

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
September 25, 2012

Members Present: Mr. Williams, Mr. Reichert, *Mr. Wojcik and Mr. Browning
Absent: Mr. Stahl
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 August 28, 2012 meeting, seconded by Mr. Wojcik.

All voting "AYE"

2. Mr. Reichert moved to approve the payables report, seconded by Mr. Browning. Mr. Wojcik said he would abstain from the voting.

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

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. Koshire said that at the August meeting, the Board asked RPU staff for cost details on all the site alternatives for this project. Mr. Williams said that the site alternatives shown in the For Board Action request included the Saint Marys' site because of new information that has been obtained regarding this site that was not available at the August meeting.

Mr. Rovang discussed all the sites that had been reviewed from the beginning of the project with the Board, including the sites that were excluded. He also described the reasons various sites were excluded. He said the current 4th Street SE water reservoir is 95 years old and does not meet Minnesota Department of Health design standards.

The various site alternatives are listed below:

- 1) Alternative A - 2.0 mil gal reservoir at 4th St SE site (with enhancements)
- 2) Alternative A2 - 2.0 mil gal reservoir at 4th St SE site (without enhancements)
- 3) Alternative B - 2.0 mil gal Hydropillar (water tower) at 4th St SE site
- 4) Alternative E2 - 2.0 mil gal Hydropillar at Mayo Fullerton site SE
- 5) Alternative SLP - 2.0 mil gal Hydropillar at Silver Lake Plant Site

At the August Board meeting, the Board suggested that staff evaluate an undeveloped commercial site on the north side of Civic Center Drive NW in the 8th Avenue area (Alternative F). As part of the Board's request to continue evaluating alternative sites, the engineering consultant proposed re-looking at the existing 1.5 million gallon Saint Marys site (Alternative G). The site was previously rejected due to operational concerns. Alternative G is now a viable alternative because the construction period would be reduced considerably by the engineering consultant

- 6) Alternative F - 2.0 mil gal reservoir at the Leitzen site NW
- 7) Alternative G - 3.5 mil gal reservoir at the existing 1.5 mil gal Reservoir Site SW

One of the concerns regarding Alternative F is that it near a high voltage line which requires a variance from the Planning Department.

Mr. Verne Jacobson of TKDA Engineers informed the Board that Alternative G is the only alternative that offers a 3.5 million gallon reservoir at the existing 1.5 million gallon reservoir site. The 1.5 million gallon reservoir would be removed. Construction would take six to eight weeks and would involve pre-pouring some of the panels. The new reservoir would be the same height as the 1.5 million gallon one, but would take up more of the site. Mr. Williams noted that building on the same site would present the best financial deal. Mr. Jacobson agreed.

Mr. Wojcik said that the Board has encouraged public input throughout this process. He said he would like to see another public meeting scheduled to explain this new option to the neighborhoods. He also asked Mr. Jacobson if there were any issues with temporary easements. Mr. Jacobson replied that easements were needed either way.

Mr. Rovang said that Saint Marys did a lot of work to this site, but RPU would re-plant it and re-sod it too. He also said that RPU would still come back to the Committee on Urban Design and Environment (CUDE) with the proposed design, painting the structure a more natural earth tone color, etc.

Mr. Koshire explained the five factor site ranking scale that was used for evaluating the alternatives. Evaluation factors included economies of construction, benefit of replacing 1.5 MG reservoir, impact on utility operations (short-term and long-term), public acceptance and physical site constraints. Alternative G received the highest ranking. He also told the Board that this project would not impact water rates because RPU has reserves in the water budget for this construction and the City's Water Availability Charge (WAC) would partially fund the project. After discussion, the Board agreed to eliminate the SLP Alternative and Alternative F (a hydropillar at the Leitzen site NW).

Mr. Williams said the ultimate decision would include providing a sustainable and economic supply of water to all our citizens which would include neighborhood engagement. He also said that the Board has a fiduciary responsibility. He further stated that this matter may or may not be decided at the October meeting and asked staff to seek

comments from the public.

* Mr. Wojcik left the meeting.

- 5a. Mr. Monson, Supervisor of Facilities and Fleet, explained the bids received for the purchase of a new aerial lift device which was included in the 2012 budget. Mr. Reichert moved to approve a purchase order with Dueco Inc., seconded by Mr. Browning.

3 Voting "Aye" (Mr. Reichert, Mr. Browning, Mr. Williams)
Motion Carried

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a purchase order agreement with DUECO Inc. for

One 2012 Dueco Terex TM-105, Aerial Lift Device, and Installation

The amount of the purchase order agreement to be TWO HUNDRED FIFTY THREE THOUSAND THREE HUNDRED FIFTY NINE AND 00/100 DOLLARS (\$253,359.00) plus sales tax bid by DUECO Inc., and DUECO Inc. being lowest responsible bidder.

