

**ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
February 28, 2006**

Members Present: Mr. Landwehr, Ms. Parker, *Mr. Hanson, Mr. Utz
Absent: Mr. Jibben
Also Present: Mr. Adkins, City Attorney

Board President Landwehr called the meeting to order at 4:03 p.m.

1. Mr. Hanson moved to approve the minutes of the January 31, 2006 meeting, seconded by Mr. Utz.

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.

Appearing before the board was Mr. Norm Erickson, 1303 NE 5th Avenue, on the subject of energy. He informed the Board that the topic of energy was a national security issue. He distributed various articles on energy. He also discussed natural gas issues and looking at alternative energy possibilities. He asked that RPU consider doing a program on energy in the Community Room that members of the Olmsted Clean Energy Resource Team (CERT) could run during Earth Week.

- 4a. The bids received for the water storage tank repair/repainting were discussed. Mr. Hanson moved to approve a contract with Maguire Iron, Inc., seconded by Mr. Utz.

All voting "AYE"

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

**WATER STORAGE TANK REPAIR-REPAINTING
(1,000,000 gallon Northern Heights High Level Standpipe)**

The amount of the contract agreement to be ONE HUNDRED SEVENTY-NINE THOUSAND FIVE HUNDRED EIGHTY-FIVE AND 00/100 DOLLARS (\$179,585.00) and Maguire Iron, Inc. being the low bidder.

- 4.b. Staff asked the Board to rescind the resolution for the Wesco bid for item #6 previously approved at the January 31 Board meeting due to an exception noted on the documentation provided by the cable manufacturer which RPU is unable to accept. Mr. Hanson moved to approve en bloc the request to rescind the resolution for Wesco's bid for item #6, to reject Wesco's bid for item #6 as unacceptable because of stated exceptions, and to approve a purchase order agreement with Burmeister for Bid #6, seconded by Ms. Parker.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to reject the low bid for item # 6 from WESCO as unacceptable because of stated exceptions.

<u>Item #</u>	<u>Description</u>
6	500 MCM, 15kV, 1/C, Stranded Copper, 0.220 mil ERP Insulation

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

<u>Item #</u>	<u>Description</u>
6	500 MCM, 15kV, 1/C, Stranded Copper, 0.220 mil ERP Insulation

The amount of the purchase order agreement to be NINETY-SIX THOUSAND FIFTY-SIX AND 40/100 DOLLARS (\$96,056.40) and Burmeister being lowest responsible bidder.

- 5. The Board discussed the agreement for antennas on the Rose Harbor Water Tower. Mr. Koshire, General Manager, informed them that the terms were based upon a ten year agreement consistent with other sites. Mr. Landwehr suggested that staff consider utilizing step rents in future antenna agreements which could go up every three years, or some timeframe specified in the agreement, and be applied consistently. Mr. Utz stated that by using existing structures, we avoid monopole issues. Mr. Koshire stated that the tower providers like it. Although staff faces access issues at times, these agreements provide revenue for the water utility. Mr. Utz moved to approve the agreement, seconded by Ms. Parker.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve the attached Site Agreement with T-Mobile Central LLC with 2006 rent of Fourteen Thousand Three Hundred Twenty and no/100 Dollars (\$14,320.00) prorated based on an April 1, 2006 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 Rose Harbor Water Tower SE Site

6. Mr. Hanson moved to approve an Amendment to the Site Agreement with Rapid Web LLP at the North Park Water Tower NW site, seconded by Mr. Utz.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve the attached Amendment to Site Agreement with Rapid Web LLP (which amends the April 27, 2004 Site Agreement with Rapid Web LLP), and to request that the Mayor and the City Clerk execute the Amendment to Site Agreement for

Revising the Amount and Type of Wireless Communications
Equipment Permitted at the North Park Water Tower NW Site

