

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
April 24, 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. Stahl moved to approve the minutes of the March 27, 2012 meeting, seconded by Mr. Reichert.

All voting "AYE"

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

All voting "AYE"

3. Mr. Williams opened the meeting for comments from the public. Five individuals signed up to speak to the Board regarding the 4th Street SE Reservoir project. Mr. Williams explained that this topic would be discussed by the Board at the May 29 Board meeting, but welcomed their brief comments at this time.

- a. Wishing to be heard was Father Paul Nelson, a long-term resident of the area. He said that the Saint Marys Park area is historically significant as well as a neighborhood park. He asked that the Board not use the site for the proposed reservoir.
- b. Wishing to be heard was Wayne Norrie. Mr. Norrie lives near the park. He is concerned about a reservoir of this scale which could cover sixty feet and extend three stories high. He said the park is less than a block in size. He also said that a park makes up the fabric of a neighborhood. He said that people won't drive four blocks to a park. He suggested putting water tanks at other structures downtown rather than using any park areas for this type of construction.
- c. Wishing to be heard was Councilmember Michael Wojcik. He said he had met with Mr. Williams on Monday on this topic and understands that RPU does not have any engineering data at this time. He wants to make sure that the Utility Board involves the neighborhood in this discussion. He also said that this is the second time he has read in a newspaper about losing park space.

Councilmember Wojcik's second topic was the issue of burying electric lines in neighborhoods. He asked when it is appropriate to bury the line. He also said some neighbors told him they would pay an extra \$1.00 on their RPU bill to bury

electric lines in their neighborhoods. There are 500 yards of roadway in the community. He would like to get a realistic cost of what it would take to bury electric lines. He wants to make Rochester's core neighborhoods as viable as its suburban neighborhoods. He does not have a specific timeframe in mind, but would like feedback from RPU on his questions.

- d. Wishing to be heard was Laura Gilliland. Her mother lives near Saint Marys Park. She said a water tank of this size is not a good choice and would impact property values. She also believes that it would be a safety issue since you could not see behind the structure. She encouraged the Board to engage the community in this discussion. She also suggested that businesses come together to discuss this based on their water needs. She mentioned a large water tank that was placed in Philadelphia with a very elegant design.
- e. Wishing to be heard was Meg Repede who lives near Saint Marys Park. She explained that this area of Rochester is very densely populated. She has two small children in a home with a small yard, and that Saint Marys Park is essentially her backyard.

Mr. Williams thanked the group for their comments and reminded them that this item will be on the May 29 board meeting agenda.

4. Mr. Tom Wente of Smith Schaffer and Associates and Ms. Parker, Director of Corporate Services, discussed the 2011 annual audit results with the Board. Mr. Wente said that no new accounting policies were adopted during the past year and that all significant transactions were recognized in the financial statements. A letter from the auditor is included in the RPU 2011 annual report along with operating and financial statistics. Within the scope of the audit conducted by Smith, Schafer and Associates, no significant deficiencies were noted. Ms. Parker discussed RPU's cash, operating reserves, assets, and investments with the Board from 2003 through 2011. RPU's long-term debt and future debt service requirements were also discussed. Mr. Reichert, moved to accept and place on file the 2011 RPU audit results, seconded by Mr. Stahl.

All voting "AYE"

5. The Board reviewed the proposed 2012 Collective Bargaining Agreement between the City of Rochester and the International Brotherhood of Electrical Workers, Local 949, Inside Group. It is a one year agreement with a 1% wage increase. Mr. Stahl 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, Inside 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.

6. Mr. Anderton, Manager of Engineering, presented the 2011 Electric Engineering & Operations Report to the Board. A total of 1,188 electric customers were added in 2011. At the end of 2011, there were 49,407 electric customers. RPU also set a new summer peak of 292.1 MW in 2011. The report is prepared annually to document the major accomplishments and performance statistics that reflect the work of the electric department for the year. Mr. Koshire said that this presentation is a regulatory requirement and that the Minnesota Municipal Utilities Association (MMUA) also publishes this information.

