

FOR BOARD ACTION

Agenda Item # 1

Meeting Date:

09/15/09

SUBJECT:

Issuance of Electric Utility Revenue Note, Series 2009A

PREPARED BY:

Susan Parker, Director of Corporate Services

ITEM DESCRIPTION:

During our forecasting and scenario budgeting process for 2009 and 2010, staff reviewed with the Board the need to do short-term financing in the electric utility. This will allow the utility to maintain an appropriate level of cash reserves while maintaining the position of a zero rate increase for 2010.

The projects that are proposed to be financed include:

Emissions reduction project	\$1,500,000
West Side substation	4,400,000
Q9 Transmission rerouting project	800,000

The total size of the financing is \$6,790,000 and is a variable rate issue. The term of the loan is 5.2 years with semi-annual payments. The estimated interest rate over the term is about 2% which is comprised of the variable rate, currently 0.25%, and LOC fees. The LOC fees will be 0.87% until 1/1/10, increasing to 1.2% on 1/1/11 and to 1.45% after 2011.

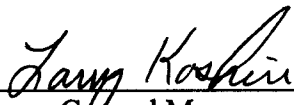
The 2007 Revenue Bonds has a parity obligation that requires the utility to increase its debt service reserve for subsequent debt. There is a three part test to calculate the parity reserve and we have the option to use the lower of the three tests. This obligation will require us to set aside 10% of the issue or \$679,000 in the debt service reserve account. We have estimated earnings on the reserve account to be approximately 1%.

The debt issuance costs are estimated to be \$76,955, plus legal fees of \$5,000. This will leave \$6,029,035 to be deposited into the construction account. The projects will be funded in priority shown above until the proceeds are spent.

Staff is recommending that a variable rate note be issued against the Midwest Consortium of Municipal Utilities (MCMU) bond issue with net proceeds of \$6,029,000 for 5.2 years to finance electric utility capital infrastructure improvements.

UTILITY BOARD ACTION REQUESTED:

The Board is requested to pass a resolution approving and consenting to the issuance of an Electric Revenue Note, Series 2009, and the Execution of a Project Loan Agreement by the City of Rochester.



General Manager



Date

ROCHESTER PUBLIC UTILITIES



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September 14, 2009

Ms. Susan Parker, Director of Corporate Services
Rochester Public Utilities
4000 East River Road NE
Rochester, Minnesota 55906-2813

Re: **Participation in MMUA Financing Pool
Independent Advisor Review of Financing Terms**

Dear Ms. Parker:

The Rochester Public Utilities (RPU) would like to participate in the MMUA Financing Pool in the approximate amount of \$6,790,000. Our opinion of the financing terms has been requested, given our independent status and long-term relationship with RPU.

We understand RPU will enter into a loan agreement with MMUA. We also understand the agreement sets all of the financing terms by establishing costs of issuance, repayment form and interest rate. The loan is structured as a variable interest rate transaction, wherein the interest rate will vary over the five-year repayment term. Variable rate obligations have their own distinct set of terms and approaches. Besides the periodic changes in interest rates, variable rate bonds require additional issuance costs compared to fixed-rate bonds. Most significant among these costs is the liquidity provider and remarketing agent payments, which are ongoing over the life of the bonds.

In the recent market disruption, the liquidity provider fee has changed markedly upward compared to the previous market situation. That said, in the present market variable interest rates are at historically low levels. In all likelihood the variable interest rates will move upward over the repayment term. A certain allowance for this movement has been built into the MMUA estimates with a 'planning' rate of 2.0%. This allowance will permit some room for increases in market interest rate levels.

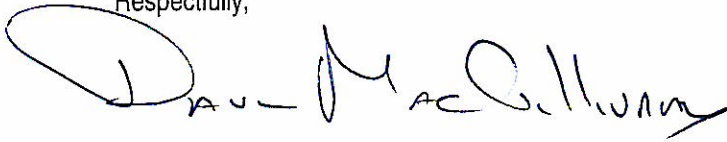
As with all of our clients having variable rate transactions, we recommend budgeting at the planning interest rate or higher and then allocating these funds as a contingency for future interest rate movements above the planning rate or to prepay bonds. We have compared the initial variable rate representation by the MMUA with the current variable

Rochester Public Utilities, Minnesota
September 14, 2009
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rate market and find it consistent with these levels. The various costs of issuance, including the remarketing and liquidity provider, are at market levels and built into the MMUA program.

We would welcome further on any of these topics and other aspects of the transaction at your direction.

