

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
May 29, 2012

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

Board President Williams called the meeting to order at 4:05 PM.

1. Mr. Stahl moved to approve the minutes of the April 24, 2012 meeting, seconded by Mr. Reichert.

All voting "AYE"

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

All voting "AYE"

3. Mr. Williams explained that the open comments portion of the meeting would be reserved for items not shown on the agenda. He asked if anyone had comments. No one wished to be heard.

4. Mr. Kiah Harris, Burns and McDonnell, provided a presentation to the Board entitled "*Current Issues Affecting the Electric Power Industry.*" He explained that he would be discussing regulatory issues at the state and federal level and their impact on existing energy producing resources as well as gas industry considerations and their impact on RPU's future resource options. He also updated the Board on the influences and impact of Independent System Operator (ISO) markets, fuel types, and renewable standards. He said the projections for gas consumption have increased and that low gas prices are impacting coal plants. He also discussed a nationwide picture of announced coal plant retirements. At this time, the highest numbers of plant retirements are on the east coast. There has been increasing use of existing gas-fired units due to low gas prices. Mr. Harris said that domestic gas discoveries are being made from a variety of sources in this country including gas rich shale, but that gas delivery is going to be a challenge. Gas pricing will be driven by supply and demand. Pipeline upgrades will add to this cost. The fuel of choice is natural gas. Renewable growth will continue in the areas of solar and wind with various small hydro units. In short, RPU has options to consider in meeting its capacity obligations in an economic manner consistent with reliability expectations. Mr. Koshire said this presentation is setting the stage for future considerations for the Silver Lake Power Plant. More information will be provided on this topic in the future.

5. Mr. Rovang, Senior Civil Engineer, discussed the proposed replacement of the 4th Street SE Reservoir with the Board. The 4th Street SE Reservoir and Saint Marys Reservoir

serve the central portion of the City. A 2008 study showed this area currently deficient by approximately 1.2 million gallons of water storage as portions of the area are experiencing more dense development. The 4th St SE Reservoir was constructed in 1917. Portions of interior concrete are disintegrating, and some interior wall/ceiling reinforcing steel is exposed. Finally, the reservoir floor is located 10 feet below flood level, and the existing access doesn't meet Minnesota Department of Health design standards.

This subject was also discussed at the January 31, March 27, and April 24 Utility Board Meetings. Mr. Rovang said that in addition to these meetings, RPU staff and the project consultants reviewed the proposed project report at the Committee on Urban Design and Environment (CUDE) public meeting on March 20. RPU staff also reviewed the report at the March 21 Rochester Downtown Alliance (RDA) meeting. Since that time, RPU project related staff and the engineering consultants have evaluated two possible alternative replacement reservoir sites in the Saint Marys Park SW area which were suggested during the March CUDE public meeting on the proposed project. One alternative (D2) is somewhat north of the original Alternative D site within Saint Marys Park, and the other (D3) is located mostly on the Saint Marys Hospital owned parcel immediately west of the Park. Soil borings were done at the two locations in early April to determine bedrock information, and the project consultants verified that construction of a reservoir would be technically possible at either location. The consultants also prepared preliminary cost estimates for the D2 and D3 alternatives.

Staff met with Park and Recreation Department staff at Saint Marys Park on April 17th to review the two alternative reservoir sites. At the May 1, 2012, Park Board meeting, Park and Recreation staff updated the Park Board on the various proposed reservoir replacement alternatives with information provided by RPU.

The RPU General Manager has received feedback from City Administration on Alternative A (2.0 mil gal replacement reservoir located at the existing 4th St SE Reservoir site) which has been provided to Utility Board members.

A Letter of Map Revision (LOMR) application to revise the existing Zumbro River floodway limits at the existing 4th St SE Reservoir site was completed by Barr Engineering and sent forward to the Federal Emergency Management Agency (FEMA) for consideration. The LOMR determined that the South Fork Zumbro River Floodway should be moved closer to the River channel. Approval of the revised Floodway Boundary is necessary to permit construction of a replacement reservoir or a Hydropillar water tower or generally any other future construction at 4th Street SE site.

