

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
August 28, 2012

Members Present: Mr. Williams, Mr. Reichert, Mr. Stahl, Mr. Wojcik and Mr. Browning
Absent:
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 July 31, 2012 and August 7, 2012 meetings, seconded by Mr. Browning.

All voting "AYE"

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

All voting "AYE"

3. Mr. Williams opened the meeting for comments from the public.

Wishing to be heard was Mr. Ray Schmitz. He said he lived on the other side of the Lake from the Silver Lake plant which had been named as an additional location for the water reservoir. He asked that RPU look for ways to minimize water use. He also said that the site should be architecturally pleasing, and that the structure's size and surface area should be based on projections for demand and usage which were not provided. Mr. Williams commented that as the City grows, more water storage will be needed for a massive area of the city from Civic Center Drive downtown to Rochester Golf and Country Club in southwest Rochester. He stated that more research was needed and the Board was not going to rush into this.

4. The replacement of the 4th Street SE water reservoir was discussed. Mr. Koshire informed the Board that RPU staff met with Mayo Facilities Engineering staff in early August to discuss the potential for use of a portion of the "Fullerton" site for the replacement reservoir/tower. Mayo has since communicated to RPU staff that Mayo would consider leasing an area in the northwest corner of the "Fullerton" site for the construction of a Hydropillar. RPU requested the TKDA engineer to evaluate this proposal and provide a cost estimate.

Mr. Koshire also said that the Mayo Facilities Committee had previously communicated to RPU a desire to maintain the Saint Marys Hospital parcel immediately west of Saint Marys Park for Mayo's future development plans. Therefore, staff was recommending that the Saint Marys Park area no longer be considered as a site possibility.

In addition to the above, a new site possibility for a hydropillar at Silver Lake Plant was added to the list with the planned termination of power generation at the Silver Lake Plant by the end of 2015. At the request of the Board, staff also reviewed all sites originally considered and narrowed the list to the following locations:

- 1) Alternative A2 - 2.0 mil gal reservoir at 4th St SE site (without enhancements)
- 2) Alternative A - 2.0 mil gal reservoir at 4th St SE site (with enhancements)
- 3) ~~Alternative D3 - 3.5 mil gal reservoir in Saint Marys Park area~~ *(Note: This alternative was eliminated by the Board during their August 28 meeting discussion.)*
- 4) Alternative E2 - 2.0 mil gal Hydropillar in NW portion of Mayo Fullerton site
- 5) Alternative B - 2.0 mil gal Hydropillar (water tower) at 4th St SE site
- 6) Alternative SLP - 2.0 mil gal Hydropillar at Silver Lake Plant Site
- 7) *New Site suggested by Mr. Wojcik - Industrial area on north side of Civic Center Drive near Beer Bellyz Bar and Grill*

Mr. Koshire recommended that the following criteria be used for the final site selection decision making process:

- 1) The need for 3.5 million gallon water storage and future water needs for the community in accordance with the engineering study.
- 2) Space availability for the storage for a 2 million gallon water storage facility while retaining the 1.5 million gallon storage facility currently at Saint Marys' Park.
- 3) System integration costs and feasibility to be considered.
- 4) Consultant review of all costs, including life cycle storage facility costs.
- 5) Site compatibility issues from affected and interested parties.

Mr. Williams asked the Board for comments on the sites listed above. Mr. Wojcik said #3 (Saint Marys Park site) should be eliminated. The Board concurred.

The Board discussed the addition of the Silver Lake Plant site. Mr. Wojcik said the plant site might not be the best location for a water tower, but was willing to consider it. Mr. Koshire said the coal inventory at this site would need to be looked at. The Board also discussed the three possibilities listed for the 4th Street SE site. Mr. Williams said the infrastructure was already in place for the 4th Street SE site. Mr. Rovang said a new reservoir downtown at the 4th Street SE site would need to be 15 feet above ground to be in the flood plan.

Mr. Wojcik said the Board needs to know how the final decision would affect rate payers. Mr. Reichert suggested checking with all interested parties and the public again. Mr. Koshire said staff could see the various groups again.

Mr. Williams asked if there were any other sites. Mr. Wojcik suggested adding an industrial area along the north side of Civic Center Drive near Beer Bellyz Bar and Grill. Mr. Koshire asked if the City had any restrictions for the use of this area. Mr. Wojcik said he did not know of any. The Board directed staff to provide costs on the remaining

alternatives as well as additional data for the Fullerton site, Silver Lake Plant site and the industrial area on the north side of Civic Center Drive for a future meeting in September or October.

5. Mr. Johnson, Manager of Water Maintenance and Construction, described the maintenance schedule for water tower repair and repainting to the Board. Mr. Stahl moved to approve a contract with Tri State Industrial Coatings, seconded by Mr. Wojcik.

All voting "AYE"

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

WATER STORAGE TANK REPAIR-REPAINTING
(300,000 gallon Willow Heights High Level Tower #94)

The amount of the contract agreement to be ONE HUNDRED SIXTY THREE THOUSAND, SEVEN HUNDRED AND 00/100 DOLLARS (\$163,700.00) and Tri State Industrial Coatings being the lowest responsible bidder.