Respectfully,

A handwritten signature in black ink, appearing to read "David N. MacGillivray". The signature is written in a cursive style with a large, looped initial "D".

David N. MacGillivray, Chairman
Client Representative

dww

Advanced Consortium of Municipal Utilities - Series 2009

Rochester - Substation & Electric (Revenue)

Sources & Uses

Sources Of Funds

Lease Size..... \$6,790,000.00

Total Sources..... \$6,790,000.00

Uses Of Funds

Deposit to Project Construction Fund..... 6,007,243.98

Deposit to Parity Reserve..... 679,000.00

Costs of Issuance..... 76,964.64

2mo Cap Int+Fees..... 21,791.38

Legal Fees..... 5,000.00

Total Uses..... \$6,790,000.00

Midwest Consortium of Municipal Utilities - Series 2006

Draw Schedule & Investment Earnings

Rochester - Substation & Electric (Revenue)

Variable Rate Financing Projection (Preliminary)

	Expected Draw	0.97% Earnings	End Balance
9/25/2009	2,122,244.00		\$3,884,999.98
11/1/2009	250,000.00	3,820.07	3,634,999.98
12/1/2009	270,000.00	2,898.04	3,364,999.98
1/1/2010	150,000.00	2,772.21	3,214,999.98
2/1/2010	0.00	2,648.63	3,214,999.98
3/1/2010	225,000.00	2,392.31	2,989,999.98
4/1/2010	1,295,000.00	2,463.27	1,694,999.98
5/1/2010	195,000.00	1,351.36	1,499,999.98
6/1/2010	325,000.00	1,235.75	1,174,999.98
7/1/2010	350,000.00	936.78	824,999.98
8/1/2010	150,000.00	679.66	674,999.98
9/1/2010	75,000.00	556.09	599,999.98
10/1/2010	25,000.00	478.36	574,999.98
11/1/2010	400,000.00	473.71	174,999.98
12/1/2010	174,999.98	139.52	0.00
1/1/2011	0.00	0.00	0.00
2/1/2011	0.00	0.00	0.00
3/1/2011	0.00	0.00	0.00
4/1/2011	0.00	0.00	0.00
5/1/2011	0.00	0.00	0.00
6/1/2011	0.00	0.00	0.00
7/1/2011	0.00	0.00	0.00
8/1/2011	0.00	0.00	0.00
9/1/2011	0.00	0.00	0.00
10/1/2011	0.00	0.00	0.00
11/1/2011	0.00	0.00	0.00
12/1/2011	0.00	0.00	0.00
1/1/2012	0.00	0.00	0.00
2/1/2012	0.00	0.00	0.00
3/1/2012	0.00	0.00	0.00
4/1/2012	0.00	0.00	0.00
5/1/2012	0.00	0.00	0.00
6/1/2012	0.00	0.00	0.00
7/1/2012	0.00	0.00	0.00
8/1/2012	0.00	0.00	0.00
9/1/2012	0.00	0.00	0.00
10/1/2012	0.00	0.00	0.00
11/1/2012	0.00	0.00	0.00
12/1/2012	0.00	0.00	0.00
1/1/2013	0.00	0.00	0.00
2/1/2013	0.00	0.00	0.00
3/1/2013	0.00	0.00	0.00
4/1/2013	0.00	0.00	0.00
5/1/2013	0.00	0.00	0.00
6/1/2013	0.00	0.00	0.00
7/1/2013	0.00	0.00	0.00
8/1/2013	0.00	0.00	0.00
9/1/2013	0.00	0.00	0.00
10/1/2013	0.00	0.00	0.00
11/1/2013	0.00	0.00	0.00
12/1/2013	0.00	0.00	0.00
1/1/2014	0.00	0.00	0.00

Midwest Consortium of Municipal Utilities - Series 2006

Reserve Fund

Rochester - Substation & Electric (Revenue)

Variable Rate Financing Projection (Preliminary)

