

ROCHESTER PUBLIC UTILITIES  
BOARD MEETING MINUTES  
July 25, 2006

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

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

1. Mr. Utz moved to approve the minutes of the June 27, 2006 meeting, seconded by Mr. Jibben.

All voting "AYE"

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

All voting "AYE"

3. Mr. Ray Clark was recognized by the Board and RPU staff for 26 years of service to the citizens of Rochester.

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

5. Mr. Schlink, Director of Power Resources, discussed the justification for a change order to a purchase order for the Silver Lake Plant Unit 4 boiler with the Board. During a 2006 scheduled outage, the boiler went through an assessment to make sure it was sufficient to support a major investment in the emissions reduction equipment. Based on the assessment, the scope of the work increased to include additional repairs and maintenance. These activities required a National Boiler Code certified team to do the repair work. The cost of the additional work is \$68,084.39. Mr. Utz moved to approve the change order, seconded by Mr. Jibben.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a change order to Purchase Order #10225 in the amount of \$68,084.39 for the additional work scope on the Silver Lake Plant Unit 4 boiler. The total amount of the purchase order will be \$99,284.39.

6. Mr. Kraft, Director of Corporate Services, discussed the proposed issuance of a Water Revenue Note, Series 2006A with the Board. This would be a short-term financing in the water utility which would allow the utility to maintain the appropriate reserve levels

without having a dramatic impact on rates. The financing would be done through the Midwest Consortium of Municipal Utilities (MCMU). Both the City's financial advisor and City Attorney have reviewed the documents. Mr. Utz moved to approve a resolution consenting to the issuance of the revenue note, seconded by Mr. Jibben.

All voting "AYE"

RESOLUTION NO. 45  
Resolution Approving and Consenting to  
the Issuance of a Water Revenue  
Note, Series 2006A, 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 water system (the "Water Utility").
  - (b) In order to provide financing for the Improvements, the Council is expected to consider for approval on August 7, 2006, a resolution entitled "Resolution Relating to a Water Revenue Note, Series 2006A; 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 Future 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 an Water Revenue Note, Series 2006A (the "Note"), specify the terms, rates of interest, redemption premiums, form, and other details of the Note, pledge the Net Revenues of the Water 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 Water 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.

7. Agreement to Hold the City of Rochester Harmless (Grandville at Cascade Lake Limited Partnership) was removed from the agenda by Mr. Landwehr.
8. The General Manager provided the following report to the Board:
  - a. RPU staff is currently working on the 2007 budget. Mr. Koshire informed the Board that there will be no additional full-time positions added in 2007. He also said that the plan is to have a 0% rate increase beyond the Southern Minnesota Municipal Power Agency's (SMMPA) purchased power supply cost increase in 2007. RPU is also reviewing financing sources for the Air Quality Control System (AQCS) project at the plant. The Board previously approved the establishment of a special reserve to help fund this project using the sales of air quality credits. This special reserve will help offset bond payments. Staff is also evaluating the possibility of an environmental surcharge on the bill. A benefit of this type of unbundling is that it aids comparison to other companies and puts a line item on the bill for our customers to know how money is being spent. Mr. Koshire offered to introduce the topic at RPU's customer focus group meetings. Although the Board took no action on this, it was the consensus of the Board that staff review this option further and return to the Board with some specific recommendations. Mr. Utz stated that RPU needs to continue to operate efficiently due to its increases from SMMPA, its wholesale power supplier, and that he hoped technology would assist RPU in not filling some of its positions.
  - b. A new electric system peak was established on July 17 of 276 megawatts.
  - c. Mr. Woodworth, Manager of Engineering, provided an update on a major transmission project known as "Capacity Expansion by the Year 2020," or CapX2020. Some of the objectives of this project are to expand the transmission grid, provide access to affordable energy, and project the growth in customer demand for electricity through the year 2020. There are four major projects or transmission lines in Group I of this project with scheduled in-service dates of 2011 and 2012. The line impacting RPU is the Southeast Twin Cities-Rochester-La Crosse, a 345 kilovolt line. Mr. Woodworth explained the various plans and filings that have to be done over the next few years to make this work. Mr. Koshire stated that RPU has been getting more input from environmental groups about the need for renewable sources of energy, but we still need transmission capability to do this. Additional information can be found on the CapX2020 website [www.capx2020.com](http://www.capx2020.com).
9. The management/financial reports were discussed.
10. Mr. Utz moved to adjourn the meeting, seconded by Mr. Jibben.

All voting "AYE"

The meeting was adjourned at 5:25 p.m.

Submitted by:

Hethleen Wilson  
Secretary

Approved by the Board:

R. Landwehr  
Board President

8-29-06  
Date