

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
December 16, 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 3:00 p.m.

1. Mr. Hunziker moved to approve the minutes of the November 30, 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. The insurance quotations for 2005 were discussed with the Board. Mr. Darwin Olson and Mr. Lyle Papenfuss from the C. O. Brown Agency were also present. The C. O. Brown Agency requested proposals from several companies, but only received one proposal from Starr Technical Risk Agency (Hartford Steam)). Mr. Olson said that the League of Minnesota Cities provided a dividend to RPU because the experience rating has been really good.

*Mr. Utz entered the meeting at this time.

Mr. Landwehr asked why only one quote was received. Mr. Papenfuss explained that some companies don't want to quote for utilities, but that his firm does explore the market.

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

Mr. Utz moved to approve en bloc three resolutions for insurance for 2005, 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 insurance agreement with Starr Technical Risks Agency, Inc. (Hartford Steam) for furnishing the following insurance

coverage:

ALL RISK PROPERTY INSURANCE

The insurance agreement to be for a twelve-month policy period commencing December 31, 2004 and expiring December 31, 2005.

The amount of the twelve month premium effective December 31, 2004 to be FIVE HUNDRED THIRTY-TWO THOUSAND SEVEN HUNDRED SEVENTY-ONE AND NO/100 DOLLARS (\$532,771.00).

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 insurance agreement with the League of Minnesota Cities Insurance Trust for:

COMMERCIAL AUTOMOBILE AND GENERAL LIABILITY INSURANCE

The insurance agreement to be for a twelve-month policy period commencing December 31, 2004 and expiring December 31, 2005.

The amount of the twelve month premium effective December 31, 2004 to be ONE HUNDRED EIGHTEEN THOUSAND THREE HUNDRED TWENTY-EIGHT AND NO/100 DOLLARS (\$118,328.00).

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 insurance agreement with the Associated Electric and Gas Insurance Services, Ltd. (AEGIS) for furnishing the following insurance coverage:

EXCESS GENERAL LIABILITY INSURANCE

The insurance agreement to be for a twelve-month policy period commencing December 31, 2004 and expiring December 31, 2005.

The amount of the twelve month premium effective December 31, 2004 to be SIXTY-NINE THOUSAND THREE HUNDRED EIGHTY-FIVE AND NO/100 DOLLARS (\$69,385.00).

5. The proposed Electric Utility Revenue Notes, Series 2005A, in the amount of \$5,775,000 funded by the Midwest Consortium of Municipal Utilities (MCMU) was discussed. The Board authorized RPU's membership in this bond pool in April, 2004. In September, staff received consensus from the Board to use MCMU as part of the funding requirements of RPU's 2005 electric budget. Mr. Koshire distributed a summary received from Springsted Incorporated (the City of Rochester's financial advisor). The City of Rochester also has to approve the sale. Mr. Koshire said a 10-year term with no call provision is included with very good rates. Five other cities are involved in MCMU

and will also seek approval from their boards and councils. The money would be available in 2005. Ms. Parker moved to approve the resolution approving and consenting to the issuance of Electric Utility Revenue Note, Series 2005A, and the execution of a Project Loan Agreement by the City of Rochester, seconded by Mr. Utz.

All voting "AYE"

RESOLUTION NO. 45

Resolution Approving and Consenting to
the Issuance of an Electric Utility Revenue
Note, Series 2005A, 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 electric utility (the "Electric Utility").
 - (b) In order to provide financing for the Improvements, the Council is expected to consider for approval on December 16, 2004, a resolution entitled "Resolution Relating to the City's Electric Utility Revenue Note, Series 2005A; 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 Electric Utility Note, Series 2005A (the "Note"), specify the terms, rates of interest, redemption premiums, form, and other details of the Note, pledge the Net Revenues of the Electric 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 Electric 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.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 16th day of December, 2004.