	Expected Draw	0.97% Earnings	End Balance
9/25/2009	0.00		\$679,000.00
11/1/2009	667.65	667.65	679,000.00
12/1/2009	541.34	541.34	679,000.00
1/1/2010	559.38	559.38	679,000.00
2/1/2010	559.38	559.38	679,000.00
3/1/2010	505.25	505.25	679,000.00
4/1/2010	559.38	559.38	679,000.00
5/1/2010	541.34	541.34	679,000.00
6/1/2010	559.38	559.38	679,000.00
7/1/2010	541.34	541.34	679,000.00
8/1/2010	559.38	559.38	679,000.00
9/1/2010	559.38	559.38	679,000.00
10/1/2010	541.34	541.34	679,000.00
11/1/2010	559.38	559.38	679,000.00
12/1/2010	541.34	541.34	679,000.00
1/1/2011	559.38	559.38	679,000.00
2/1/2011	559.38	559.38	679,000.00
3/1/2011	505.25	505.25	679,000.00
4/1/2011	559.38	559.38	679,000.00
5/1/2011	541.34	541.34	679,000.00
6/1/2011	559.38	559.38	679,000.00
7/1/2011	541.34	541.34	679,000.00
8/1/2011	559.38	559.38	679,000.00
9/1/2011	559.38	559.38	679,000.00
10/1/2011	541.34	541.34	679,000.00
11/1/2011	559.38	559.38	679,000.00
12/1/2011	541.34	541.34	679,000.00
1/1/2012	559.38	559.38	679,000.00
2/1/2012	559.38	559.38	679,000.00
3/1/2012	521.87	521.87	679,000.00
4/1/2012	557.86	557.86	679,000.00
5/1/2012	539.86	539.86	679,000.00
6/1/2012	557.86	557.86	679,000.00
7/1/2012	539.86	539.86	679,000.00
8/1/2012	557.86	557.86	679,000.00
9/1/2012	557.86	557.86	679,000.00
10/1/2012	539.86	539.86	679,000.00
11/1/2012	557.86	557.86	679,000.00
12/1/2012	539.86	539.86	679,000.00
1/1/2013	557.86	557.86	679,000.00
2/1/2013	557.86	557.86	679,000.00
3/1/2013	505.25	505.25	679,000.00
4/1/2013	559.38	559.38	679,000.00
5/1/2013	541.34	541.34	679,000.00
6/1/2013	559.38	559.38	679,000.00
7/1/2013	541.34	541.34	679,000.00
8/1/2013	559.38	559.38	679,000.00
9/1/2013	559.38	559.38	679,000.00
10/1/2013	541.34	541.34	679,000.00
11/1/2013	559.38	559.38	679,000.00
12/1/2013	541.34	541.34	679,000.00
1/1/2014	559.38	559.38	679,000.00

NOTE: Interest computed at assumed rate shown, actual rate will vary over term. Principal may be prepaid at any time with no additional cost.

Midwest Consortium of Municipal Utilities - Series 2006

Draw Schedule & Investment Earnings

Rochester - Substation & Electric (Revenue)

Variable Rate Financing Projection (Preliminary)

	Expected Draw	0.97% Earnings	End Balance
2/1/2014	0.00	0.00	0.00
3/1/2014	0.00	0.00	0.00
4/1/2014	0.00	0.00	0.00
5/1/2014	0.00	0.00	0.00
6/1/2014	0.00	0.00	0.00
7/1/2014	0.00	0.00	0.00
8/1/2014	0.00	0.00	0.00
9/1/2014	0.00	0.00	0.00
10/1/2014	0.00	0.00	0.00
11/1/2014	0.00	0.00	0.00
12/1/2014	0.00	0.00	0.00
1/0/1900			
	<u>6,007,243.98</u>	<u>22,845.76</u>	

Midwest Consortium of Municipal Utilities - Series 2006

Reserve Fund

Rochester - Substation & Electric (Revenue)

Variable Rate Financing Projection (Preliminary)

	Expected Draw	0.97% Earnings	End Balance
2/1/2014	559.38	559.38	679,000.00
3/1/2014	505.25	505.25	679,000.00
4/1/2014	559.38	559.38	679,000.00
5/1/2014	541.34	541.34	679,000.00
6/1/2014	559.38	559.38	679,000.00
7/1/2014	541.34	541.34	679,000.00
8/1/2014	559.38	559.38	679,000.00
9/1/2014	559.38	559.38	679,000.00
10/1/2014	541.34	541.34	679,000.00
11/1/2014	559.38	559.38	679,000.00
12/1/2014	679,541.34	541.34	0.00
1/0/1900			
	<u>713,140.49</u>	<u>34,140.49</u>	

NOTE: Interest computed at assumed rate shown, actual rate will vary over term. Principal may be prepaid at any time with no additional cost.