To date, the Board has evaluated the following site alternatives:

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| Alternative A | 2.0 million gallon reservoir in the 4th St SE site |
| Alternative B | 2.0 million gallon hydropillar water tower on the existing 4th St SE site |
| Alternative C | 2.0 million gallon reservoir in the Saint Marys Park area |
| Alternative D | 3.5 million gallon reservoir in Saint Marys Park and removal of the |

- Alternative D2 existing 1.5 million gallon ground storage reservoir at the site
3.5 million gallon reservoir in Saint Marys Park (somewhat north of the original Alternative D location and on a somewhat lower site than the original alternative D)
- Alternative D3 3.5 million gallon reservoir in the Saint Marys Park area (north of the existing 1.5 mil gal reservoir which is located on Saint Marys Hospital property and on a lower site than the original alternative D)
- Alternative E 2.0 million gallon hydropillar water tower south of 4th Street SE and east of Broadway.

Mr. Rovang also discussed sites that were evaluated and rejected by staff and provided reasons for the rejection along with preliminary project costs. These included Indian Heights Park, property at the Silver Lake Plant, Mayo Field, East Park, City Parking Lot at 3rd Avenue NE, and K-Mart SE area.

It is anticipated that the site will be selected by the Board in June or July. Public Works will select the project designer with RPU staff input. Depending on the site selected, Park Board and/or City Council approval will need to be obtained as appropriate. Construction is anticipated to begin in April 2013 and be completed by November 2013.

Mr. Verne Jacobsen, TKDA, provided TKDA's recommendations as follows:

- a. First Choice: Alternative D3 (3.5 million gallon reservoir in Saint Marys Park) because of its long-term storage capability in one reservoir, limited tree removal and limited impact on Park land. This would be constructed on Saint Marys Hospital land and would allow the demolition of the existing 1.5 million gallon reservoir.
- b. Second Choice: Alternative A (2 million gallon reservoir at 4th Street SE site). It is the least costly option. This would be a ground storage reservoir with green space and handicap accessible slopes. It would take up a significant portion of existing vehicle parking space. Mr. Stahl asked if the reservoir needed to be bermed. Mr. Jacobsen said the berm could be eliminated which would reduce the cost.
- c. Third Choice: Alternative D (3.5 million gallon reservoir in Saint Marys Park). The ultimate water storage is available at a single site. It would allow the demolition of the existing 1.5 million gallon reservoir. The reservoir would be partially buried (approximately 4 feet) which would reduce its visual impact.
- d. Fourth Choice: Alternative B (2 million gallon hydropillar at 4th Street SE site) The hydropillar is 203 feet high. It is the most expensive of the alternatives and would need to be painted every 15 years. However it would add parking spaces when the old reservoir is removed.

- e. Fifth Choice: Alternative D2 (3.5 million gallon reservoir in Saint Marys Park somewhat north of Alternative D). This alternative would have a bigger visual impact on the Park than Alternative D3.

Mr. Williams said that in order to consider Alternative D3, RPU would need to begin discussions with Mayo Clinic about the land.

Mr. Williams asked for comments from the public on the various alternatives presented.

- a. Wishing to be heard was Yuri Saito-Loftus. She is a concerned citizen living near Saint Marys Park. She said that she disliked the idea of building such a large structure on a park site because a park serves many functions.
- b. Wishing to be heard was Frank Hawthorne, president of the Historic Southwest Neighborhood Association. He sent a letter to the Board and Council because the Saint Marys Park would not be his first choice, and 80% of the neighbors surveyed online agreed with him. He believes that the siting process focused on dollars and parking and not on park space. He also believes that the architect's first choice, D3, still looks like part of the park. Mr. Koshire said that D3 uses up 4% of park space. Mr. Hawthorne said there seem to be other possibilities. Mr. Stahl said we need a 3.5 million gallon capacity water reservoir to meet the City's water needs.
- c. Wishing to be heard was Laura Gilliland. Her mother lives near Saint Marys Park. She asked how long the 3.5 million gallon reservoir would serve us and when the next tank would be needed. Mr. Rovang replied that, depending on the City's growth, the next one would probably be in the East Park area. Ms. Gilliland also said that alternative D3 is still very close to the park and would have as much impact on the park as the other Saint Marys Park sites. She asked how the Board would choose the site. Mr. Williams said the Board has not had a Board consensus on this. Mr. Koshire said that funds in the amount of \$60,000 would be available for Park improvements.
- d. Wishing to be heard was Joe Maleszewski. He is also a neighbor in this area. He said that Saint Marys Park is part of the City's heritage and that this green space serves hundreds of families. He also said the park is used for recreation in the fall and winter.
- e. Wishing to be heard was Nancy Gilliland, mother of Laura Gilliland. She is a nurse and said patients use the park as part of their healing.
- f. Wishing to be heard was Josephine Camilleri. She said there is humming noise from the tower now and asked if this would increase. She also expressed concern about security due to not being able to see behind the proposed reservoir because of its increased size.

