

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
October 30, 2012

Members Present: Mr. Williams, Mr. Reichert, Mr. Stahl and Mr. Browning
Absent: Mr. Wojcik
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 September 25, 2012 meeting, seconded by Mr. Stahl.

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. No one wished to be heard.

4. The replacement of the 4th Street SE water reservoir was discussed. Mr. Williams said that the Board needed to reach a consensus on a site selection at this meeting so that staff could prepare a Board Resolution for the November 13 meeting. Mr. Koshire said that the Board had asked staff to seek additional public input at the last Board meeting.

Mr. Koshire said that Consolidated Planning sent over 250 notices for the public meeting that was held on October 23 at the Public Health Department. Four neighbors attended the meeting. The notes from the meeting and handout used are posted on RPU's web site. Mr. Williams, Mr. Reichert and Mr. Wojcik also attended the meeting. Mr. Reichert said one of the neighbors asked if the proposed 3.5 million gallon structure near Saint Marys (Alternative G) could be moved slightly for better screening and less visual impact. Mr. Koshire said he contacted Mayo and was informed they would prefer RPU use the existing easement in its lease. The 3.5 million gallon structure (Alternative G) would replace the existing 1.5 million gallon reservoir on the site. Mr. Stahl asked if Alternative G would also allow the retirement of the 4th Street SE reservoir. Mr. Rovang said that the costs associated with Alternative G included the demolition of the 4th Street SE location, the rebuilding on the current site, and landscaping. It will also include building larger water mains at Alternative G.

It was the consensus of the Board to accept Alternative G as the site. Mr. Koshire said that staff had also been discussing the Fullerton site (Alternative E2). Mr. Koshire said staff would prepare a resolution for the Board to approve at their November 13 meeting.

Mr. Reichert asked about the appearance of the water reservoir. Mr. Koshire said this would be included in the resolution and that design suggestions will be requested from the Committee on Urban Design and Environment (CUDE).

5. Mr. Bill Addington, IntelliBind, Inc. appeared before the Board to discuss utility industry best practices as they relate to cyber security. IntelliBind, Inc. is a specialist in North American Electric Reliability Corporation (NERC) security and utility industry business network security. As stated in the For Board Action request, the objective of the assessment was to perform a review of RPU's current network schematics, proposed changes from an assessment performed by McGladrey for the City of Rochester Information Services, and make recommendations based on the information gathered during this review. City Information Services agreed that RPU should have a separate assessment as it relates to utility standards to ensure any recommendations from the McGladrey report would meet RPU's cyber security needs.

Mr. Addington stated that power utilities have a unique regulatory environment and control systems operations distinctly unique from Information Technology. He said some systems might benefit from consolidation effort, but the benefit will not be as large as expected, and the effort would require restructuring RPU's network which would be subject to a NERC audit. A single error in administration could result in a fine. He said that Version 5 of the NERC standards is pending. When finalized, all control systems will be under the new standards. He recommended minimizing RPU's risk, and reviewing alternatives to consolidation. Ms. Parker, Director of Corporate Services, said that RPU is adding additional firewalls and having discussions with City Information Systems. Mr. Koshire said some of the current collaboration areas include building a fiber network to the Library and Fire Department, back up space for City Hall systems at RPU, sharing common equipment like servers and buying from the state contract. At the present time, RPU and the City have different business systems.

Mr. Addington said that further consolidation discussions will occur once Version 5 is approved by FERC. In the meantime, he recommended separate control systems at RPU for the SCADA system, MISO regulatory authority, and other identified control systems. Any sharing of information between RPU and the City should be done with secured file protocols. More detailed specific plans are needed to identify opportunities for consolidation, integration or "Best Practices" implementations. Mr. Koshire said RPU is having a FERC audit in January 2013. Mr. Koshire will keep the Board informed on the status of this topic.

6. Mr. Rovang, Senior Civil Engineer, said some of RPU's cell antenna vendors are upgrading to 4G wireless capability. RPU is updating its contracts with these vendors accordingly. Mr. Browning moved to approve the First Amendment to the Northern PCS Services Antenna Site Agreement with Sprint, seconded by Mr. Stahl.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to

approve the attached First Amendment to the Northern PCS Services, LLC Site Agreements for the six sites listed below, and to request the Mayor and the City Clerk to execute that First Amendment.

- 1) John Adams Water Tower Site
 - 2) Baihly High Water Tower Site
 - 3) Airport Water Tower Site
 - 4) North Park Water Tower Site
 - 5) Country Club Water Tower Site
 - 6) Willow High Water Tower Site
7. Mr. Blom, Manager of Finance & Accounting, discussed RPU's third quarter financial results with the Board.
8. Ms. Parker, Director of Corporate Services, discussed the preliminary 2013 electric and water budgets with the Board. The RPU Finance Committee (which includes two Board members) met on October 23 to review the preliminary budgets. Management is recommending no rate increase for the sixth year in the water utility, and no rate increase for the fourth year in the electric utility. Approval of the budgets by the Board will be requested on November 13th. City Council approval will be requested on November 19th.

The significant current year business drivers are:

- Commitment to community to maintain rates during continuing slow economic times supporting our mission statement and strategic initiatives;
 - Continue holding seven staff positions open to evaluate need in slow times while filling two open positions to support the customer and system growth;
 - SMMPA's Board approved rates with no increase for the third year, SMMPA, continues to be a significant operating expense at approximately \$88 million or about 68% of our operating costs;
 - Lack of demand and low prices in MISO market has made the Silver Lake Plant uncompetitive and RPU is projecting few wholesale sales from this facility in 2013;
 - Achieving our energy conservations goals through continued work with residential and commercial customers; and
 - Continuing our participation in CAPX 2020 initiative to expand the electric transmission grid to ensure reliable and affordable service.
9. Mr. Koshire provided the following report to the Board:
- a. RPU is standing by to help municipals with mutual aid agreements in the aftermath of Hurricane Sandy.
 - b. The Southern Minnesota Municipal Power Agency (SMMPA) held its annual meeting on October 18. Joe Hoffman, Preston Public Utilities, replaces Dennis

- c. Seurer, New Prague Utilities Commission, on the SMMPA board.
SMMPA is considering investing in commercial paper to finance the CapX 2020 transmission project.
- 10. The management reports were discussed.
- 11. Mr. Reichert moved to adjourn the meeting, seconded by Mr. Browning.

All voting "AYE"

The meeting adjourned at 5:34p.m.

Submitted by:

Kathleen Wilson

Secretary

Approved by the Board:

Jerry Williams

Board President

11/13/12

Date