

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
October 31, 2006

Members Present: Mr. Landwehr, **Mr. Utz, Mr. Hanson, Ms. Parker, *Mr. Jibben
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 September 26, 2006 meeting, seconded by Ms. Parker.

All voting "AYE"

2. Ms. Parker moved to approve the accounts payable report as revised, seconded by Mr. Hanson.

All voting "AYE"

* Mr. Jibben entered the meeting at this time.

3. Mr. Landwehr opened the meeting for comments from the public. No one wished to be heard.
4. Mr. Hanson moved to approve the purchase of a digger derrick, 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 DUECO for

Digger Derrick with Utility Body

The amount of the purchase order agreement to be ONE HUNDRED TWENTY THOUSAND TWO HUNDRED TEN AND 00/100 DOLLARS (\$120,210.00) and DUECO being lowest responsible bidder.

5. RPU Steam Supply Change Order #7 was removed from the agenda.
11. An energy sales agreement for the Cascade Creek Gas Turbines between the City of Rochester and the Minnesota Municipal Power Agency (MMPA) was introduced during the meeting by Mr. Schlink, RPU Director of Power Resources and moved forward on the agenda by Mr. Landwehr. In October, 2005 the City and MMPA entered into an

agreement for MMPA to provide Market Participant services for the Silver Lake Plant units in the Midwest System Operator (MISO) market. These services have allowed RPU to sell energy into the wholesale market and to maximize the revenue from Silver Lake Plant facilities. In April 1, 2006, RPU entered into an agreement with MMPA to market the two Cascade Creek gas turbines in MISO and participate in the wholesale energy market through that entity. That agreement expires October 31, 2006. Staff recommended that a new one-year agreement for marketing the Cascade Creek units be executed in order to continue the partnership with MMPA, who are experienced wholesale energy traders. Mr. Jibben 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, that the Common Council of the said City is requested to approve a contract agreement with the Minnesota Municipal Power Agency (MMPA) and that the Common Council authorize the Mayor and the City Clerk to execute the agreement for

Sale of Energy from the Cascade Creek Gas Turbines

The term of the agreement to be November 1, 2006 through October 30, 2007.

6a&b. The antenna agreements with Northern PCS Services and T-Mobile Central, LLC were discussed. Both agreements are consistent with the agreements approved in the past. Mr. Hanson moved to approve the agreements en bloc, seconded by Mr. Jibben

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve the attached Site Agreement with Northern PCS Services with 2006 rent of Twelve Thousand Two Hundred Twenty-Two and No/100 Dollars (\$12,222.00) prorated based on a December 1, 2006, commencement date, and to request the Mayor and the City Clerk execute the Site Agreement for

Maintaining Antennas and Appurtenant Equipment for a
Wireless Communications Facility at the Willow High Water Tower SW Site

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 a December 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 John Adams Water Tower NW Site

7. The proposed increase to the pole attachment rental rate was discussed. No adjustments to this rate have been made since 2001. Mr. Stiller, RPU Senior Electrical Engineer, said that pole attachment rental rates can be updated or increased pending a 60 day notice. The current agreements with five communications utilities for the joint use of RPU poles expire December 31, 2006. The results of a rate analysis by rate consultant R. W. Beck was shared with the Board. The rate calculations are based on an industry model formula established by the FCC. Although municipal utilities are not bound to use the FCC formula, RPU chooses to comply in order to be comparable with the industry. Mr. Adkins stated that RPU is not exceeding the national standard. Mr. Stiller also said that the agreements allow RPU to recalculate the rates annually if it chooses to. Mr. Hanson moved to approve and recommend to the City Council the pole attachment rental increase and to authorize staff to provide notice to the affected utilities, 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 an increase to the joint use pole attachment rental rate effective January 1, 2007.

** Mr. Utz entered the meeting at this time.

8. Mr. Lorber, Director of Core Services, informed the Board that Schedule A to the Power Sales Contract between the Southern Minnesota Municipal Power Agency (SMMPA) has been updated to reflect the current points of delivery and points of measurement for power and energy delivered under the contract. Mr. Utz moved to approve the Amendment, seconded by Mr. Jibben.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, that the Board requests the Common Council to approve an amendment to the Power Sales Contract between Southern Minnesota Municipal Power Agency and the City of Rochester, Minnesota and that the Mayor and the City Clerk are authorized to execute the agreement for

Amendment 3 to Schedule A of the Power Sales Contract between
Southern Minnesota Municipal Power Agency and the City of Rochester, Minnesota

9. The General Manager provided the following report to the Board:
- a. The Utility Engineering progress report on the Emission Reduction Project was distributed and discussed with the Board. Staff will discuss financing and equipment required for the project at the December meeting.
 - b. Some aspects of the preliminary 2007 budget were discussed with the Board. At the time of the RPU Board meeting, the amount of the rate increase by RPU's wholesale power supplier (SMMPA) was not yet known. RPU staff will meet with the finance committee to finalize the budget which will be discussed at the

November board meeting. Mr. Utz said that RPU needs to continue to do a good job of letting ratepayers know that it is raising rates due to the SMMPA wholesale rate increases.

- 10. The management/financial reports were discussed.
- 11. Other Business:
 - There will be a tour of the hydro facility for the Board on December 21.
- 12. Mr. Utz moved to adjourn the meeting, seconded by Mr. Jibben.

All voting "AYE"

The meeting was adjourned at 5:05 p.m.

Submitted by:

Kathleen Wilson
Secretary

Approved by the Board:

R. Ronchewsky
Board President

11/28/06
Date