- 6.a. Mr. Kotschevar, Director of Core Services, explained the current process for handling outage calls to the Board. They are handled manually by RPU employees, but the incoming call center can only accept 20 calls at a time. During normal business hours, 42% of the calls are dropped during an outage due to this limitation. Outside of normal business hours, the call abandoned rate can be as high as 80% to 85%. The new IVR system will include the ability to recognize the customer by phone number or spoken address and auto populate RPU's current outage software system (Responder) with the outage location. This will remove the need to manually answer each outage call and input the outage location. The system will be set up such that the customer can at any time opt out of the IVR system and speak to a call taker. This allows any customer to report a hazardous condition or information as to the outage cause directly to an RPU employee. In addition, Responder will be able to determine if the caller is part of an existing known outage and the IVR system will inform the customer of that fact and let them know a crew has been dispatched. Mr. Williams said he liked the fact that a customer can still talk to someone because he does not want RPU to lose the personal touch.

Mr. Adkins informed the Board that the Enventis documents the Board was considering needed to include the following changes:

- a) "*City of Rochester, a Minnesota Municipal Corporation, acting through its Public Utility Board*" in the first paragraph of the Scope of Work, and
- b) "*Consistent with the Minnesota Government Data Practices Act*" in the Confidentiality section.

Mr. Wojcik moved to approve a purchase order with Enventis subject to the inclusion of

the verbiage changes requested by the City Attorney, seconded by Mr. Reichert.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, is requested to approve a purchase order with Enventis for

Purchase of the software, hardware, and maintenance
for the IVR Outage Response Project.

The amount of the purchase to be ONE HUNDRED EIGHTY SEVEN THOUSAND SIX HUNDRED FIFTY FIVE AND 30/100 DOLLARS (\$187,655.30).

- 6.b. Mr. Blom, Manager of Finance & Accounting, discussed the purchase of regulatory reporting software from SAP through Heck Partners Consulting-America with the Board. He said that more rigor is needed in RPU's regulatory reporting due to federal and regional requirements for electric and water utilities. He also explained that funds from RPU's contingency fund as well as the Accounting department's cost center would be used to purchase the software in 2012. Mr. Stahl asked if RPU had joined regional Midwest Independent System Operators (MISO) as a Transmission Owner. Mr. Blom said RPU had not. Mr. Stahl asked if the Board would decide this. Mr. Koshire said the Board would need to approve this. He also said RPU needs to purchase this software because staff is currently spending considerable time doing this reporting manually. All investor-owned electric utilities are required to report to the U.S. Department of Energy using the Federal Energy Regulatory Commission (FERC) format. Because the FERC format is so prevalent in the utility industry, it has also become the standard form of reporting to the MISO organization when applying for MISO membership and subsequent annual reporting. RPU plans on applying for MISO membership in 2014 so that revenue is generated from the investment in the CAP-X 2020 transmission lines and so we must report using the FERC format. Mr. Wojcik said RPU needs to move toward standardization. Mr. Wojcik moved to approve the software purchase, seconded by Mr. Stahl.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a contract agreement with Heck Partners Consulting-America (HPC), and request the Mayor and the City Clerk to execute the agreement for

SAP Regulatory Reporting Module Optimization

The amount of the contract agreement to be ONE HUNDRED NINETY THREE THOUSAND FIVE HUNDRED AND 00/100 DOLLARS (\$193,500.00).

7. Mr. Koshire provided the following report to the Board:
- a. RPU staff held its first meeting on the Silver Lake Plant decommissioning plan.


- b. On August 21, RPU received a "System Innovation Award" from the Minnesota Municipal Utilities Association (MMUA) in recognition for its leadership and innovation in development and operation of the Cascade meadow Wetlands and Environmental Science Center.
- c. RPU has been having ongoing negotiations with People's Energy Cooperative regarding the cancellation of the 2008 service territory agreement effective the end of 2012. Mr. Koshire said RPU and People's are still apart on the final dollars. RPU will send a letter to People's suspending negotiations with the 2008 agreement still in place.
- d. An update on the CapX2020 transmission project was provided by Mr. Kotschevar, Director of Core Services. Construction of a new 161 kV line north of Rochester will begin after the first of 2013 and will be completed by the end of 2013. The line is scheduled to be energized in June of 2014. There are 26 agreements that will need to be approved by the Board and Council. The documents will be ready at the end of November and need to be finalized by the end of December. An additional update on the documents and CapX2020 will be provided by Attorney Eric Swanson, Winthrop & Weinstein, at the September 25 Board meeting.

- 8. The management reports were discussed.
- 9. Mr. Stahl moved to adjourn the meeting, seconded by Mr. Browning.

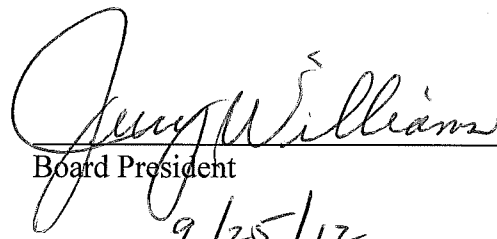
All voting "AYE"

The meeting adjourned at 4:55 p.m.

Submitted by:


 Secretary

Approved by the Board:


 Board President
 9/25/12
 Date