

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
March 26, 2013

Members Present: Mr. Williams, Mr. Stahl, Mr. Wojcik and Mr. Browning
Absent: Mr. Reichert
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 February 26, 2013 meeting, seconded by Mr. Wojcik.

All voting "AYE"

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

All voting "AYE"

Mr. Wojcik asked for a clearer explanation of costs associated with the CapX2020 project in future reports.

3. Mr. Williams opened the meeting for comments from the public. No one wished to be heard.

4. A revised For Board Action for Voltage Cable was distributed during the meeting because one of the bidders withdrew their bid due to a material issue. The revision has been posted on RPU's web site. Mr. Cook, Senior Electrical Engineer, said that the Board would be asked to award the bid to the lowest priced, responsible bidder. He also said that the bidder who withdrew would not be asked for their bid bond because staff felt it was an honest mistake. Mr. Adkins said that since the bid had not been awarded, RPU cannot show any damages to warrant recovery. Mr. Adkins also said that it was not necessary to mention the bidder who withdrew their bid in the resolution. Mr. Koshire recommended that staff state "did not meet specifications" on the bid tab in the future and to leave the non-responsive bidders off the form as well. Mr. Browning moved to reject Border States Electric Bid Item #4 as nonconforming to the specification and to approve a purchase order agreement with Stuart C. Irby Company for Items 1, 2 and 4, seconded by Mr. Stahl.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board to approve a purchase order agreement with Stuart C. Irby Company for Medium Voltage Cable.

<u>Bid Item #</u>	<u>Description</u>
1	1/0 AWG AL, 15KV, 220mil EPR, Full Neutral
2	750 KCMIL AL, 15kV, 220mil EPR, 1/3 Neutral Cable
4	500 kcmil CU, 15kV, 220mil EPR, Flat Strap Neutral

The base amount of the purchase order agreement to be FIVE HUNDRED SIXTY-NINE THOUSAND FOUR HUNDRED ONE AND 20/100 DOLLARS (\$569,401.20) with Stuart C. Irby Company being lowest responsible bidder and metals escalation and de-escalation will be allowed.

- Ms. Parker, Director of Corporate Services, discussed the financing team that has been formed for the 2013B Electric Revenue Bond Issue. She also distributed a revised schedule for the bonds. RPU has been consulting with the City of Rochester’s financial advisor, Springsted Inc., on the financing portion, and the City’s bond counsel, Kennedy and Graven, for the legal review and opinions regarding financing issues. The consultation with Springsted and RPU staff indicated that the approach to issuing the bonds would be through the selection of a senior underwriter. Springsted led RPU and the City Finance Director through a process of requesting proposals from national and regional underwriters, and an evaluation of these proposals. Recently, RPU and Springsted interviewed the final candidates. This process led to a recommendation for the underwriter for the 2013B electric revenue bonds.

The recommended lead senior manager for the issuance of the bonds is Barclay’s. This team presented the best experience and market access to assist RPU in bringing the project and financing to the bond market, getting the best interest rate, and having the financial capital to back a bond sale of this level. In addition to Barclay’s, it is recommended that BMO Capital serve as co-manager. Their presence will help broaden the market reach in selling the bonds.

Ms. Parker further stated that a special Board meeting would be needed on April 15 at noon at the RPU Service Center to set the parameters for the bond sale. This item will also be on the April 15 Council agenda. Mr. Wojcik moved to approve the financing team recommended by RPU management, seconded by Mr. Stahl.

All voting “AYE”

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve the financing team for the 2013B electric revenue bonds to include Kennedy and Graven as bond counsel, Springsted, Inc., as financial advisor and Barclay’s as senior manager to underwrite the bonds, and BMO Capital as co-manager.

- Ms. Hillenbrand, Director of Human Resources, discussed the recommended changes to be incorporated into the 2013-2014 Collective Bargaining Agreement between the City of Rochester and the International Brotherhood of Electrical Workers (IBEW), Outside

Group, Local 949 with the Board. A Memorandum of Understanding (MOU) between the City of Rochester and IBEW Power Resource Division Employee Transfer was also distributed and discussed. The MOU was designed to transfer appropriate Power Resource employees to other areas of RPU prior to the decommissioning of the Silver Lake Plant. Mr. Williams asked if there was a probation involved in the transfers. Ms. Hillenbrand informed him that there was a six month probation. Mr. Wojcik said he appreciated the flexibility of RPU employees in working with management on these issues. Mr. Browning moved to approve a resolution authorizing the execution of the 2013-2014 Agreement and MOU, seconded by Mr. Wojcik.

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 2013-2014 Collective Bargaining Agreement with IBEW, Outside Group, Local 949, and the City of Rochester Public Utility Board, and a Memorandum of Understanding with IBEW for Power Resource Division Employee Transfers, and that the Common Council authorize the Mayor and the City Clerk to execute the documents.

- 7. Mr. Teng, IS Manager, discussed the purchase of a two year agreement for Microsoft Select Plus Software which includes server and desktop products. Mr. Williams asked if there was any increase in price from the last renewal. Mr. Teng replied that there was a slight increase in price, but that it was still cheaper to keep the volume license. Mr. Wojcik said that you come out ahead with contracts like this when it comes to downtime and staff efficiencies. Mr. Teng said that this will also give RPU a free upgrade. Mr. Stahl moved to approve the purchase of the licensing agreement, seconded by Mr. Wojcik.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a purchase order with SHI International Corp. for

Purchase of Microsoft Volume Licensing

The amount of the purchase order to be ONE HUNDRED TEN THOUSAND FIVE HUNDRED SEVENTY NINE AND 00/100 DOLLARS (\$110,579.00) and SHI International Corp.