Midwest Consortium of Municipal Utilities - Series 2008

**Rochester - Substation & Electric (Revenue)
Variable Rate Financing Projection (Preliminary)**

Refunding P+I
-
New Money
\$8,007,243.98
Reserve Fund
\$879,000.00

Financing Term (yrs):	5.2
Pmts per Yr:	12
Financing Size:	\$8,790,000.00
Prop Share COI ***:	(\$78,964.64)
2mo Cap Int+Fees:	(\$21,791.38)
Legal+FA Fees:	(\$5,000.00)
Net Financing Proceeds:	\$8,686,243.98

1 Prin per Yr
1.13350%

LOC+Liquidity Fee (Rev):	0.870%
Administrative Fee:	0.150%
Remarketing Fee:	0.100%
Prop Share Yrly Trustee Fee (Init):	0.024%
Prop Share Yrly Rating Fee (Init):	0.004%

1/1/2010	1.200%	1/1/2011	1.450%
3.18 yrs Wtd Avg Mat			
4.566% All-In Yield			

Date	Pmt #	Variable Rate Financing Projection (Preliminary)			Principal Balance	Total Fees **	Investment Earnings (est) ***	Total Debt Service	Total Annual Debt Service	4.566% Present Value
		Principal	Rate %	Interest (Act/Act)						
		Annual Assumed			\$8,790,000.00			21,791.38		(6,007,243.98)
9/25/2009		-<Financing Closing Date								
11/1/2009	1	0.00	2.000%	13,766.03	8,790,000.00	8,025.35	(4,487.72)	4,487.72 #	327,195.44	(4,487.32)
12/1/2009	2	200,000.00	2.000%	11,161.64	8,590,000.00	6,551.22	(3,439.38)	309,891.79		307,313.32
1/1/2010	3	0.00	2.000%	11,193.97	8,590,000.00	8,394.08	(3,331.59)	(3,331.59)		(3,291.35)
2/1/2010	4	0.00	2.000%	11,193.97	8,590,000.00	8,394.08	(3,208.02)	(3,208.02)		(3,157.25)
3/1/2010	5	0.00	2.000%	10,110.88	8,590,000.00	7,735.91	(2,897.56)	(2,897.56)		(2,840.90)
4/1/2010	6	0.00	2.000%	11,193.97	8,590,000.00	8,394.08	(3,022.65)	(3,022.65)		(2,952.31)
5/1/2010	7	0.00	2.000%	10,832.88	8,590,000.00	8,174.69	(1,892.70)	(1,892.70)		(1,841.64)
6/1/2010	8	0.00	2.000%	11,193.97	8,590,000.00	8,394.08	(1,795.14)	114,572.20		111,059.10
7/1/2010	9	0.00	2.000%	10,832.88	8,590,000.00	8,174.69	(1,478.12)	(1,478.12)		(1,427.37)
8/1/2010	10	0.00	2.000%	11,193.97	8,590,000.00	8,394.08	(1,239.05)	(1,239.05)		(1,191.97)
9/1/2010	11	0.00	2.000%	11,193.97	8,590,000.00	8,394.08	(1,115.47)	(1,115.47)		(1,069.02)
10/1/2010	12	0.00	2.000%	10,832.88	8,590,000.00	8,174.69	(1,019.70)	(1,019.70)		(973.53)
11/1/2010	13	0.00	2.000%	11,193.97	8,590,000.00	8,394.08	(1,033.09)	(1,033.09)		(982.58)
12/1/2010	14	1,210,000.00	2.000%	10,832.88	5,380,000.00	8,174.69	(880.86)	1,312,175.72	1,406,509.97	1,243,284.38
1/1/2011	15	0.00	2.000%	9,138.63	5,380,000.00	8,049.97	(559.38)	(559.38)		(528.01)
2/1/2011	16	0.00	2.000%	9,138.63	5,380,000.00	8,049.97	(559.38)	(559.38)		(526.01)
3/1/2011	17	0.00	2.000%	8,254.25	5,380,000.00	7,400.71	(505.25)	(505.25)		(473.30)
4/1/2011	18	0.00	2.000%	9,113.66	5,380,000.00	8,049.97	(559.38)	(559.38)		(522.02)
5/1/2011	19	0.00	2.000%	8,819.67	5,380,000.00	7,833.55	(541.34)	(541.34)		(503.27)
6/1/2011	20	0.00	2.000%	9,113.66	5,380,000.00	8,049.97	(559.38)	101,401.58		93,913.23
7/1/2011	21	0.00	2.000%	8,819.67	5,380,000.00	7,833.55	(541.34)	(541.34)		(499.46)
8/1/2011	22	0.00	2.000%	9,113.66	5,380,000.00	8,049.97	(559.38)	(559.38)		(514.15)
9/1/2011	23	0.00	2.000%	9,113.66	5,380,000.00	8,049.97	(559.38)	(559.38)		(512.21)
10/1/2011	24	0.00	2.000%	8,819.67	5,380,000.00	7,833.55	(541.34)	(541.34)		(493.80)
11/1/2011	25	0.00	2.000%	9,113.66	5,380,000.00	8,049.97	(559.38)	(559.38)		(508.33)
