

ROCHESTER PUBLIC UTILITIES  
BOARD MEETING MINUTES  
February 28, 2012

Members Present: Mr. Williams, Mr. Reichert, Mr. Stahl and Mr. Browning  
Absent: Mr. Hanson  
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 January 31, 2012 meeting as amended, 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 wished to be heard.

4. The RPU Service Center Lobby Renovation project was discussed. This project is part of RPU's long range Master Plan, facilities assessment, and energy audit/LEED assessment. A key outcome of the Master Plan is to improve the customer experience with enhancements to the lobby and customer service areas. The bids received for the project were below the estimated cost. The project is within RPU's budget. Mr. Koshire said that other benefits of the project include new offices and an improved HVAC system. Mr. Browning moved to approve a contract agreement with Key Builders Inc., seconded by Mr. Reichert. Mr. Stahl said he would abstain from the voting.

Three voting "AYE"  
One "Abstain" (Mr. Stahl)  
Motion Carried

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a contract agreement with Key Builders, Inc., and request the Mayor and the City Clerk to execute the agreement for

RPU Service Center Lobby Renovation Project – Construction Contract

The amount of the contract agreement to be FOUR HUNDRED NINETY-SIX THOUSAND THREE HUNDRED DOLLARS AND NO/100 (\$496,300.00) and Key Builders, Inc. being lowest responsible bidder.

Mr. Williams stated that if there was no objection, he would like the Board to consider the CapX2020 Project Development Agreement (Agenda Item 6) prior to the CapX2020 Line Terminal (Agenda Item 5). Hearing no objection, Mr. Williams proceeded to Agenda Item 6.

6. Mr. Anderton, Manager of Engineering, informed the Board that the original CapX 2020 Project Development Agreement (PDA) was approved by the Board and City Council in 2007. An amendment to this Agreement is needed for funding prior to the project closing which is scheduled for later in 2012. The original PDA approved funding of \$20 million to get the CapX La Crosse project through the permitting or development phases. Of the \$20 million, RPU is responsible for 9%, or \$1.8 million. The amendment would authorize funding for preconstruction activities such as engineering, right-of-way work, and other items. Mr. Williams noted that according to the Amendment, if RPU approves the Amendment but does not sign the Project Participation Agreement (PPA), "...the Participants that executed and delivered such Project Agreements shall reimburse the withdrawn, terminated or non-electing Participant for the Authorized Costs remitted by it to the Development Manager..." Mr. Williams felt this was a positive statement in the Amendment. Mr. Anderton said environmental survey work needs to be done as well as the federal permits for the shovel work. Mr. Stahl asked if the route was certain. Mr. Anderton said that a judge had made a recommendation, but the Public Utilities Commission would make the final choice. Mr. Stahl asked Mr. Anderton if RPU could back out if we did not sign the project agreement. Mr. Anderton said we could. Mr. Stahl moved to approve the Amendment, 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 amendment to the CapX Project Development Agreement approved in 2007, contingent upon acceptance by the General Manager and Rochester City Attorney of any revisions to the Amendment, and that the Common Council authorize the Mayor and the City Clerk to execute the agreement for

Twin Cities-Rochester-La Crosse Transmission Project  
First Resolution of the Management Committee  
and the Participants Amending the Project Development Agreement

5. Mr. Stiller, Senior Electrical Engineer, explained the purpose of the CapX2020 line terminal to the Board. In order to meet the requirements of the CapX2020 plan, RPU must expand the existing Northern Hills substation in northwest Rochester to accommodate the CapX interconnection. The project is within the RPU budget. Mr. Anderton said RPU's investments in the substation will go towards its 9% requirement for CapX. Mr. Reichert moved to approve the engineering services proposal, seconded by Mr. Browning.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve an engineering services agreement with Ulteig Engineers for

Northern Hills CapX Line Addition – Proposal for Engineering & Design

The amount of the agreement to be ONE HUNDRED NINETY-SIX THOUSAND AND 00/100 DOLLARS (\$196,000.00).