7. At the January Board meeting, staff presented the Board with three proforma electric rate increase scenarios due to an additional 16.9% increase in purchased power costs RPU had received from the Southern Minnesota Municipal Power Agency (SMMPA). SMMPA had previously implemented a 5% increase on January 1, 2006. The Board had directed staff to work with the scenario that reflected a \$5 million dollar adjustment to RPU's 2006 budget through revenue and cost modifications. Mr. Koshire stated that staff reviewed and affirmed these budget adjustments. The Board was requested to direct staff to advertise for a proposed electric rate adjustment of 8.5% effective April 4, 2006. Mr. Utz asked if SMMPA was doing enough debt financing to finance its capital expenditures. Mr. Koshire stated that SMMPA uses commercial paper for debt financing. They also use a rate stabilization fund for the outage at the Sherco 3 facility. Mr. Koshire further stated that without the \$5 million reduction in RPU's 2006 budget, the increase to RPU's ratepayers would have been 10% rather than 8.5%. The Board directed staff to notice the proposed 8.5% increase in the paper. Approval of the increase will be scheduled for the March 28, 2006 Board meeting.
8. Mr. Lorber, RPU Director of Core Services, discussed the leasing of RPU's electric system to a communications provider. Two years ago, RPU began a Broad Band over Power Line (BPL) project in partnership with Hiawatha Broadband Communications. One year ago, RPU issued a request for proposals to have others install a communications system utilizing RPU's distribution network. One proposal was received, but RPU could not reach agreement on a business model with the provider. Mr. Lorber stated that RPU's need for enhanced communications capabilities continues to gain momentum. In addition, increasing wholesale costs from SMMPA require RPU to look for alternatives to derive revenue from the existing utility infrastructure and for innovative ways to increase system efficiency. Staff requested that the Board approve issuing a request for proposals again to lease the City's electric distribution system under an agreement that would allow a vendor to install a power line communications network that would be available to the City for electric and water utility applications and that would provide appropriate compensation to the City for use of its infrastructure. Mr. Adkins stated that neither RPU nor the City of Rochester would be getting into the Internet or cable television business with this proposal because the Home Rule Charter would have to be changed for this to happen. Mr. Lorber agreed that providing retail BPL services is not in

RPU's interest. Ms. Parker moved to approve issuing a request for proposals, seconded by Mr. Utz.

All voting "AYE"

- 9a. Mr. Schlink, RPU Director of Power Resources, explained the process staff planned to utilize in the declaration of emergency for the Cascade Creek Unit 1 Gas Turbine. A fire of undetermined origin caused significant damage to the unit. RPU's insurance carrier visited the site and arrangements were made with Siemens to disassemble, test and evaluate the condition of the unit. Mr. Schlink stated that staff wanted to look at all options. The unit is the only unit in RPU's system with "black start" capability, or the ability to generate electrical power under outage conditions. A new unit would cost \$16 million. The unit could be back online in mid-June depending on which option is selected. Mr. Hanson moved to request the Mayor to issue a proclamation declaring an emergency due to the loss of the unit, seconded by Ms. Parker.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, that the Mayor is requested to issue the attached proclamation declaring a local emergency, and that the Council consent to the Mayor's proclamation for:

Cascade Creek Unit 1 Gas Turbine Repair/Replacement

**MAYOR'S PROCLAMATION
DECLARING A LOCAL EMERGENCY
(under Minn. Stat. §§12.29)**

Whereas, the Mayor of the City of Rochester finds that the following situation exists:

Cascade Creek Unit 1 Gas Turbine (CCGT1) suffered significant damage due to a fire in the generator section of the generating unit. The unit is inoperable until such time the major components are replaced or undergo major repairs.

And Whereas, a Declaration of Emergency is requested based upon the following conditions:

- The CCGT1 unit is the only unit in the RPU system that has the ability to "black start" or generate electrical power under outage conditions. This means if there is a major outage of the Rochester electrical system such as occurred in 1998, there are not any options to restore power to our community in the RPU system. During the 1998 outage, surrounding communities were without power for days, RPU was able to restore within hours based on the availability of CCGT1.
- The RPU emergency restoration plan is centered on the ability of CCGT1 being available to restore power during a blackout.

- RPU has approximately 75 “life support” customers on our system that cannot tolerate extended electrical outages without endangering their health and safety.
- RPU has the Mayo system hospitals and the Olmstead County facilities on our system and with that comes significant responsibility to minimize outage time. During the 1998 outage, St. Mary’s Hospital was blacked out and unable to restore without outside assistance, endangering the health and welfare of the patients.
- An extended electrical outage would present significant public safety issues with the loss of street and security lighting, loss of traffic signals, loss of many public and private services, loss of supply of heat and/or air conditioning, potential loss of potable water and sanitary systems.
- An extended electrical outage would present significant economic impact to the citizens negatively affecting their welfare.
- An extended electrical outage would present significant potential of environmental damage due to loss of functionality of control devices such as oil separators, emission monitoring and control equipment, etc.

