

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
April 25, 2006

Members Present: Mr. Landwehr, Mr. Jibben, Mr. Hanson, *Mr. Utz, Ms. Parker
Absent: None
Also Present: Mr. Goslee, Assistant City Attorney

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

1. Mr. Hanson moved to approve the minutes of the March 28, 2006 meeting, seconded by Mr. Jibben.

All voting "AYE"

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

All voting "AYE"

3. Mr. Landwehr opened the meeting for comments from the public. No one wished to be heard.

4. Mr. Tom Wentz, Smith Schafer & Associates, appeared before the Board to present the results of the financial statement audit for the year ended December 31, 2005. He stated that Smith Schafer noted no transactions entered into by the Utilities during the year which were both significant and unusual. RPU's financial statements are included in its 2005 annual report which is posted to its web site at www.rpu.org.

*Mr. Utz entered the meeting at this time.

Smith Schafer representatives met with RPU's audit committee, consisting of two of its Utility board members, in March to review the results of the audit and the audit letter. Mr. Utz asked about cash reserves. Mr. Koshire, RPU General Manager, stated that reserves are close to the minimums. It was noted by Mr. Wentz that RPU has consistently been in a strong working capital position.

5. Mr. Williamson, Senior Mechanical Engineer, informed the Board that the last re-tube had been done in the 1984/1985 timeframe. A 20 year interval has been RPU's standard for re-tubing. Mr. Utz moved to approve the high pressure heater 4-4 re-tubing, seconded by Mr. Hanson.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a contract agreement with American Power Services, Inc. and request that the Mayor and the City Clerk to execute the agreement for

High Pressure Heater 4-4 Retubing – Silver Lake Power Plant

The amount of the contract agreement to be ONE HUNDRED SIXTY-FIVE THOUSAND THIRTY-TWO AND 72/100 DOLLARS (\$165,032.72) and American Power Services, Inc. being lowest responsible bidder.

- 6a. Mr. Koshire informed the Board that the dollar amount stated in the Engineering Services Agreement for this item should be \$85,000 and not \$49,000. The For Board Action form and Resolution contained the correct amount. He explained that the right-of-way was needed to the new site the Board had just purchased. The Board was also asked to approve a re-allocation of 2006 Capital Budget funds to support this project. Mr. Hanson moved to approve the re-allocation of funds and a contract agreement with Ulteig Engineers, Inc., seconded by Mr. Jibben.

All voting “AYE”

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve the re-allocation of the 2006 RPU Capital Budget funds to support the Northwest Rochester Transmission Routing and Right-of-Way project.

BE IT FURTHER RESOLVED by the Public Utility Board to approve a contract agreement with Ulteig Engineers, Inc., and request that the Mayor and the City Clerk execute the agreement for

Northwest Rochester Transmission Routing Study and ROW Plan

The amount of the contract agreement not to exceed EIGHTY-FIVE THOUSAND AND 00/100 DOLLARS (\$85,000.00).

- 6b. Mr. Schlink, RPU Director of Power Resources, informed the Board that the Southern Minnesota Municipal Power Agency (SMMPA), RPU's wholesale energy supplier, had decided to join the Midwest Independent System Operator (MISO) as a transmission owner (TO), thereby placing its control area (Rochester) under the control of MISO. This has forced RPU to analyze its options for operating within the MISO boundary. Staff solicited a proposal from MCR Performance Solutions, LLC, to assist in the identification and evaluation of options. The federal government is encouraging a free market, and MISO would control the flow of energy in this region. Mr. Jibben asked if the Minnesota Municipal Power Agency (MMPA) could continue to be RPU's power marketing agent. Mr. Koshire said that MMPA is a market participant. Mr. Schlink said that that MCR Performance Solutions could be invited to a future Board meeting to further discuss these issues. Mr. Jibben moved to approve a contract agreement with MC Performance Solutions, LLC, seconded by Mr. Utz.

All voting "Aye"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, that the Board approves a contract agreement with MCR Performance Solutions, LLC, and that the Mayor and the City Clerk are authorized to execute the agreement for

Evaluation of Midwest ISO Participation Options

The amount of the contract agreement not to exceed SEVENTY-TWO THOUSAND AND 00/100 DOLLARS (\$72,000.00).

6c.&d. Mr. Stiller, Senior Electrical Engineer, discussed two proposed contract agreements with Fluor Facility & Plant Services, Inc. for the use of RPU engineering and technical services at the IBM location. One contract was for switchgear commissioning and the other was for substation duct bank work. Mr. Landwehr commented that RPU's ability to become closer to its customers like IBM creates a lot of value. Mr. Utz moved to approve en bloc both contract agreements with Flour Facility & Plant Services, Inc., seconded by Mr. Hanson.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a contract agreement with Fluor Facility & Plant Services, Inc., and request that the Mayor and the City Clerk to execute the agreement, subject to review by the City Attorney, for

B025-1 EMC Switchgear Commissioning

The amount of the contract agreement to be NINETY-ONE THOUSAND, FOUR HUNDRED FORTY AND 00/100 DOLLARS (\$91,440.00).

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a contract agreement with Fluor Facility & Plant Services, Inc., and request the Mayor and the City Clerk to execute the agreement, subject to review by the City Attorney, for

IBM Substation Duct Bank

The amount of the contract agreement to be NINETY-ONE THOUSAND, EIGHT HUNDRED FIFTY FOUR AND 00/100 DOLLARS (\$91,854.00).

7. Mr. Hanson moved to authorize payment of the Silver Lake Plant 2006 air emission fee, seconded by Ms. Parker.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to authorize payment of the 2006 Silver Lake Plant 2006 air emission fee in the amount of \$138,231.41 to the Minnesota Pollution Control Agency, Invoice 1100014151.

8. Mr. Rovang, Senior Civil Engineer, presented the 2005 Water Engineering and Operations Report to the Board. Some of the items discussed included the different pressure zones in Rochester's water system, geologic cross-sections that have been completed for each of RPU's wells and the latest statistics for water consumption and well pumping. Also noted was the fact that Rochester has the lowest water rates in southern and southwestern Minnesota.
9. The General Manager provided the following report to the Board:
 - a. The 2005 RPU annual report was distributed to the Board. Mr. Tony Benson, RPU's Communication Coordinator, was responsible for producing the report this year.
 - b. SMMPA is currently reviewing its commercial paper loan program and long-term debt. It needs to do something from a cash standpoint. This will be handled at a future SMMPA Board meeting with a weighted vote.
 - c. The American Public Power Association (APPA) recently presented RPU with a Reliable Public Power Provider (RP3) award at the diamond level, or highest level. The program criteria included safety, system reliability, training and system improvement. Criteria within each of these designated areas are based on sound business practices and a utility-wide commitment to a safe and reliable delivery of service. RPU was in the top seven utilities applying for the award. Ms. Wilson, Board Secretary and Assistant to the General Manager, prepared the application. The Board commended all RPU employees for their efforts in making this award possible.
 - d. The steam line is shut down for repair at the present time. Various components are being tested to determine the scope of the repairs.
 - e. A tentative agreement has been reached with the Olmsted County Waste-to-Energy Facility, SMMPA and RPU on the output of the new waste-to-energy facility.
 - f. A tentative settlement agreement has been reached on the Silver Lake Plant air permit for the construction of the steam project.
10. The management/financial reports were discussed.
11. Mr. Hanson moved to adjourn the meeting, seconded by Ms. Parker

All voting "AYE"

The meeting was adjourned at 5:25 p.m.

Submitted by:

Kathleen Wilson
Secretary

Approved by the Board:

R. L. Lindbeck
Board President

5-30-06
Date