

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
June 27, 2006

Members Present: Mr. Landwehr, Mr. Jibben, Mr. Hanson, Ms. Parker, *Mr. Utz
Absent: None
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 May 30, 2006 meeting, seconded by Ms. Parker.

All voting "AYE"

2. Mr. Jibben moved to approve the accounts payable report, seconded by Mr. Hanson.

All voting "AYE"

3. Mr. Dale (Gabby) Hayes was recognized by the Board and RPU staff for 28 years of service to the citizens of Rochester.

* Mr. Utz entered the meeting at this time.

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

- 5a. Mr. Schlink, Director of Power Resources, discussed the bids received for engineering services for the Silver Lake Power Plant Unit 4 emissions reduction project with the Board. Beginning in 2003, a team of RPU staff and consultants have been working on an emission reduction program that would result in significantly reducing both the rate and the total amount of emissions from Silver Lake Power Plant Unit 4. He further informed the Board that staff is requesting to retain an engineering firm that will be responsible for the engineering, design, contract procurement support, construction management, site engineering, commissioning and start up work for the project. The two proposals received for this work were evaluated by R. W. Beck. Both R. W. Beck and RPU staff felt that Utility Engineering has the necessary qualifications for the project. Mr. Landwehr asked the Board if they had any questions about how the project was structured. Mr. Jibben stated that this was how complex engineering projects are typically handled. Ms. Parker said that the County did something similar for its pollution control project. Mr. Schlink also stated that five to seven packages will come to the Board for approval as we progress with the project. Mr. Hanson moved to approve an agreement with Utility Engineering, 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 the negotiation of a contract agreement with Utility Engineering, subject to review by the City Attorney and concurrence of the RPU General Manager, and that the Common Council authorize the Mayor and the City Clerk to execute the agreement for

Engineering Services for
Silver Lake Plant Unit 4
Emissions Reduction Project

The amount of the purchase order agreement not to exceed FOUR MILLION THREE HUNDRED SEVENTY-FIVE THOUSAND SEVEN HUNDRED AND FIFTY AND 00/100 DOLLARS (\$4,375,750.00) which includes a 15% contingency, and Utility Engineering being lowest responsible bidder.

- 5.b. The IBM feeder relay upgrade project was discussed. Mr. Landwehr noted that a major customer of RPU has asked RPU staff to assist with a project and act as a subcontractor. Mr. Utz moved to approve an agreement with Fluor Facility & Plant Services, Inc., seconded by Mr. Hanson.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a purchase order agreement with Fluor Facility & Plant Services, Inc. for

Feeder Relaying Upgrade

The amount of the purchase order agreement to be FORTY-FIVE THOUSAND, SEVEN HUNDRED AND 00/100 DOLLARS (\$45,700.00).

6. Mr. Woodworth, Manager of Engineering, discussed a capital expenditure cost sharing agreement with Xcel Energy for the 2006 capital expenditures on the SE Twin Cities-Rochester-La Crosse 3453 kV Transmission Project. These costs are associated with the approval process for this transmission line. RPU's share of the costs is limited to \$575,000 for 2006. All costs incurred by both Xcel and RPU under this 2006 cost sharing agreement will be credited to their respective accounts for the total cost allocation on the transmission project under the final project cost sharing agreements. Ms. Parker moved to approve the agreement, seconded by Mr. Jibben.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a capital expenditure cost sharing agreement, and that the Mayor and City Clerk executive the agreement for

2006 Project Capital Expenditure Agreement
SE Twin Cities-Rochester-La Crosse 345 kV Transmission Project

The amount of the agreement to be FIVE HUNDRED SEVENTY-FIVE THOUSAND AND 00/100 DOLLARS (\$575,000.00).

- 7 The revisions to the Traffic Signals Rate Tariff (TS) were discussed. Mr. Koshire, General Manager, said that the City of Rochester will improve the energy efficiency of City traffic signals by changing the light source used from incandescent bulbs to LED's. This will reduce energy usage by about 90%. Mr. Hanson stated that this represents \$600,000 in savings to the City. RPU needs to recuperate its costs of service with these changes to the tariff.

Mr. Koshire also requested that the Board waive its 30 day notification period to the public since this rate applies to the City. The rate would still require Council approval, so the effective date would be the date of the Council meeting. Mr. Hanson moved to approve the revisions to the Traffic Signals Rate Tariff and to waive the 30 day notification period, 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 revisions to the Traffic Signals Rate Schedule TS effective July 5, 2006.

8. The General Manager provided the following report to the Board:
- a. RPU has passed its North American Electric Reliability Council (NERC) readiness audit conducted in June.
 - b. Mr. Koshire informed the Board that RPU will have six more retirements over the next few months.
 - c. More timely information about MISO sales will be available in the future.
 - d. Various engineering firms are reviewing the problems associated with the steam line. It has not yet been determined when the line will be operational.
 - e. It was also mentioned that a developer had appeared before the City Council regarding the issue of one of RPU's wells and the Decorah Edge. RPU staff attended the Council meeting. Mr. Hensel, Director of Field Services, said that this area of the City has been experiencing a lot of growth and disturbance. RPU staff talked to a geologist, the Department of Health and the DNR about the matter. The issue does not appear to be a risk to RPU's well. RPU is permitting sampling at this well site by the Health Department for the next several years. Mr. Hanson said that a proposed City ordinance for protection of the Decorah Edge will be coming to the Council at a future meeting.
 - f. Mr. Utz asked if RPU needs to buy more green energy. Mr. Koshire said that RPU has worked with the County and that RPU's wholesale supplier is also working on this. He said that RPU will continue to promote green power and

provide incentives to its customers.

- 9. The management/financial reports were discussed.
- 10. Mr. Hanson moved to adjourn the meeting, seconded by Mr. Utz.

All voting "AYE"

The meeting was adjourned at 5:40 p.m.

Submitted by:

Kathleen Wilson
Secretary

Approved by the Board:

R. K. Sandberg
Board President

7-25-06
Date