

FOR BOARD ACTION

Agenda Item # 6

Meeting Date:

9/25/12

SUBJECT:

CapX 2020 Informational Update

PREPARED BY:

Randy Anderton, Manager of Engineering

ITEM DESCRIPTION:

The Hampton-North Rochester- La Crosse CapX 2020 project that RPU has been participating in is nearing the time for the completion and signing of the various project agreements necessary for construction to begin. The current project timeline calls for the four participating Minnesota utilities to execute the necessary agreements for construction by December 2012. Project agreements are being finalized by the various project agreement teams. Randy Anderton, RPU Manager of Engineering, along with Eric Swanson, Attorney, of Winthrop & Weinstine have been representing RPU's interests in the agreements drafting process. This update will lay the foundation for the upcoming approval process along with seeking Board feedback on the process.

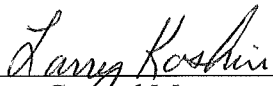
Randy will give a brief presentation on the background of the CapX La Crosse project that RPU has been participating in, and update the Board on the current status of the project agreements. Eric Swanson, of, Winthrop & Weinstine will go over the attached overview and discuss the mechanics and philosophy of the CapX project agreements that are being developed. Mark Kotschevar, RPU Director of Core Services, will conclude with a discussion of a proposed process for future Board and Council approvals.

FOR CAPITAL PURCHASES/BIDS/MAJOR PROJECTS:

Not Applicable

UTILITY BOARD ACTION REQUESTED:

This is a presentation. No action is requested by the Board.


General Manager


Date

CapX 2020 Transmission Line Project
Southeast Metro – Rochester – LaCrosse Line
September 2012 Overview

Project: The Southeast Metro to Rochester to LaCrosse transmission line project “(Project)” is one of several critical electric transmission line projects being undertaken by regional utilities through contract agreements. These projects are collectively referred to as the “CapX Projects.”

The Project will improve reliability for the Twin Cities, Rochester and La Crosse areas, as well as improve access to generation in the south east part of Minnesota. A double circuit capable 345 kilovolt (kV) transmission line will run between a new substation near Hampton, Minnesota, the proposed North Rochester Substation between Zumbrota and Pine Island, Minnesota, and continue on to cross the Mississippi River near Alma, Wisconsin. A new 161 kV line is proposed between the North Rochester Substation and the existing North Hills Substation in northwest Rochester. A new 161kV line is also proposed between the North Rochester Substation and the existing Chester Substation on the east side of Rochester.

Utilities: The Project will be conducted through two different sets of contracts, one for the Minnesota portion and one for the Wisconsin portion. The Minnesota utilities participating are:

- Rochester Public Utilities;
- Southern Minnesota Municipal Power Agency,
- Dairyland Power Cooperative and
- Xcel Energy (NSP_MN).

WPPI Energy is participating together with Dairyland and Xcel Energy (NSP_WI) in the Wisconsin portion.

Milestones:

- Project Development Agreement – Signed March 7, 2007
- Certificate of Need – Filed August 2007; granted May 2009
- Project Development Agreement Amendment – Signed March 2012
- Route Permit – Filed January 2010; granted May 2012
- Development activities, including preliminary right of way work, discretely owned substation design, preliminary materials acquisition, have commenced

Anticipated key dates:

- Major contracts finalized and final vote to commence Project by December 2012
- Construction activities begin – Immediately following contract execution and authorization votes
- Northern Hills line in service 4th quarter 2013
- Entire project completion 4th quarter 2015

Key contracts to date:

- Project Development Agreement – Approved by RPU Board and City Council and signed by all five utilities in March 2007; has guided all permitting and development activities to date
- Hampton Joint Effort Agreement – For the Hampton Substation, to benefit both the Project and the “Brookings CapX Project;” Approved by RPU Board and city Council and executed by all Project utilities and all Brookings Project utilities in January 2012
- Project Development Agreement Amendment – Approved by RPU Board and City Council and signed by all five utilities in March 2012; authorized preliminary project funding until Project Agreements are approved

Key upcoming contract:

- Project Participation Agreement – Overarching document that will replace the Project Development Agreement and guide all activities associated with the Project going forward; topics to be covered include:
 - Project Ownership Interests and Governance
 - Budgets and Accounting
 - Broad Guide For Construction and O & M Activities
 - Insurance and Casualty
 - Transfers and Defaults
 - Dispute Resolution
 - Confidentiality and Data Practices Laws
 - Termination

Anticipated to be finalized by end of November

Additional Major Contracts (all anticipated to be finalized by end of November):

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

Other Contracts: Experience from other “CapX” projects to date indicates that under the umbrella of this one key contract and four major contracts, multiple contracts will be required including: transmission-to-transmission interconnection agreements, substation and underlying system improvement self-performance agreements, underbuild owner agreements, underbuild easement agreements, assignments of easements, etc.

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