Richard L. Landwehr
President

Kathleen Wilson
Secretary

The foregoing Resolution was introduced by Boardmember Parker, who moved its adoption. The motion for the adoption of the foregoing Resolution was duly seconded by Boardmember Utz and upon a vote being taken thereon, the following Boardmembers voted in favor thereof:

Mr. Hunziker, Mr. Jibben, Ms. Parker, Mr. Utz, Mr. Landwehr

and the following voted against the same:

Whereupon said Resolution was declared duly passed and adopted.

STATE OF MINNESOTA
CITY OF ROCHESTER
PUBLIC UTILITY BOARD

I, the undersigned, being the duly qualified and acting Secretary of the Public Utility Board of the City of Rochester, Minnesota, DO HEREBY CERTIFY that I have carefully compared the attached and foregoing extract of minutes with the original minutes of a meeting of the Board duly called and held on the date therein indicated, which are on file and of record in my office, and the same is a full, true and complete transcript therefrom approving the issuance and sale by the City of Rochester of its Electric Utility Revenue Note, Series 2005A and approving a Project Loan Agreement.

WITNESS my hand as such Secretary this 16 day of December, 2004.

Kathleen Wilson
Secretary
Rochester Public Utility Board

6. The 2005 electric and water budgets presented to the Board at the November meeting were briefly discussed. Mr. Landwehr found the summary noteworthy items contained in the For Board Action form and the budget supplement sheets helpful. Ms. Parker moved to approve the 2005 budgets, seconded by Mr. Utz.

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 the 2005 electric and water capital and operating budgets.

7. Mr. Koshire distributed additional pro formas on the proposed 2005 electric revenue adjustment. In order meet board policy requirements for cash reserves, RPU's finance committee and staff recommended a 3% electric rate increase to all customer classes effective January 1, 2005. Mr. Jibben said the \$8 million cash reserve minimum stated in the policy seemed to low. Mr. Koshire replied that the board cash reserve policy will be reviewed at a later. Only one e-mail was received from the public as a result of the public notice of the proposed rate increase. The e-mail addressed capital funding and not the size of the increase. Mr. Jibben moved to approve a 3% electric rate increase effective January 1, 2005 to the appropriate rate schedules, 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 3.0% increase electric rates effective January 1, 2005 to the following rate classes:

Residential Service (RES)	Large General Service (LGS)
Residential Service-Dual Fuel (RES-DF)	Large Industrial Service (LIS)
Residential-High Efficiency HVAC (RES-HEF)	Interruptible Service (INTR)
General Service (GS)	City Street Lighting (CSL)
General Service-High Efficiency	Traffic Signals (TS)
General Service Time-Of-Use (GS-TOU)	Highway Lighting (HL)
Medium General Service (MGS)	Security Lighting (SL)
Medium General Service-High Efficiency	Civil Defense Sirens (CDS)
Medium General Service Time-Of-Use (MGS-TOU)	

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve the following rate schedules effective January 1, 2005.

Residential Service (RES)	Large General Service (LGS)
Residential Service-Dual Fuel (RES-DF)	Large Industrial Service (LIS)
Residential-High Efficiency HVAC (RES-HEF)	Interruptible Service (INTR)
General Service (GS)	City Street Lighting (CSL)
General Service-High Efficiency	Traffic Signals (TS)
General Service Time-Of-Use (GS-TOU)	Highway Lighting (HL)

Medium General Service (MGS)
 Medium General Service-High Efficiency
 Medium General Service Time-Of-Use (MGS-TOU)

Security Lighting (SL)
 Civil Defense Sirens (CDS)

8. Staff discussed the needed revenue increase for the water utility, which reflects the growth in operating costs, and increased capital expenditures. The water utility continues to experience the impact of community growth and Highway 52 construction. Mr. Utz moved to approve a 5% water rate increase to all customer classes and appropriate rate schedules effective January 1, 2005, seconded by Mr. Jibben.

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 5.0% increase water rates effective January 1, 2005 to the following rate classes:

Water Service (WTR)
 Fire Hydrant Facilities Charge (FHFC)

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve the following rate schedules effective January 1, 2005.