7. The Board considered two Non-Disclosure Agreements received from the Midwest Independent System Operator (MISO). Mr. Nickels, Manager of System Operations/Reliability, informed the Board that MISO serves as RPU's Reliability Coordinator for all electric transmission operating functions including power system restoration, transmission outage management and transmission congestion management. In order for RPU's system operators to gain access to the MISO Extranet portal to obtain critical and confidential information necessary to perform transmission switching as directed by MISO, RPU must sign two Non-Disclosure Agreements. All RPU system operators have signed a code of conduct agreement for the handling of this type of information. The City Attorney reviewed both Agreements and had no objections to the terms and conditions. Mr. Browning moved to approve the Non-Disclosure Agreements, seconded by Mr. Stahl.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve the following agreements and request the Mayor and the City Clerk to execute the Agreements:

1. Universal Non-Disclosure and Confidentiality Agreement
2. Critical Energy Infrastructure Information General Non-Disclosure Agreement

8. The Board reviewed and discussed the following Board Policies:

- Board Relationship with the Common Council (Policy #3)
- Delegation of Authority/Relationship with Management (Policy #6)
- Worker Safety (New Policy #11)

Mr. Reichert moved to approve the changes/updates as noted in Policies #3 and #6, and to continue Policy #11 to the next Board meeting for further discussion, seconded by Mr. Browning.

All voting "AYE"

9. The Board discussed the following Board Policies:

- Mission Statement (Policy #1)
- Board Responsibilities and Functions (Policy #2)
- Board Organization (Policy #4)
- Board Procedures (Policy #5)

Mr. Williams asked Ms. Wilson to e-mail the Board each of the policies after the Board meeting including the Worker Safety Policy. He asked the Board to e-mail their comments to Ms. Wilson. She was asked to forward all comments to Mr. Williams for final review prior to the March meeting. Any changes/updates suggested will be reviewed and discussed during the March meeting prior to approval. This same process will be followed as the Board policies continue to be reviewed in 2012. The policies have been reviewed by the City Attorney to ensure accurate interpretation of Rochester's Home Rule Charter and Minnesota Statutes.

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

- a. The Southern Minnesota Municipal Power Agency (SMMPA) has locked up replacement electrical power for the year as a result of the Sherco3 outage. No rate adjustments will be made for 2012. The SMMPA Board will be meeting to discuss long-term resources and time-of-use rates. This could affect RPU's cost structure.
- b. RPU staff has met with Consolidated Planning to discuss the 4<sup>th</sup> Street Reservoir project and the need to gather public input. There will be a CUDE meeting on March 20 at 7:00 p.m. at City Hall to discuss the project and gather public input. A quorum of RPU Board members may be present so the meeting will be noticed on RPU's web site. The site alternatives will continue to be discussed. Mr. Kotschevar, Director of Core Services, said that public comments will be gathered at this meeting, but no decision will be made. Mr. Williams asked if the Rochester Downtown Alliance should be involved since this meeting is being held for the benefit of downtown. He further stated that people should know what the need is and that there should be full description of all alternatives. Mr. Williams plans to be a listener in the audience at the CUDE meeting.

11. The management reports were discussed.

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


All voting "AYE"

The meeting adjourned at 5:15 p.m.


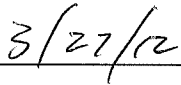
Mr. Williams announced, *"A closed meeting of the Rochester Public Utility Board to have a discussion with the City Attorney regarding the status of and to discuss potential litigation"*

*strategies for the threatened or anticipated litigation involving the City and the U.S. Environmental Protection Agency. This case involves the EPA's request for information from the City regarding the four units at the Silver Lake Power Plant, and the EPA's allegation of Clean Air Act violations. The closed meeting will occur pursuant to Minnesota Statutes, Section 13D.05, subd. 3(b)."*

Submitted by:

  
Secretary

Approved by the Board:

  
Board President  
  
Date