

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
January 24, 2005

Members Present: Mr. Landwehr, Ms. Parker, Mr. Jibben, Mr. Utz, Mr. Hanson
Absent: None
Also Present: *Mr. Adkins, City Attorney

Board President Landwehr called the meeting to order at 12:05 p.m.

1. Mr. Utz moved to approve the minutes of the December 16, 2004 meeting, seconded by Ms. Parker.

All voting "AYE"

2. Ms. Parker moved to approve the accounts payable report, seconded by Mr. Utz.

All voting "AYE"

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

4. Mr. Utz moved to nominate Mr. Landwehr for Board President for 2005, seconded by Mr. Jibben.

All voting "AYE"

Board President Landwehr introduced Council President Dennis Hanson to the Board and public as the new Council liaison to the Board.

Mr. Landwehr recommended the following appointments to serve as board-management liaison for the functions listed below:

Finance, Accounting and Audit – Ms. Parker
Council Liaison – Mr. Hanson
Communications & Strategic Planning – Mr. Landwehr
Operations and Administration – Mr. Jibben
Legal and Policy – Mr. Utz

5. Mr. Utz moved to nominate Kathy Wilson as Board Secretary, seconded by Ms. Parker.

All voting "AYE"

- 6a. Mr. Jibben moved to approve en bloc three resolutions for wire and cable bids for 2005, seconded by Mr. Hanson.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to reject all bids on items 9, 10, 11, 12, and 13 based on RPU will not be purchasing these items at this time.

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a purchase order agreement with RESCO for Wire and Cable.

<u>Item #</u>	<u>Description</u>
2	“Wire, AL, 600 V, 4/0-2/0 Neutral Triplex, Cable-in-Conduit

The amount of the purchase order agreement to be ONE HUNDRED TWO THOUSAND FOUR HUNDRED NINETY-TWO AND 00/100 DOLLARS (\$102,492.00) and RESCO being lowest responsible bidder.

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a purchase order agreement with WESCO for Wire and Cable.

<u>Item #</u>	<u>Description</u>
1	Wire, AL, 600V, 350-4/0 Neutral Triplex Cable
4	Wire, ACSR, 336.4, 18/1, Merlin
6	Wire, AL, 15 KV, 1/0 Str., 1/C. 220 mil XLPE
7	Wire in Duct, AL, 15 KV, 1/0 Str, 1/C
8	Wire, Copper, 15 KV, 500 MCM Str, EPR

The amount of the purchase order agreement to be SIX HUNDRED SIXTY-FIVE THOUSAND TWO HUNDRED TWO AND 37/100 DOLLARS (\$665,202.37) and WESCO being lowest responsible bidder.

- 6b. The repair work for the superheater for Silver Lake Plant's unit #4 was discussed. The repair work is intended to be short-term since funds have been planned for a replacement in the five-year plan. Mr. Hanson moved to approve a contract agreement with Scheck Industrial Corp., seconded by Mr. Jibben.

All voting "AYE"

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

Silver Lake Plant – Unit No. 4
Boiler Superheater Repair 2005

The amount of the agreement to be \$73,900.00 plus a 15% contingency amount of \$11,085 for a total approved amount of \$84,985.00.

- 6c. Mr. Schlink, Director of Power Production, explained that the turbine generator overhaul scheduled for unit #1 at the Silver Lake Plant was part of regularly scheduled major maintenance. The unit was last overhauled in 1992. He also explained the status of the bids received for the work, and asked the Board to reject the bid received from HB Turbo as non-compliant. Mr. Jibben moved to reject the bid from HB Turbo as non-compliant and approve a contract agreement with Power Generation Services Inc., seconded by Mr. Hanson.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to reject the bid package from HB Turbo for non-compliance with all of the terms of the bid specifications.

BE IT FURTHER RESOLVED by the Public Utility Board to approve a purchase order agreement with Power Generation Services, Inc., for

Silver Lake Plant Unit 1 Turbine Generator Overhaul

The amount of the agreement not to exceed TWO HUNDRED FIFTY THOUSAND AND NO/100 (\$250,000.00) and Power Generation Services, Inc. being lowest responsible bidder.