- 8. Plans for the implementation of a new SAP payroll/employee data system (Human Capital Management module) were discussed with the Board. RPU's current AS400 based timekeeping system will no longer be supported after 2013. Mr. Williams asked if RPU's payroll and employee data system was separate from the City of Rochester's software systems. Ms. Donahue, Business Services Supervisor, said RPU is on a different system due to its customer billing and FERC accounting requirements. RPU uploads an electronic file to the City for payroll purposes. Implementation is scheduled

to begin May 2013. The target completion date is December 2013. Mr. Wojcik moved to approve the implementation of SAP HCM, seconded by Mr. Browning.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a contract agreement with Sparta Consulting, Inc. and to request the Mayor and the City Clerk to execute the statement of work for

IMPLEMENTATION OF SAP Human Capital Management (HCM)

The amount of the statement of work agreement to be FIVE HUNDRED ONE THOUSAND, THIRTY AND 00/100 DOLLARS (\$501,030.00).

9. Mr. Benson, Communications Coordinator, discussed the addendum to a professional services agreement with BlueSpire, Inc. (formerly known as Priority Integrated Marketing) for the design, production and mailing of RPU's Plugged In magazine. This is a monthly publication which is distributed to RPU customers. Mr. Koshire said this publication allows RPU to communicate better with its customers and produces better results than bill stuffers. Mr. Williams said the magazine is well received by the public and a great tool for education. Mr. Wojcik moved to approve a resolution for the purchase of professional services from BlueSpire, Inc., seconded by Mr. Browning.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota to approve an addendum to Exhibit A of Project Agreement #1 contract agreement with BlueSpire, Inc. (formerly known as Priority Integrated Marketing) and request the Mayor and the City Clerk to execute the agreement for

Project Agreement #1 – RPU Print Magazine
Exhibit A – RPU Print Magazine

The annual amount of the agreement to be \$258,000.00, or \$774,000.00 for a three year period, with the term of the agreement covering years 2013 through 2015, subject to approval of RPU's annual budget by the Board and Common Council.

10. Mr. Wojcik moved to approve the annual update of the Small Power Production Rate (SPP) Tariff which is required by law, seconded by Mr. Stahl.

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.

11. RPU staff discussed a proposed dual Back-Up Control and IT Data Center with the Board. Mr. Scott Nickels, Manager of System Operations/Reliability, stated that the North American Electric Reliability Corporation (NERC) has released version 1 of Standard EOP-008 requiring all transmission operating utilities to have a fully redundant System Operations Back-Up Control Center. This facility will serve as the Back-Up Control Center and Disaster Recovery Site for System Operations, Water Operations and Information Services. A physical space for five to six people is needed. Several sites were reviewed by staff. Mr. Wojcik expressed a desire to have this site shared with other facilities. Mr. Nickels said there will be physical and cyber security standards governing the use of the site. RPU anticipates having the site in place by the end of 2013. Mr. Nickels also said that individual components of this project will be brought back to the Board for purchase approval. This was an informational item. No action was taken by the Board.
12. The General Manager provided the following report to the Board:
 - a. Mr. Rovang, Senior Civil Engineer, provided an update on the Zoning Board of Appeals variance request submitted by RPU for the proposed Saint Marys Park water reservoir replacement. Since the February Board meeting update, staff has met with the Committee on Urban Design and Environment (CUDE) on March 21. The meeting went well. On April 1, Mr. Rovang will meet with a small group of CUDE members. The Zoning Board of Appeals tabled the variance request until April 3. Mr. Rovang informed the Board that if the zoning variance request is not granted, RPU will need to go to the Council.

Mr. Rovang said that staff is continuing to work with Saint Marys and the Mayo Clinic on this matter. Staff is also working with the Park Department on landscaping aesthetics and planting. Mr. Adkins explained that the issue with the Zoning Board of Appeals has created a conflict of interest for him because he cannot represent RPU and the Zoning Board. He has retained Mr. Mark Utz, Wendland & Utz, to represent RPU. If this matter goes to the Council, Mr. Adkins will retain another attorney to represent him.
 - b. Mr. Hensel, Director of Field Services, discussed pending solar energy bills in the Minnesota Legislature. Municipals and electric cooperatives have not been in favor of the bills due to the anticipated costs to customers. Mr. Koshire said the Minnesota Municipal Utilities Association (MMUA) sent a summary of the legislation to him which he will forward to the Board.

Mr. Wojcik asked if there was a way to engage the public on this topic. He also asked what municipals and cooperatives were willing to do. He suggested engaging the public rather than giving them a hard no. He also suggested

scheduling a public dialogue session. Mr. Williams asked if this was a huge issue with the public. Mr. Wojcik said clean energy versus coal is what interests the public. Mr. Anderson, RPU Key Account Representative, and Ms. Hanson, RPU Manager of Marketing and External Affairs, said RPU provides solar education classes twice a year. Approximately 10 to 15 customers attend these classes. Mr. Schlink, Director of Power Resources, said we need to build on this. Cascade Meadows Wetlands & Environment Science Center is a good example of RPU's commitment to renewable energy. He also said that RPU is supportive of clean energy, but not state mandates. Mr. Wojcik said that community solar is not being done in Rochester.

- 13. The management reports were discussed.
- 14. Other Business:
 - a. Mr. Williams said there would be a special Utility Board at noon at the RPU Service Center on April 15 to set the sale parameters for the 2013B Electric Revenue Bonds.
 - b. Mr. Williams also said he will hold a board planning session prior to June 1.
- 15. Mr. Stahl moved to adjourn the meeting, seconded by Mr. Wojcik.

All voting "AYE"

The meeting adjourned at 5:30 p.m.

Submitted by:

Kathleen Wilson
Secretary

Approved by the Board:

James Williams
Board President

4/15/13
Date