7. The replacement of RPU’s Supervisory Control and Data Acquisition system (SCADA) was discussed. Mr. Nickels, Manager of System Operations/Reliability, said that RPU needed to hire an engineering consultant to assist RPU in the replacement of this major system. Proposals were requested from six firms. He also said that the project was budgeted and that the proposal selected was below the budgeted cost of \$250,000. Mr. Williams said he was impressed with the scope of the services and work plan submitted. Mr. Reichert asked what the total cost for the replacement of the SCADA system would be. Mr. Nickels said it would be approximately two million dollars. Mr. Browning moved to approve a contract with KEMA for engineering services, seconded by Mr. Reichert.

All voting “AYE”

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

Engineering Services - 2012 SCADA Replacement

The amount of the contract agreement to be TWO HUNDRED TWENTY-EIGHT THOUSAND FIVE HUNDRED DOLLARS AND NO/100 (\$228,500.00).

8. Mr. Heppelmann, Senior Financial Analyst, discussed the proposed annual update of the Cogeneration & Small Power Production Rate (SPP) Tariff with the Board. The update is required by law. Mr. Browning moved to approve the update, 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 revised Schedule C of the RPU Cogeneration and Small Power Production (SPP) Rate Tariff which is updated annually after each calendar year by RPU. This is required by Section III, paragraph A of the Rules Covering Cogeneration and Small Power Production Facilities (Minnesota Statutes Section 216B.164 Subdivision 9) which were previously approved by the Board/

Council in June 2005.

9. The Board reviewed the following Board Policies:

- Board Mission Statement (Policy #1)
- Life Support Policy (New Policy #19)

Mr. Williams asked Ms. Wilson to e-mail each of the members the Mission Statement policy after the meeting. He asked the Board to e-mail their comments to him individually by the following week. Any changes/updates suggested will be reviewed and discussed at a future meeting prior to approval. The policies have been reviewed by the City Attorney to ensure accurate interpretation of Rochester's Home Rule Charter and Minnesota Statutes.

After considerable discussion, the Board agreed that staff would continue to review the Life Support Policy internally before bringing it back to the Board for review.

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

- a. The recent FitchRatings report was discussed with the Board. RPU's AA- rating was reaffirmed. The report stated, "*RPU is a well-managed utility. Management's more conservative approach to budgeting and forecasting has helped maintain financial stability through the economic downturn as demand for wholesale sales started to decline in the last few years.*"
- b. RPU is one of 176 of the nation's more than 2,000 public power utilities to earn Reliable Public Power Provider (RP3®) recognition from the American Public Power Association for providing consumers with the highest degree of reliable and safe electric service. The RP3 designation recognizes public power utilities that demonstrate proficiency in four key disciplines: reliability, safety, workforce development and system improvement. This is the fourth time RPU has achieved this recognition.
- c. RPU also received the Tree Line USA recognition for the fourth year in a row from the Arbor Day Foundation for its sustained commitment to proper tree care and maintenance, training workers in quality tree-care practices, educating the public about planting trees for energy conservation, and helping customers plant appropriate trees near utility lines.
- d. Mr. Koshire said that staff had met with the Park Board staff regarding the 4th Street SE Reservoir replacement. He also said that the soil borings taken from the sites have not been evaluated yet. Mr. Williams asked the Board to send Mr. Koshire any other questions and comments prior to the May 29 Board meeting.
- e. Mr. Koshire said that the Southern Minnesota Municipal Power Agency (SMPMA), RPU's wholesale supplier, will not be implementing time-of-day

rates. The Agency also reconfirmed that there will not be a rate increase based on the Sherco3 unit's damage. Most of the damage is covered by insurance.

- f. Mr. Schlink said that RPU will be discussing infrastructure planning at its June meeting.
- 11. The management reports were discussed.
- 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:

Kathleen Wilson
Secretary

Approved by the Board:

Jerry Williams
Board President
5/29/12
Date