12/1/2011	26	1,260,000.00	2.000%	8,819.67	4,120,000.00	7,833.55	(541.34)	1,340,913.35	1,436,829.35	1,213,909.63
1/1/2012	27	0.00	2.000%	6,979.23	4,120,000.00	6,218.21	(559.38)	(559.38)		(504.48)
2/1/2012	28	0.00	2.000%	6,979.23	4,120,000.00	6,218.21	(559.38)	(559.38)		(502.57)
3/1/2012	29	0.00	2.000%	6,528.96	4,120,000.00	5,871.81	(521.87)	(521.87)		(487.08)
4/1/2012	30	0.00	2.000%	6,998.36	4,120,000.00	6,202.17	(557.86)	(557.86)		(497.41)
5/1/2012	31	0.00	2.000%	6,772.60	4,120,000.00	6,036.89	(539.86)	(539.86)		(479.53)
6/1/2012	32	0.00	2.000%	6,998.36	4,120,000.00	6,202.17	(557.86)	77,863.24		68,900.40
7/1/2012	33	0.00	2.000%	6,772.60	4,120,000.00	6,036.89	(539.86)	(539.86)		(475.91)
8/1/2012	34	0.00	2.000%	6,998.36	4,120,000.00	6,202.17	(557.86)	(557.86)		(489.91)
9/1/2012	35	0.00	2.000%	6,998.36	4,120,000.00	6,202.17	(557.86)	(557.86)		(488.05)
10/1/2012	36	0.00	2.000%	6,772.60	4,120,000.00	6,036.89	(539.86)	(539.86)		(470.51)
11/1/2012	37	0.00	2.000%	6,998.36	4,120,000.00	6,202.17	(557.86)	(557.86)		(484.36)
12/1/2012	38	1,315,000.00	2.000%	6,772.60	2,805,000.00	6,036.89	(539.86)	1,371,619.77	1,443,891.37	1,186,300.95
1/1/2013	39	0.00	2.000%	4,764.66	2,805,000.00	4,292.86	(557.86)	(557.86)		(480.69)
2/1/2013	40	0.00	2.000%	4,764.66	2,805,000.00	4,292.86	(557.86)	(557.86)		(478.87)
3/1/2013	41	0.00	2.000%	4,303.56	2,805,000.00	3,963.91	(505.25)	(505.25)		(432.07)
4/1/2013	42	0.00	2.000%	4,764.66	2,805,000.00	4,302.42	(559.38)	(559.38)		(476.55)
5/1/2013	43	0.00	2.000%	4,610.96	2,805,000.00	4,189.59	(541.34)	(541.34)		(459.43)
6/1/2013	44	0.00	2.000%	4,764.66	2,805,000.00	4,302.42	(559.38)	53,310.64		45,071.85
7/1/2013	45	0.00	2.000%	4,610.96	2,805,000.00	4,189.59	(541.34)	(541.34)		(455.95)
8/1/2013	46	0.00	2.000%	4,764.66	2,805,000.00	4,302.42	(559.38)	(559.38)		(469.38)
9/1/2013	47	0.00	2.000%	4,764.66	2,805,000.00	4,302.42	(559.38)	(559.38)		(467.58)
10/1/2013	48	0.00	2.000%	4,610.96	2,805,000.00	4,189.59	(541.34)	(541.34)		(450.78)
11/1/2013	49	0.00	2.000%	4,764.66	2,805,000.00	4,302.42	(559.38)	(559.38)		(464.04)
12/1/2013	50	1,375,000.00	2.000%	4,610.96	1,430,000.00	4,189.59	(541.34)	1,406,367.38	1,454,194.90	1,182,247.87
1/1/2014	51	0.00	2.000%	2,429.04	1,430,000.00	2,301.30	(559.38)	(559.38)		(480.53)
2/1/2014	52	0.00	2.000%	2,429.04	1,430,000.00	2,301.30	(559.38)	(559.38)		(458.79)
3/1/2014	53	0.00	2.000%	2,193.97	1,430,000.00	2,128.73	(505.25)	(505.25)		(412.82)
4/1/2014	54	0.00	2.000%	2,429.04	1,430,000.00	2,301.30	(559.38)	(559.38)		(455.32)
5/1/2014	55	0.00	2.000%	2,350.68	1,430,000.00	2,243.77	(541.34)	(541.34)		(438.96)
6/1/2014	56	0.00	2.000%	2,429.04	1,430,000.00	2,301.30	(559.38)	27,660.88		22,255.58
7/1/2014	57	0.00	2.000%	2,350.68	1,430,000.00	2,243.77	(541.34)	(541.34)		(435.64)
8/1/2014	58	0.00	2.000%	2,429.04	1,430,000.00	2,301.30	(559.38)	(559.38)		(448.45)
9/1/2014	59	0.00	2.000%	2,429.04	1,430,000.00	2,301.30	(559.38)	(559.38)		(446.75)
10/1/2014	60	0.00	2.000%	2,350.68	1,430,000.00	2,243.77	(541.34)	(541.34)		(430.70)
11/1/2014	61	0.00	2.000%	2,429.04	1,430,000.00	2,301.30	(559.38)	(559.38)		(443.37)
12/1/2014	62	1,430,000.00	2.000%	2,350.68	-	2,243.77	(679,541.34)	755,953.11	777,118.41	596,189.93
		6,790,000.00		431,375.76		360,349.64	(735,986.25)	6,845,739.45	6,845,739.45	-

