

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
December 15, 2005

Members Present: Mr. Landwehr, Ms. Parker, Mr. Jibben
Absent: Mr. Hanson, Mr. Utz
Also Present: None

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

1. Ms. Parker moved to approve the minutes of the November 29, 2005 meeting, seconded by Mr. Jibben.

All voting "AYE"

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

All voting "AYE"

3. Mr. Landwehr opened the meeting for comments from the public. Mr. Ward Lutz, 900 11-1/4 Street SW, requested to be heard regarding the agenda item on the Plug-in Electric Vehicle Program. He deferred his comments until after the presentation of that item.

8. Insurance quotations for 2006 were discussed. Mr. Kraft, Director of Corporate Services, informed the Board that some of the deductibles and policy limits had been lowered, with overall costs for the property, liability and commercial auto insurances being considerably less than the previous year. Mr. Darwin Olson and Mr. Lyle Papenfuss from the C.O. Brown Agency also appeared before the Board and verified the premiums. Mr. Jibben moved to approve en bloc three resolutions for insurances for 2006, 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, 2005 and expiring December 31, 2006.

The amount of the twelve month premium effective December 31, 2005 to be FOUR HUNDRED TWENTY THOUSAND AND NO/100 DOLLARS (\$420,000.00).

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, 2005 and expiring December 31, 2006.

The amount of the twelve month premium effective December 31, 2005 to be ONE HUNDRED TWENTY-THREE THOUSAND FIVE HUNDRED SEVENTY-ONE AND NO/100 DOLLARS (\$123,571.00).

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, 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, 2005 and expiring December 31, 2006.

The amount of the twelve month premium effective December 31, 2005 to be SIXTY-EIGHT THOUSAND THREE HUNDRED SIXTY-ONE AND NO/100 DOLLARS (\$68,361.00).

4. Mr. Mike Smith, RPU Key Account and Energy Services Manager, discussed a resolution supporting Plug-in Hybrid Electric Vehicles passed by the American Public Power Association (APPA) Board. The resolution was supported by Austin Energy, the New York Power Authority, Seattle City Light, Sacramento Municipal Utility District, and Waverly Light & Power. This program encourages the production and sale of hybrid vehicles that use both rechargeable batteries and hybrid technology to reduce the amount of fossil fuel used for transportation. Mr. Smith stated that the resolution is also supported by the Olmsted Clean Energy Resource Team (CERT). Mr. Smith also stated that RPU staff would promote and support this resolution, but would not purchase vehicles unless it was a good business approach.

Appearing before the Board was Mr. Ward Lutz. He stated that CERT supports clean local energy and that he drives a hybrid vehicle that gets 56 miles to the gallon. He also stated that plug-ins are much more efficient than regular hybrid vehicles. Mr. Lutz informed the Board that CERT will be taking resolutions supporting this program to both the City Council and Olmsted County Commissioners. Since two of the Board members were absent, the Utility Board deferred action on this item to the January 31, 2006 meeting in order to get a consensus from all the Board members.

5. The 2006 electric and water budgets were discussed with the Board. Staff was asked by the Board if any input from the public had been received. Mr. Koshire informed them that Mr. Smith had been meeting with RPU's Key Account customers, and that Customer Service staff had been talking to residential customers. To date, very few comments have been received from the public. Mr. Koshire further explained that 3% out of the 5% increase is due to the wholesale power increase received from the Southern Minnesota Municipal Power Agency (SMMPA), and that RPU's rates were still extremely competitive. Mr. Landwehr said that Mr. Utz was supportive of the 2006 budgets and the efforts to raise the Utility's cash reserves. Ms. Parker moved to approve the 2006 RPU budgets, 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 the 2006 electric and water capital and operating budgets.

6. The proposed 2006 electric revenue adjustment was discussed with the Board. Mr. Kraft, Director of Corporate Services, stated that he had surveyed some of the local utilities and that RPU's fixed charge rates were found to be in the middle of the range. The impact of the increase to the average retail customer would be \$3.00 per month.

Mr. Jibben moved to approve en bloc resolutions for a 5% electric rate increase to all customer classes effective January 1, 2006 and revisions 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 5.0% increase electric rates effective January 1, 2006 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-IOU)	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-IOU)	

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve the following rate schedules effective January 1, 2006.

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)	

Mr. Jibben asked Mr. Koshire about the potential rate increase from the Southern Minnesota Municipal Power Agency (SMMPA) due to the Sherco 3 outage. Mr. Koshire informed him that RPU staff would have to look at the specifics of the issue and report back to the Board at their January 31 meeting.

7. Mr. Landwehr stated that the finance committee and Board had spent considerable time at their last meeting discussing both the electric and water utility budgets and proposed revenue adjustments. Ms. Parker moved to approve en bloc resolutions for a 5% water rate increase to all customer classes effective January 1, 2006 and revisions to the appropriate rate schedules, 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, 2006 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, 2006.

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

8. See page one of the minutes for discussion and approval of insurance quotations for 2006.
- 9a & b. Ms. Parker moved to approve en bloc two resolutions for authorized depositories and authorized signatures for Utility monies, seconded by Mr. Jibben.

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, 2006 through the 31st day of December, 2006.

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

10. The General Manager provided the following report to the Board:
 - a. RPU attorneys are working on a settlement agreement with MCEA.
 - b. The steam line was dedicated on December 15 thanks to RPU's partnership with the Mayo Clinic.
 - c. RPU has retained the services of the McGrann Shea firm for service territory matters.
 - d. The marketing efforts for capacity and energy sales with the Minnesota Municipal Power Agency (MMPA) has made \$261,000 over expenses.
 - e. RPU sold excess SO2 credits received from the EPA for \$1.6 million. Mr. Koshire stated that RPU wants to earmark some of these funds for the emissions control project.
 - f. The Minnesota Pollution Control Agency has asked RPU if it could sponsor "Project Green Fleet" which involves retrofitting diesel engines in school busses. This is a Clean Air Minnesota program. RPU has invited the Mayo Clinic, Laidlow and Rochester City Lines to join them in this effort. The goal is to retrofit 100 buses in Rochester. Mr. Landwehr stated that the Utility Board is very supportive of these kinds of activities.
 - g. Ms. Patty Hanson, RPU Residential Representative, informed the Board that the SolarChoice program launched October 1, 2005 at RPU has 74 residential customers signed up, with a total of \$190 per month going into the Solar purchases fund for local, renewable energy use.

- h. Mr. Jim Walters, RPU Director of Customer Relations, received the Mayor's Award for Community Service.
- 11. The management/financial reports were discussed.
- 12. Mr. Jibben moved to adjourn the meeting, seconded by Ms. Parker.

All voting "AYE"

The meeting was adjourned at 5:00 p.m.

Submitted by:

Kathleen Wilson
Secretary

Approved by the Board:

R.R. Sandweh
Board President

1-31-06
Date