Water Service (WTR)
 Fire Hydrant Facilities Charge (FHFC)

9. Replacement of RPU's 17 year-old telephone system was discussed. With the growth in customers and the need for managing high-volume customer call traffic during normal business hours and during emergencies such as outages, a telephone system that will allow RPU's customers the same options for accessing information and services that they have for personal banking, shopping and paying bills is needed. The purchase will be made from a vendor on the State of Minnesota contract. Mr. Hunziker suggested staff check to see if Homeland Security funds were available for this type of purchase. Mr. Hunziker moved to approve a contract agreement for the purchase of a phone system, seconded by Ms. Parker.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a contract agreement with Enventis Telecom and to request that the Mayor and the City Clerk execute the agreement for

Purchase of Cisco IP Telephony solution for \$230,000.

The amount of the contract agreement to be TWO HUNDRED THIRTY THOUSAND AND 00/100 DOLLARS (\$230,000.00).

- 10.a&b. Mr. Hunziker moved to approve en bloc two resolutions for authorized depositories and signatures, seconded by Ms. Parker.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, that the following banks, authorized to do business in Minnesota, are the designated depositories for demand deposit accounts and temporary investment of funds of Rochester Public Utilities, City of Rochester, Minnesota, within the limits established by the City of Rochester, for the term commencing January 1, 2005 through the 31st day of December, 2005.

US Bank
Wells Fargo

The above depositories, and any added during the term by the City Finance Director, shall pay interest at such rate or rates, per annum, as may be mutually agreed upon by the Rochester Public Utilities and the respective depository at the time such deposits and investments are made.

The depository shall pay on demand all deposits subject to payment on demand, with accrued interest, and pay on demand all time deposits with accrued interest, at or after maturity.

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, that the following person or persons are hereby authorized for and in behalf of the City of Rochester, D/B/A Rochester Public Utilities, to endorse or cause to be endorsed such documents regarding deposits, checks, drafts, investments or any other matter necessary for or pertaining to the financial operation of the Rochester Public Utilities.

Larry J. Koshire
Tina Livingston
Curtis Kraft
Douglas Noga
Judy Anderson

11. It was noted that the Antenna Agreement referenced in the For Board Action was for the Apache Water Tower site. Mr. Koshire informed the Board that Midwest Wireless had requested removal of one of the antenna equivalents mentioned in Paragraph 1 of the Agreement, but this would not change the Agreement. Mr. Adkins stated that antenna equivalents can't be surpassed without additional costs and that he was in agreement with the proposed change. Mr. Rovang explained that RPU uses a formula for everyone based on number of antennas, buildings, etc. Mr. Hunziker moved to approve the proposed Site Agreement including the verbiage change discussed in Paragraph 1, 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 Midwest Wireless Communications, with 2005 rent of SEVENTEEN THOUSAND FIVE HUNDRED EIGHTY-EIGHT AND NO/100 DOLLARS (\$17,588.00) adjusted based on the 2004 change in the CPI-U, 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 Apache Water Tower Site

12. The management/financial reports were discussed.
13. Other Business:
 - a. Distributed during the meeting was an additional agenda item, "Joint Board Council Resolution - RPU's Contract Rate of Delivery." Mr. Koshire's For Board Action form stated that, "*RPU and the Southern Minnesota Municipal Power Agency (SMMPA) have had discussions regarding RPU's role in future Agency power resource needs. The SMMPA Board recently made a determination to continue with a single system rate model for all members. RPU's expressed concern with this approach is that generating resources that may be added by SMMPA would be included in the single system rate. These future resources would be provided for growth of other Agency full requirement members to no benefit of RPU. In discussing the situation with the RPU operating committee and City Attorney, it was felt appropriate to reaffirm the RPU Board and City Council resolution from 1994 stating the City's position regarding RPU's role in future generating resources.*" At the present time, RPU is the only member of the 18 member Agency that is partial requirements and represents 42% of the Agency. Mr. Utz moved to approve the Joint Resolution, seconded by Mr. Jibben.

