

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
July 27, 2004

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

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

1. Mr. Jibben moved to approve the minutes of the June 29, 2004 meeting, seconded by Ms. Parker.

All voting "AYE"

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

All voting "AYE"

3. Mr. Landwehr opened the meeting for comments from the public. No one wished to be heard.
4. Standby electric service for IBM was discussed.

* Mr. Utz entered the meeting at this time.

Mr. Lorber, Director of Core Services, informed the Board that IBM had signed the agreement for this service and that the Board was being asked to approve the equipment at this meeting. Although a request for bids was issued to seven qualified bidders, only one bid (Ziegler Power Systems) was received. Three of the qualified bidders responded by not choosing to bid because of the short delivery and installation time required by IBM as listed within the bid documents. The proposal submitted by Ziegler is a competitive bid that is lower than original project estimates. As an additional offer, Ziegler offered to provide portable generators to the site. According to Mr. Nichols, consulting project engineer, any bids received were to be evaluated on the basis of exceptions and delivery date. Mr. Lorber stated that the penalty clause of \$50,000 per month included in the bid specification was going to be used as an assessment to evaluate the bids. The Board asked for a legal opinion from the City Attorney. Mr. Adkins said that as long as the intent of the \$50,000 penalty was clearly communicated to all bidders, there was not a problem in selecting Ziegler Power Systems. He also stated that the additional offer by Ziegler of portable generators should be viewed as a side offer. The offer of portable generators should not be used for purposes of evaluating the Ziegler bid or any other bid. On the basis of the evaluation made of the bids using the published bid specifications, Mr. Utz moved to approve a purchase order agreement with Ziegler Power Systems, seconded by Mr. Jibben.

All voting "AYE"

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

2.0 MW Packaged Engine Generator and Distribution Systems

The amount of the purchase order agreement to be ONE MILLION FOUR HUNDRED THIRTY THOUSAND SEVEN HUNDRED AND 00/100 DOLLARS (\$1,430,700.00) and Ziegler Power Systems being lowest responsible bidder.

5. The proposed agreement to appoint a Designated Representative and Alternate Designated Representative as required by the Acid Rain Program (one of the federal Clean Air Act amendments) was discussed. These appointments are necessary for the transaction of allowances, emission reports and other utility-related matters pertaining to the legislation. Mr. Utz moved to approve the agreement, seconded by Mr. Hunziker.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to designate Walter Schlink as Designated Representative and reaffirm Joseph Hensel as Alternate Designated Representative under the Acid Rain Program (40 CFR Part 72 Subpart B), and to request the Mayor and the City Clerk to execute the agreement for

Designated Representatives of Affected Source

6. Two new proposed rate tariffs, General Service High Efficiency HVAC (GS-HEF) and Medium General Service High Efficiency HVAC (MGS-HEF), were discussed with the Board. The purpose of these tariffs is to encourage energy conservation with RPU's commercial customers through the installation of all-electric, high efficiency heating and cooling technology (e.g. air-source heat pumps and ground source heat pumps). The benefits of the proposed rates include encouraging energy conservation, enabling RPU to accommodate other technologies, providing strategic load growth, and increasing RPU's load factor as measured by kWh sales to total kW demand. Mr. Landwehr stated that the proposal was attractive to the Board from an environmental view. Mr. Utz asked about customer communications. Staff informed him that existing customers would receive a phone call and that the information would be available on RPU's Web site (www.rpu.org). Ms. Parker moved to direct staff to provide public notice of the Board's intent to approve the two new tariffs at its August 31 meeting, seconded by Mr. Utz.

All voting "AYE"

7. The General Manager provided the following report to the Board:
 - a. RPU sold 1,000 excess SO₂ allowances at market value.
 - b. Mr. Lorber said seven RPU customers had been connected to the Internet using


HBC equipment and RPU's power lines during the broadband over power lines (BPL) pilot program. RPU staff has also been working with local ham radio operators on interference testing of the system. The equipment would also allow remote metering for RPU which would provide an instant outage management system. The Board complimented staff on bringing BPL into the Midwest.

- c. Mr. Steffens, Manager of System Operation/Reliability, presented information on the current status of the Federal Energy Regulatory Commission's (FERC) Standard Market Design concept. FERC has a strong commitment to customer-focused, competitive wholesale power markets, with appropriate flexibility to accommodate regional differences. Standard Market Design and Structure (SMD) key features are: the formation of regional transmission organizations (RTOs); ensuring that all independent transmission organizations have sound wholesale market rules; and varying implementation schedules depending on regional needs and regional differences. RPU's wholesale power supplier, the Southern Minnesota Municipal Power Agency (SMMPA), has recently joined the Midwest Independent System Operator (MISO), a regional transmission organization. RPU staff continues to monitor activities in this area across the country and will keep the Board informed of any significant events..
8. The management/financial reports were discussed.
9. Mr. Utz moved to adjourn the meeting, seconded by Mr. Hunziker.

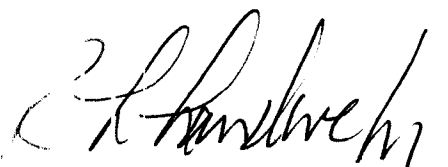
All voting "AYE"

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

Submitted by:


Secretary

Approved by the Board:


Board President
8/31/04
Date