- 7a&b. Mr. Hanson moved to approve en bloc a resolution to amend a purchase order agreement with Ziegler Power Systems for the diesel genset project, and a resolution with Ulteig Engineering Inc. for engineering services for the project, seconded by Ms. Parker.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve an amendment to a purchase order agreement with Ziegler Power Systems for

2.0 MW Packaged Engine Generator and Distribution Systems
Purchase Order 4500020253 dated August, 3, 2004

The amount of the purchase order amendment to be ONE HUNDRED TWENTY-THREE THOUSAND FOUR HUNDRED THIRTY-ONE AND 00/100 DOLLARS (\$123,431.00) for a total amount of \$1,554,131.00.

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

Engineering Services for Diesel Gensets

The amount of the purchase agreement not to exceed FIFTY-FIVE THOUSAND AND 00/100 DOLLARS (\$55,000.00).

8. The proposed Agreement for Antennas on North Park Water with VoiceStream Minneapolis was discussed. Per Mr. Rovang, RPU Civil Engineer, the proposed rent is larger than for a typical twelve antenna equivalent Site Agreement because VoiceStream is adamant about having a ten year initial term rather than a five term with renewable options. The City Attorney is in agreement with the provisions. Mr. Utz moved to approve the Agreement, seconded by Mr. Hanson.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve the attached Site Agreement with VOICESTREAM MINNEAPOLIS, Inc., with 2005 rent of Thirteen Thousand Eight Hundred Fifty and No/100 Dollars (\$13,850.00) prorated based on the February 1, 2005 commencement date, and to request that the Mayor and the City Clerk execute the Site Agreement for

Maintaining Antennas and Appurtenant Equipment for a Wireless
Communications Facility at the North Park Water Tower Site

9. The proposed revisions to the RPU Board Customer Credit Policy were discussed. Minnesota Statute 325E.02(b) specifies the guidelines to be used for interests on deposits made by customers. Staff recommended that the interest stated in the current policy be changed to reflect the current statute and that the minimum deposit required from customers be increased to better safeguard RPU against write-offs from delinquent accounts. Mr. Utz moved to approve the revisions to the Credit Policy with the interest rate paid annually to customers based on a weekly average yield of one-year United States Treasury securities as provided for in Minnesota Statute 325E.02(b), seconded by Ms. Parker. Ms. Tompkins, RPU Customer Relations Manager, stated that staff is notified on December 15 of the average interest rate. Mr. Koshire stated that as we get to know customers, we try to keep the administrative burden as low as possible. Mr. Utz moved to amend his pending motion by stating the interest rate paid annually to customers would be the minimum interest rate reflected by state statute, seconded by Ms. Parker.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve revisions to the Board Policy Statement entitled

RPU Credit Policy

10. Mr. Hanson moved to approve the IBEW Labor Agreements for 2005 – 2007, seconded by Mr. Jibben.

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 union labor agreement covering the period from January 1, 2005 through December 31, 2007 with the International Brotherhood of Electrical Workers (IBEW Inside and Outside Groups) and the City of Rochester Public Utility Board, and that the Common Council authorize the Mayor and the City Clerk to execute the document.

11. RPU's current Cash Reserves Policy was discussed. The first reserve policy was created in 1999. Mr. Koshire informed the Board that the Fitch Rating Agency has said RPU's reserves were not high enough. Mr. Kraft, Director of Corporate Services, said RPU has experienced increases in fuel prices over the years as well as the growth of the City. He also stated that staff is looking at what size reserve is needed for larger capital projects in the future.

* Mr. Adkins the meeting.

Mr. Koshire said RPU is now more vulnerable to market risks as well. Mr. Kraft said the payback for a new electric customer is 12 to 15 years. Staff proposed that two reserves be developed, one for electric and one for water using a 12 to 18 month timeframe. Ms. Parker said that RPU's plans for transmission and emissions control also need to be pulled together and factored into any reserve level consideration. Mr. Schlink, Director of Power Production, stated that a financial model will be developed as part of the long-term power supply study to take RPU through 2030. No action was taken by the Board on this topic.

12. The General Manager provided the following report:
 - a. Rochester Day at the Capitol will be January 25.
 - b. A public meeting will be scheduled following the March 29 Board meeting to present the results of the power supply study.
 - c. Mr. Lorber, Director of Core Services, said the BPL study continues as RPU and HBC review various vendors. Another BPL update will be provided at the March board meeting.
13. The management/financial reports were discussed.
14. Mr. Hanson moved to adjourn the meeting, seconded by Ms Parker.

All voting "AYE"

The meeting was adjourned at 1:40 p.m.

Submitted by:

Kathleen Wilson
Secretary

Approved by the Board:

R L Lindweh
Board President

2-22-2005
Date