Current Bond	Annual Assumed	5yr Hist Avg SIFMA+1bp
0.220%	2.000%	2.528%

** - Fees include credit, liquidity, admin, remarketing, trustee, rating (credit fee subject to change each year)
 *** - Assumes specified monthly new money draws over 14 months, Reserve Fund over term, both with investment rate of 0.97%
 ****Assumes COI \$521,149 w/ Bond Size of \$50,000,000
 # Interest and Total Fees pd by Cap Int

NOTE: Interest computed at assumed rate shown, actual rate will vary over term. Principal may be prepaid at any time with no additional cost.

Midwest Consortium of Municipal Utilities - Series 2009

EXHIBIT B - SCHEDULE OF BASIC PAYMENTS

Rochester - Substation & Electric (Revenue)

Variable Rate Financing Projection (Preliminary)

Date	Base Rental Principal	Total Interest *	Adjustment	Adjustment Description	Total Annual Base Rental **	Principal Balance
					12	
9/25/2009	<-Financing Closing Date		21,791.38	Cap Int		\$6,790,000
11/1/2009	-	21,791.38	(21,791.38)	Pd by Cap Int		\$6,790,000
12/1/2009	200,000	17,712.86	95,618.31	Adv Pmt	335,122.55	\$6,590,000
1/1/2010	-	19,588.05	(19,588.05)	Pd by Adv Pmt		\$6,590,000
2/1/2010	-	19,588.05	(19,588.05)	Pd by Adv Pmt		\$6,590,000
3/1/2010	-	17,846.59	(17,846.59)	Pd by Adv Pmt		\$6,590,000
4/1/2010	-	19,588.05	(19,588.05)	Pd by Adv Pmt		\$6,590,000
5/1/2010	-	19,007.57	(19,007.57)	Pd by Adv Pmt		\$6,590,000
6/1/2010	-	19,588.05	96,779.29	Adv Pmt		\$6,590,000
7/1/2010	-	19,007.57	(19,007.57)	Pd by Adv Pmt		\$6,590,000
8/1/2010	-	19,588.05	(19,588.05)	Pd by Adv Pmt		\$6,590,000
9/1/2010	-	19,588.05	(19,588.05)	Pd by Adv Pmt		\$6,590,000
10/1/2010	-	19,007.57	(19,007.57)	Pd by Adv Pmt		\$6,590,000
11/1/2010	-	19,588.05	(19,588.05)	Pd by Adv Pmt		\$6,590,000
12/1/2010	1,210,000	19,007.57	83,849.01	Adv Pmt	1,429,223.92	\$5,380,000
1/1/2011	-	17,188.60	(17,188.60)	Pd by Adv Pmt		\$5,380,000
2/1/2011	-	17,188.60	(17,188.60)	Pd by Adv Pmt		\$5,380,000
3/1/2011	-	15,654.96	(15,654.96)	Pd by Adv Pmt		\$5,380,000
4/1/2011	-	17,163.63	(17,163.63)	Pd by Adv Pmt		\$5,380,000
5/1/2011	-	16,653.22	(16,653.22)	Pd by Adv Pmt		\$5,380,000
6/1/2011	-	17,163.63	84,797.33	Adv Pmt		\$5,380,000
7/1/2011	-	16,653.22	(16,653.22)	Pd by Adv Pmt		\$5,380,000
8/1/2011	-	17,163.63	(17,163.63)	Pd by Adv Pmt		\$5,380,000
9/1/2011	-	17,163.63	(17,163.63)	Pd by Adv Pmt		\$5,380,000
10/1/2011	-	16,653.22	(16,653.22)	Pd by Adv Pmt		\$5,380,000
11/1/2011	-	17,163.63	(17,163.63)	Pd by Adv Pmt		\$5,380,000
12/1/2011	1,260,000	16,653.22	64,801.47	Adv Pmt	1,443,415.65	\$4,120,000
1/1/2012	-	13,195.44	(13,195.44)	Pd by Adv Pmt		\$4,120,000
2/1/2012	-	13,195.44	(13,195.44)	Pd by Adv Pmt		\$4,120,000
