

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
November 30, 2004

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

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

1. Ms. Parker moved to approve the minutes of the October 26, 2004 meeting, seconded by Mr. Hunziker.

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. No one wished to be heard.

4. The agreement for antennas on the Country Club High Level Water Tower with Northern PCS Services was discussed. Mr. Rovang, RPU Senior Civil Engineer, said the agreement followed RPU's standard format with changes agreed to by the City Attorney's Department. Mr. Hunziker 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 the attached Site Agreement with Northern PCS Services, with 2004 rent of Eight Thousand Seven Hundred Forty-Seven and 18/100 Dollars (\$8,747.18), prorated based on construction date, and to request that the Mayor and the City Clerk execute the Site Agreement and accompanying Memorandum of Agreement for

Installing Antennas and Appurtenant Equipment for a Wireless Communications Facility at the Country Club Manor High Level Water Tower Site

5. Mr. Kraft, Director of Corporate Services, discussed the 2005 preliminary electric and water budgets with the Board. The budgets continue to reflect expected strong growth in the community. The budgets are based on electric and water sales forecasts, major maintenance, operating expenses and capital needs in each utility. As in the past, the largest expenditure in the electric budget is the wholesale power purchased from the Southern Minnesota Municipal Power Agency (SMMPA). He informed the Board that the budget reflects no change in the wholesale power rate for 2005. Some of the major budget items include 850 new residential electric service installations for 2005, the steam

project, and the borrowing of \$5 million to fund infrastructure improvements. Also included is an option on land for a new gas turbine site and/or substation. Health benefit costs increased approximately 30%. Highway 52 and Highway 63 construction projects also have a large impact on the water utility budget in 2005 and 2006. The five new full-time staff position requests were discussed with the Board. The Board will be requested to approve the budgets at its December 16, 2004 meeting.

6. The proposed 2005 electric and water revenue adjustments were also discussed with the Board. The preliminary budgets reflect a revenue adjustment of 2% for electric and 5% for water that would occur in January 2005. The impact of every 1% increase to the monthly residential customer's electric bill is \$0.60, and \$0.10 to their water bill. Staff provided five different scenarios of rate adjustments for both electric and water utilities to the Board. Mr. Koshire stated that 2% was not sufficient to meet the requirements of the Board's cash reserves policy. A study of the reserve levels needed for RPU is underway. Mr. Utz noted that transmission and the controls at the Silver Lake Plant were triggering large capital expenditures. He also stated that the policy issue is borrowing versus raising rates and felt that RPU has made good use of its favorable bond ratings to keep rate increases to a minimum. Mr. Landwehr also commented that the number of customers served per employee has also increased over the years from 346 customers per employee in 1996 to 412 customers per employee projected for 2005 which is very good.

Mr. Landwehr stated that staff recommends a 3% revenue adjustment for the electric utility effective the first of January and a 5% increase for the water utility. Ms. Park stated that the Finance Committee felt that 3% is the minimum needed for the electric utility. Mr. Landwehr said flexibility was needed to review the results of the cash reserve study, which should be available in 45 to 60 days. The Finance Committee consists of Board Members Landwehr and Parker and RPU staff. Ms. Parker moved that the Board direct staff to provide public notice of a 3% electric rate adjustment and a 5% water rate adjustment in the paper of record in accordance with Board policy to be considered at the December 16 Board meeting, seconded by Mr. Jibben.

All voting "AYE"

7. The General Manager provided the following report to the Board:
 - a. The Minnesota Municipal Utilities Association (MMUA) recently held regional meetings throughout the state to discuss legislative and safety issues. The meetings were open to the public, and local government officials were invited to attend.
 - b. Mr. Hensel, Director of Core Services, said that wellhead protection was discussed at a recent Committee of the Whole Meeting. Mr. Phil Wheeler of the Planning Department has prepared a draft ordinance to protect the wetlands. The Council directed staff to review the information with developers and consultants. Mr. Hensel said there is an overlap in the groundwater protection in the Decorah Edge and RPU's wellhead protection program.
8. The management/financial reports were discussed.

9. Other Business:

After discussion with the Board and RPU staff, Mr. Landwehr, Board President, announced that the December 28 Board meeting would be rescheduled to December 16 at 3:00 p.m.

10. Mr. Utz moved to adjourn the meeting, seconded by Mr. Hunziker.

All voting "AYE"

The meeting was adjourned at 5:45 p.m.

Submitted by:

Kathleen Wilson

Secretary

Approved by the Board:

R. Landwehr

Board President

12-16-04

Date