All voting "AYE"

JOINT RESOLUTION

WHEREAS, the City of Rochester is a member of the Southern Minnesota Municipal Power Agency (SMMPA) and has signed a Power Sales Contract with SMMPA by which the City receives power from SMMPA for its electrical requirements; and,

WHEREAS, in 1999, as permitted by the Power Sales Contract, the City of Rochester elected to freeze the amount of power it receives from SMMPA (commonly referred to as the Contract Rate of Delivery or "CROD") and thus to become a partial requirements member of SMMPA; and,

WHEREAS, other city members of SMMPA elected to continue to take their total power requirements from SMMPA; and,

WHEREAS, in the early 1990's, the City of Rochester Public Utility Board and Common Council became concerned that SMMPA might require the City of Rochester to pay the cost of capital expansion projects required to meet the total requirements of those SMMPA members who have elected to extend the total requirements provision of their SMMPA power sales contracts beyond 1999; and,

WHEREAS, on February 8, 1994, and February 24, 1994, the City of Rochester Public Utility Board and Common Council adopted a resolution setting forth its concern and publicly announcing its intent to contest in a court of law any attempt by SMMPA to cause the City of Rochester to pay for any generation or transmission capacity required to satisfy the generation or transmission requirements of those SMMPA members who have elected to extend their SMMPA power sales contracts beyond 1999. A copy of that resolution is attached and incorporated by reference; and,

WHEREAS, on December 9, 2004, the SMMPA Executive Director wrote a letter to the Rochester Public Utility General Manager and stated that SMMPA had rejected the City's proposed dual rate model (that took into consideration the fact that some SMMPA members remained total requirements members while RPU elected to become a partial requirements member) and instead reaffirmed "a single rate model for all Members;" and

WHEREAS, in light of SMMPA's December 9, 2004, letter, the Rochester Public Utility Board and City of Rochester Common Council believe it important to reaffirm in its entirety the February, 1994, resolutions adopted by the Board and Council; and,

NOW, THEREFORE, BE IT RESOLVED by the Rochester Public Utility Board and the City of Rochester Common Council that it reaffirm in its entirety the resolution dated February 8, and February 24, 1994, that is attached hereto.

BE IT FURTHER RESOLVED that the City Clerk shall send a copy of this Joint Resolution to the President of the SMMPA Board of Directors.

PASSED AND ADOPTED BY THE COMMON COUNCIL OF THE CITY OF ROCHESTER, MINNESOTA, THIS _____ DAY OF _____, 2004.

PRESIDENT OF SAID COMMON COUNCIL

ATTEST: _____

CITY CLERK

APPROVED THIS _____ DAY OF _____, 2004.

MAYOR OF SAID CITY

(Seal of the City of Rochester, Minnesota)

PASSED BY THE PUBLIC UTILITY BOARD OF THE CITY OF ROCHESTER,
MINNESOTA, THIS 16th DAY OF DECEMBER, 2004.

Richard Landwehr
President

Kathleen Wilson
Secretary

13. b. Mr. Landwehr moved to approve the following resolution recognizing Mr. Hunziker for his years of service on the Board, seconded by Ms. Parker.

All voting "AYE"

WHEREAS, John Hunziker has diligently served on the Utility Board since 1999 specializing in board communications, and serving as its Common Council liaison, and

WHEREAS, Mr. Hunziker has been a valuable asset and has contributed substantially to the well-being of Rochester Public Utilities and the local citizens by his leadership and efforts in such areas as energy efficiency, customer service, environmental protection, economic development, service territory disputes, and internal transitions within the Utility, and

WHEREAS, Rochester has benefited from the steady leadership of people like Mr. Hunziker who believe in municipal ownership, and

NOW, THEREFORE BE IT RESOLVED, that the Rochester Public Utility Board wishes to recognize and thank Mr. Hunziker for his leadership, many talents, commitment to excellence and service to the Board and community.

14. Mr. Hunziker moved to adjourn the meeting, seconded by Ms Parker.

All voting "AYE"

The meeting was adjourned at 4:10 p.m.

Submitted by:

Kathleen Wilson
Secretary

Approved by the Board:

R. H. Handweh
Board President

1-24-05
Date