a similar fashion in the future. The procedures will be scheduled for additional discussion and approval at the January 31 board meeting.

11. The General Manager provided the following report to the Board:

- a. Mr. Williams was appointed to another term on the Board.
- b. Mr. Koshire said that the insurance coverage for the Sherco 3 power plant outage repairs is unknown at this time. As reported at the November 29 board meeting the outage occurred on November 19. The unit is owned jointly by Xcel Energy and the Southern Minnesota Municipal Power Agency (SMMPA) and is operated by Xcel Energy. Due to market conditions, SMMPA has been able to buy replacement power for extremely low prices.
- c. Mr. Nickels, Manager of System Reliability, provided a report on the MISO Transmission Expansion Plan (MTEP) to the Board. The primary goal of the expansion planning process is to improve market efficiency. Various transmission projects are being proposed to accomplish this. MISO has categorized the various projects into baseline reliability projects, generator interconnection projects, multi-value projects and other categories to match transmission projects with the cost allocation method which best corresponds to the spread of the project's benefits. Seventeen key MISO projects have been identified to date.
- d. There will be an audit committee meeting involving two of the Board members at 3:00 p.m. on January 31 at the RPU Service Center prior to the Board meeting.

12. The management and financial reports were discussed.

13. Mr. Stahl moved to adjourn the meeting, seconded by Mr. Reichert.

All voting "AYE"

The meeting adjourned at 5:35 p.m.

Submitted by:

Kathleen Wilson
Secretary

Approved by the Board:

Jerry Williams
Board President

1/31/12
Date