And Whereas, the Mayor finds that the situation is sudden and unforeseen and could not have been anticipated;

And Whereas, the Mayor finds that this situation threatens the health, safety, and welfare of the citizens of the community;

Now, therefore, the Mayor declares this situation to be a local emergency effective _____ until the unit is replaced or repaired.

- 9.b. Mr. Utz moved to approve a resolution to contract during an emergency for the Cascade Creek Unit 1 gas turbine, seconded by Ms. Parker.

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 Resolution to Contract During an Emergency that allows RPU staff to contract on behalf of the City for repair or replacement of the Cascade Creek Unit 1 Gas Turbine subject to the approval of the RPU General Manager and the City Attorney.

10. Mr. Schlink, Director of Power Resources, discussed the status of change orders for the steam project. While the present change order for Himec Inc. exceeds the contract contingency, the amount still falls within the approved budget for 2006. Mr. Hanson moved to approve Change Order 005 with Himec Inc. seconded by Mr. Utz.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve Change Order No. 005 to the General Construction Silver Lake Plant

Modifications Project Contract 03-23-E between Rochester Public Utilities and Himec Inc. in the amount of \$162,000.00. This brings the total amount of the contract to \$3,551,718.00.

11. Two environmental permit fees were presented to the Board for approval. Mr. Hensel, Director of Field Services, stated the State of Minnesota prescribes the fees for annual water use and that the money goes to the Minnesota DNR general fund. Ms. Parker moved to authorize payment of the fees, seconded by Mr. Hanson.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to authorize payment of water use fees in the amount of \$128,374 for 2006, payable to State of Minnesota, DNR-Waters for municipal water system (ground water) Permit #795076 and SLP once-through cooling system (surface water) Permit #935065.

* Mr. Hanson left the meeting at this time.

12. Mr. Hensel discussed the proposed acquisition of property for a power generation facility with the Board. The need for such a facility was identified in the 2005-2030 Electric Infrastructure Plan. Four sites were identified. Appraisals were done on all four sites. Also appearing before the Board was Mr. Mike Nigbur, Rochester Public Works Department, who acted as RPU's agent in negotiations with the property owner. An offer was made and accepted by Willard and Donna Anderson contingent upon Utility Board and Council approval. The total amount of the offer is \$1,000,000.

Mr. Adkins asked if there was any risk of contaminated soil at the site. He stated that a clause was needed in the agreement that the seller has no knowledge of a hazardous substance. Mr. Utz proposed that the clause be added before the Council approves. Mr. Adkins said that Mr. Nigbur could tell the owners that the Utility Board approved the sale with the condition of one more clause. Mr. Adkins also stated that the agreement should be titled "Purchase Agreement" and not "Settlement Agreement." Ms. Parker moved to approve the purchase of the site contingent upon the agreement by the owners to the changes recommended by the City Attorney, seconded by Mr. Utz.

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 the acquisition of the subject 48.96-acre site for \$980,000.00 and, if possible, the purchase of the additional 1.36-acre site for \$20,000.00, and authorize the Mayor and City Clerk to execute the Settlement Agreement defining the stated terms of the sale(s) for

Settlement for Acquisition of Willard and Donna Anderson Property
For Construction of RPU Electrical Substation

The amount of the Settlement Agreement to be ONE MILLION AND 00/100 DOLLARS (\$1,000,000.00).

- 13. The General Manager provided the following report to the Board:
 - a. Mr. Koshire stated that the Southern Minnesota Municipal Power Agency (SMMPA) would be joining the Midwest Independent System Operator (MISO) effective April 1, 2006.
 - b. RPU staff has been working with MPCA on data input for a state-wide visibility impairment analysis.
 - c. As part of RPU's continuous improvement initiative, the Customer Services area has implemented an improvement for electronic check handling which will save 30 hours of staff time per month.
- 14. The management/financial reports were discussed.
- 15. Mr. Utz moved to adjourn the meeting, seconded by Ms. Parker

All voting "AYE"

The meeting was adjourned at 5:55 p.m.

Submitted by:

Kathleen Wilson
Secretary

Approved by the Board:

R. L. Lindbeck
Board President

3-28-06
Date