3/1/2012	-	12,400.57	(12,400.57)	Pd by Adv Pmt		\$4,120,000
4/1/2012	-	13,200.53	(13,200.53)	Pd by Adv Pmt		\$4,120,000
5/1/2012	-	12,809.49	(12,809.49)	Pd by Adv Pmt		\$4,120,000
6/1/2012	-	13,200.53	65,220.57	Adv Pmt		\$4,120,000
7/1/2012	-	12,809.49	(12,809.49)	Pd by Adv Pmt		\$4,120,000
8/1/2012	-	13,200.53	(13,200.53)	Pd by Adv Pmt		\$4,120,000
9/1/2012	-	13,200.53	(13,200.53)	Pd by Adv Pmt		\$4,120,000
10/1/2012	-	12,809.49	(12,809.49)	Pd by Adv Pmt		\$4,120,000
11/1/2012	-	13,200.53	(13,200.53)	Pd by Adv Pmt		\$4,120,000
12/1/2012	1,315,000	12,809.49	44,250.14	Adv Pmt	1,450,480.73	\$2,805,000
1/1/2013	-	9,057.52	(9,057.52)	Pd by Adv Pmt		\$2,805,000
2/1/2013	-	9,057.52	(9,057.52)	Pd by Adv Pmt		\$2,805,000
3/1/2013	-	8,267.47	(8,267.47)	Pd by Adv Pmt		\$2,805,000
4/1/2013	-	9,067.08	(9,067.08)	Pd by Adv Pmt		\$2,805,000
5/1/2013	-	8,800.55	(8,800.55)	Pd by Adv Pmt		\$2,805,000
6/1/2013	-	9,067.08	44,802.34	Adv Pmt		\$2,805,000
7/1/2013	-	8,800.55	(8,800.55)	Pd by Adv Pmt		\$2,805,000
8/1/2013	-	9,067.08	(9,067.08)	Pd by Adv Pmt		\$2,805,000
9/1/2013	-	9,067.08	(9,067.08)	Pd by Adv Pmt		\$2,805,000
10/1/2013	-	8,800.55	(8,800.55)	Pd by Adv Pmt		\$2,805,000

NOTE: Interest computed at assumed rate shown, actual rate will vary over term. Principal may be prepaid at any time with no additional cost.

Midwest Consortium of Municipal Utilities - Series 2009

EXHIBIT B - SCHEDULE OF BASIC PAYMENTS

Rochester - Substation & Electric (Revenue)

Variable Rate Financing Projection (Preliminary)

Date	Base Rental Principal	Total Interest *	Adjustment	Adjustment Description	Total Base Rental **	Total Annual Base Rental **	Principal Balance
					FYE Mo: 12		
11/1/2013	-	9,067.08	(9,067.08)	Pd by Adv Pmt			\$2,805,000
12/1/2013	1,375,000	8,800.55	23,108.17	Adv Pmt	1,406,908.72	1,460,778.14	\$1,430,000
1/1/2014	-	4,730.34	(4,730.34)	Pd by Adv Pmt			\$1,430,000
2/1/2014	-	4,730.34	(4,730.34)	Pd by Adv Pmt			\$1,430,000
3/1/2014	-	4,322.70	(4,322.70)	Pd by Adv Pmt			\$1,430,000
4/1/2014	-	4,730.34	(4,730.34)	Pd by Adv Pmt			\$1,430,000
5/1/2014	-	4,594.45	(4,594.45)	Pd by Adv Pmt			\$1,430,000
6/1/2014	-	4,730.34	23,379.92	Adv Pmt	28,110.26		\$1,430,000
7/1/2014	-	4,594.45	(4,594.45)	Pd by Adv Pmt			\$1,430,000
8/1/2014	-	4,730.34	(4,730.34)	Pd by Adv Pmt			\$1,430,000
9/1/2014	-	4,730.34	(4,730.34)	Pd by Adv Pmt			\$1,430,000
10/1/2014	-	4,594.45	(4,594.45)	Pd by Adv Pmt			\$1,430,000
11/1/2014	-	4,730.34	(4,730.34)	Pd by Adv Pmt			\$1,430,000
12/1/2014	1,430,000	4,594.45			1,434,594.45	1,462,704.71	\$0
1/0/1900							
	<u>6,790,000</u>	<u>431,375.76</u>			<u>7,221,375.76</u>	<u>7,581,725.70</u>	

