

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
July 26, 2005

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

Board President Landwehr called the meeting to order at 4:00 p.m.

1. Mr. Utz moved to approve the minutes of the June 28, 2005 meeting, seconded by Ms. Parker.

All voting "AYE"

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

All voting "AYE"

3. Mr. Landwehr opened the meeting for comments from the public. He requested that those wishing to comment on agenda item #5 (Electric Infrastructure Presentation) do so after the presentation. No one else wished to be heard.

4. The steam project change orders were discussed. A brief overview of the steam project costs to date was discussed. Mr. Utz moved to approve en bloc the resolutions for Change Order #3 (Knutson Construction) and Change Order #2 (Himec), seconded by Ms. Parker.

3 Voting "AYE" (Mr. Landwehr, Ms. Parker, Mr. Utz)
1 "Abstain" (Mr. Jibben)
Motion Carried

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve Change Order No. 003 to the General Construction RPU Steam Supply Project Contract 02-28-C between Rochester Public Utilities and Knutson Construction Services in the amount of \$94,279.00. This brings the total amount of the contract to \$6,080,955.48.

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve Change Order No. 002 to the General Construction Silver Lake Plant Modifications Project Contract 03-23-E between Rochester Public Utilities and Himec Inc. in the amount of \$65,845.00. This brings the total amount of the contract to \$3,152,265.00.

5. Mr. Schlink, RPU Director of Power Resources, presented the results of the 18 month Infrastructure Plan and Emission Control Strategic Plan to the Board. Beginning in 1999, RPU has had a Board approved power supply plan in place to meet the demand and energy needs of their customers. The plan led to the

installation of a new Pratt & Whitney gas turbine at Cascade Creek, the upgrading of the existing Westinghouse gas turbine at the same location, and the notification to business partners of RPU's intention to recover generating assets, primarily the Silver Lake Plant (SLP), that are currently under contract to meet future local needs. In addition, RPU has increased its activities in the areas of renewable energy and conservation. Following the acceptance of the R.W. Beck study on technologies and regulations in 2003, RPU committed to an 18 month process of detailed studies and information evaluation that incorporate the environmental, economic, regulatory and operational issues that must be considered and evaluated. The studies performed during that 18 month period included

- Analysis of Existing and Potential Regulatory Requirements and Emission Control Options for the Silver Lake Power Plant – R.W. Beck
- Electric Utility Baseline Strategy for 2005-2030 Electric Infrastructure – Burns & McDonnell
- RPU Fuel Switching Screening Level Study – Utility Engineering
- RPU Emission Control Feasibility Study – Utility Engineering
- Stack Test Results and Analysis – RBM Consulting and Research

Key Results of the Infrastructure Plan included the following:

- Unit 4 should be kept in operation with investments made in emission controls and recommended maintenance
- Aggressive DSM programs are beneficial and should be pursued. This would delay the need for a new gas turbine by two years.
- Transmission system limitations must be corrected to allow firm delivery of energy for CROD and market opportunities

Mr. Schlink also stated that rate increases above 3% would not be needed through 2033, but this does not include any rate increases RPU's wholesale supplier, the Southern Minnesota Municipal Power Agency, might make.

Wishing to be heard was Mr. Glenn Heins, 1804 Century Hills Drive NE, representing Olmsted County Clean Energy Resource Team (CERTS), a local citizens group. He encouraged RPU staff and the Utility Board to go further by educating the public and the youth about the importance of conserving our energy resources, as well as taking a more aggressive approach on emission controls.

Wishing to be heard was Mr. Norm Erickson, 1303 5th Avenue NE, a member of CERTS, but not speaking for CERTS. He told the Utility Board he was pleased, "to see the barge swinging towards DSM." He said he wished to talk about energy. Some are concerned about dwindling supplies of crude oil. He distributed various articles to the Board and audience on energy depletion of crude oil and natural gas with Web site information.

Wishing to be heard was Mr. Ray Schmitz, 1508 28th SW, CERTS member. He asked about SMMPA's decision to export energy from South Dakota. Mr. Koshire, RPU

General Manager, informed him that SMMPA is partnering with six others to import power to Minnesota for 2011 and beyond. He also stated that RPU had capped its power taken from SMMPA in 1999. He further stated that RPU's study does not include increases to wholesale power costs. Mr. Schmitz said that RPU should be stating loudly that it has been able to stay under that peak for the last couple of years which shows that increased costs aren't inevitable. RPU staff suggested that CERTS members can help RPU get the word out on RPU's energy savings.

Mr. Koshire also said that the report also recommends that RPU re-visit these issues every five years to see if regulations are changing. RPU staff has been in touch with Minnesota Pollution Control Agency, and appreciate the positive relationships RPU has with community members. RPU wants to exceed the regulations. Unit 4 at the Silver Lake Plant will be state-of-the art when work is completed on it. Mr. Jibben agreed and said that we need to continue to look at the technology as well as watch oil supply and cost.

Mr. Utz moved to approve the recommendations of the Electric Utility Baseline Strategy for 2005-2030 as a guideline for power supply planning and to direct staff to proceed with report recommendations for emission control projects, seconded by Mr. Jibben

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve the following:

1. Accept the recommendations of the Electric Utility Baseline Strategy for 2005 – 2030 Electric Infrastructure to be used as a guideline for power supply planning.
2. Direct staff to proceed with report recommendations for emission control projects to allow for permitting, engineering and design to proceed.

* Mr. Utz left the meeting at this time.

6. The General Manager provided the following report to the Board:
 - a. RPU has set new peaks for both electric and water with the hot weather.
 - b. A comprehensive federal energy bill is being worked on by both the House and Senate which would have an impact on power companies.
7. The management/financial reports were discussed.
8. Mr. Jibben moved to adjourn the meeting, seconded by Ms. Parker.

All voting "AYE"

The meeting was adjourned at 5:30 p.m.

Submitted by:

Hannah Wilson
Secretary

Approved by the Board:

Jack Ojha
Board President Pro Tem
8/30/05
Date