- g. Wishing to be heard was Councilmember Michael Wojcik. He asked how much of the 3.5 million gallon water tank needs to be pressurized. Mr. Jacobsen said the top portion of the tank is pressured for domestic use. Mr. Rovang said we also pressurize the bottom portion of the tank at a lower level of pressure for fire protection. Mr. Wojcik said he liked the potential downtown site because it has other uses. In terms of future growth, Mr. Wojcik said we need to calculate the value of our park land. He thanked the Board for keeping an open mind.
- h. Wishing to be heard was Jane Belau. She lives near the Park. She said both the Southwest Neighborhood Association and the Folwell Neighborhood Association met and voted unanimously not to have a new reservoir in the Park. She said this is a City Park used by patients, residents and international visitors. She asked if the park would be off the list if the Mayo Clinic doesn't embrace the idea. Elected officials, the Park Board, the Park Department and others love the Park. She also said a 3.5 million gallon tank is too big. She concluded by urging the Utility Board to protect this small park for Saint Marys and the people who use it, and consider public safety and the aesthetic value as important factors in the design and siting. She also said the Park Department has an encroachment policy. Mr. Koshire said that after 911, water facilities have been held to a much higher standard in terms of security and safety.
- i. Wishing to be heard was Mike Repede. He asked what percent 300 downtown parking spaces represents. He said that we can fix this by building a structure that holds thousands of spots. Such a structure would allow us to brag about being a model for downtown development.

Mr. Williams thanked the individuals for their comments and asked the Board members what they would like to do. Mr. Reichert suggested finding out if RPU could get the land for Alternative D3 (3.5 million gallon reservoir in Saint Marys Park). Mr. Koshire said that staff could start these discussions. Mr. Williams asked if D3 was on park property. Mr. Jacobsen said D3 is part of Saint Marys Hospital land. Mr. Hanson asked if the blue tank at the Saint Marys Park would come down if Alternative D3 were selected. Mr. Rovang said it would. Mr. Hanson said he was not overly concerned about downtown parking at the 4th Street site and agreed with Mr. Wojcik that he was also in favor of a walkable community downtown. Mr. Rovang said that the Letter of Map Revision (LOMR) application sent to FEMA to revise the existing Zumbro River floodway limits at the existing 4th St SE Reservoir site would take six to eight weeks to process. As mentioned previously the LOMR is needed to permit construction of a replacement reservoir at the 4th Street SE site (Alternative A). Mr. Williams noted that if a 2 million gallon reservoir was placed on the 4th Street site, it would be 17 feet above ground rather than the current reservoir's height of five feet above ground.

Mr. Hanson recommended considering Alternatives D3 and A for the next Utility Board meeting. Mr. Rovang said RPU would ask the consultant to price the downtown site without a berm. The Board took no further action on this item.

6. Mr. Reichert moved to approve a resolution to request the City Finance Director to prepare and execute the declaration of reimbursement bonds for the CapX2020 transmission project, seconded by Mr. Stahl.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to request the City Finance Director to prepare and execute the declaration of reimbursement bonds for the CAPX 2020 Transmission project in the amount of \$44,000,000, plus issuance costs, in accordance with Internal Revenue Service Section 1.150-2 of the Income Tax Regulations.

7. Mr. Hensel, Director of Field Services, informed the Board that staff was requesting the Board to reject all bids for the Service Center VAV box replacement project due to factual errors contained in the project manual. Staff plans to re-advertise for bids after the corrections are made. Mr. Browning asked staff to provide the payback for doing this when this item comes back to the Board. Mr. Hanson moved to reject all bids due to errors in the project manual, seconded by Mr. Reichert.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to reject all bids received in response to the request for bids for Service Center VAV Box Replacement, RPU Project No. 7005048, dated March 30, 2012 due to factual errors contained in the project manual that if left uncorrected would result in significant extraneous project costs.

8. The management reports were discussed.
9. Mr. Hanson moved to adjourn the meeting, seconded by Mr. Browning.

All voting "AYE"

The meeting adjourned at 6:40 p.m.

Submitted by:

Kathleen Wilson
Secretary

Approved by the Board:

Greg Williams
Board President

6/26/12
Date