* Computed on Act/Act basis to 1st day of month at rate per annum of 2.000% plus all ongoing fees (LOC assumed at 0.87% until 1/1/2010, then 1.20% until 1/1/2011, then 1.45% (subject to change) All-in yield of 4.566% (w/ investment earnings)

** Exclusive of any investment earnings and parity reserve funds

RESOLUTION NO. 35

Resolution Approving and Consenting to the Issuance of an Electric Utility Revenue Note, Series 2009A, and the Execution of a Project Loan Agreement by the City of Rochester

BE IT RESOLVED by the Public Utility Board (the "Board") of the City of Rochester, Minnesota (the "City"), as follows:

1. Recitals.

- (a) The Board, in cooperation with the Rochester Common Council (the "Council"), has determined to make certain improvements (the "Improvements") to the City's municipal electric utility (the "Electric Utility").
- (b) In order to provide financing for the Improvements, the Council is expected to consider for approval on September 21, 2009, a resolution entitled "Resolution Relating to Electric Utility Revenue Note, Series 2009A; Authorizing the Issuance Thereof in Connection with the Minnesota Municipal Utilities Association Financing Program; Providing for the Execution and Delivery of a Project Loan Agreement and Related Documents; and Authorizing Certain Further Actions" (the "Resolution"), a copy of which has been presented to the Board for its consideration.
- (c) The Resolution would, upon its adoption, authorize the issuance of a \$6,790,000 Electric Utility Note, Series 2009A (the "Note"), specify the terms, rates of interest, redemption premiums, form, and other details of the Note, pledge the Net Revenues of the Electric Utility for the payment of the Note, and set forth other covenants and obligations of the City, including without limitation certain covenants relating to the Electric Utility.
- (d) The Resolution, as the same may be finally adopted by the Council, is hereby incorporated into this Resolution to the same extent as though set forth in full herein, and each capitalized term which is used in this Resolution but not otherwise defined herein shall have the meaning given to that term in the Resolution.

2. Consent and Approval. The Board hereby consents to and approves the issuance of the Note and execution of the Project Loan Agreement by and between the City and Midwest Consortium of Municipal Utilities in substantially the form presented to the Board, and determines that the issuance of the Note and execution of the Project Loan Agreement by the City is necessary and desirable and that the issuance of the Note in the principal amount to be issued is appropriate for the purposes for which the Note is issued.

The Board hereby consents to, adopts and endorses the representations, terms and covenants of the Resolution, as incorporated in this Resolution in full. The Board hereby covenants and pledges to cooperate with the Council (and to take such actions, or refrain from acting, as the case may be, as may be necessary) in order to fully effectuate the intent, purposes and obligations of the City under the Resolution or otherwise in respect of the Note.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 15th day of September, 2009.

President

Secretary

The foregoing Resolution was introduced by Boardmember _____, who moved its adoption. The motion for the adoption of the foregoing Resolution was duly seconded by Boardmember _____ and upon a vote being taken thereon, the following Boardmembers voted in favor thereof:

and the following voted against the same:

Whereupon said Resolution was declared duly passed and adopted.

STATE OF MINNESOTA
CITY OF ROCHESTER
PUBLIC UTILITY BOARD

I, the undersigned, being the duly qualified and acting Secretary of the Public Utility Board of the City of Rochester, Minnesota, DO HEREBY CERTIFY that I have carefully compared the attached and foregoing extract of minutes with the original minutes of a meeting of the Board duly called and held on the date therein indicated, which are on file and of record in my office, and the same is a full, true and complete transcript therefrom approving the issuance and sale by the City of Rochester of its Electric Utility Revenue Note, Series 2009A and approving a Project Loan Agreement.

WITNESS my hand as such Secretary this ____ day of _____, 2009.

Secretary
Rochester Public Utility Board