** Mr. Wojcik returned to the meeting.

- 5b. During the meeting, staff distributed a For Board Action request recommending that the Board reject all bids for 161 kV disconnect switches at the Northern Hills substation. Mr. Stiller, Senior Electrical Engineer, informed the Board that Section 002113-02 Instruction to Bidders subsection 4.5 states: *"The Rochester Public Utility Board reserves the right to reject any and all Bids and to accept the Bids or Bids, in whole or in part, considered to be in the best interests of the City of Rochester."* Mr. Wojcik moved that the Board reject all bids and direct staff to re-advertise for the switches, seconded by Mr. Browning.

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 Northern Hills Substation – 161 kV Disconnect Switches, dated September 12, 2012.

6. Mr. Eric Swanson and Mr. Brian Kensicki, attorneys from Winthrop & Weinstine, appeared before the Board to provide a CapX 2020 informational update. Mr. Anderton, Manager of Engineering, explained that this project began ten years ago by identifying a transmission need. He said that improvements to the 161kV lines around RPU will allow significant reliability improvements to the transmission grid and allow RPU additional reliable access to the market. This will enable RPU to rely more on external resources. Mr. Anderton described the proposed routes in Minnesota and Wisconsin. Mr. Swanson explained that the original Project Development Agreement was signed in 2007. The

route permit was granted in 2012. There are many agreements required for the project. The current project timeline calls for the four participating Minnesota utilities to execute the necessary agreements for construction by December 2012. The four utilities are RPU, Southern Minnesota Municipal Power Agency (SMMPA), Dairyland Power Cooperative and Xcel Energy (NSP-MN). Construction will begin as soon as the agreements are finalized. The Northern Hills substation line is scheduled to be completed in 2014. Mr. Browning asked if both lines were needed in Rochester. Mr. Schlink, Director of Power Resources, said one of the lines would help support the loss of the Silver Lake Plant and the other was needed for reliability and load growth.

Mr. Kotschevar, Director of Core Services, said management would like a consensus from the Board on the process for the agreements which will begin to appear for approval at the October board meeting. The Board and Council would need to approve RPU entering the project at a certain percentage point. Draft agreements would be presented to the Board for approval with any revisions delegated to the General Manager and City Attorney. Mr. Adkins said the Board and Council need to approve the agreements, but that he and the General Manager could approve the non-substantive changes in the agreements. Mr. Adkins said that he and Mr. Wojcik would not be available on the last Tuesday in November.

The major agreements requiring approval before the end of the year include the following:

- Project Participation Agreement
- Construction Management Agreement
- Operations and Maintenance Agreement
- Transmission Capacity Exchange Agreement
- Joint Cooperation Agreement.

The Board concurred with Mr. Adkins and staff's recommendations regarding the process for the agreements.

7. The eminent domain resolution for the CapX2020 project was discussed. Mr. Adkins said property rights are necessary to allow the construction of the four segments of transmission line in Minnesota. Mr. Anderton said that a Project Manager is negotiating the purchase of easements from landowners. Mr. Browning asked if there was compensation for the landowner. Mr. Adkins said there was. Mr. Reichert asked if RPU had any rights if they gave another entity those rights. Mr. Anderton said RPU has a position on the CapX2020 Management Committee to protect its interests. Mr. Wojcik moved to approve a "*Resolution Authorizing the Use of Eminent Domain, Including 'Quick-Take,' to Acquire Real Property for High Voltage Transmission Line and Substation Purposes,*" 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 the attached "Resolution Authorizing the Use of Eminent Domain, Including "Quick-Take," to Acquire Real Property for High Voltage Transmission Line and Substation Purposes." for the construction of four segments of transmission line in Minnesota as described in the Resolution, and that the Common Council authorize the Mayor and the City Clerk to execute the agreement.

- 8. Mr. Browning moved to approve the 2013 Utility Board meeting dates, seconded by Mr. Wojcik.

All voting "AYE"

- 9. Mr. Koshire provided the following report to the Board:
 - a. The Southern Minnesota Municipal Power Agency (SMMPA), RPU's wholesale power supplier, has indicated that to date, no rate increase is planned for 2013.
 - b. RPU plans to discuss SMMPA's future asset needs beyond 2030 with SMMPA staff and the SMMPA Board.
 - c. October 7 through 13 is being recognized as Public Power Week throughout the nation.
- 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 5:55 p.m.

Submitted by:

Kathleen Wilson
Secretary

Approved by the Board:

Greg Williams
Board President
10/30/12
Date