

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
December 13, 2007

Members Present: Mr. Landwehr, Mr. Jibben, Mr. Stahl, Mr. Reichert, Mr. Hanson
Absent: None
Also Present: Mr. Adkins, City Attorney

Board President Landwehr called the meeting to order at 3:05 p.m. City Attorney Adkins closed the meeting to the public at 3:06 p.m. pursuant to Minnesota Statutes, Section 13D.05, subd. 3(b) in order to discuss with the Utility Board the status of, and the litigation (including mediation) strategy for, the pending litigation identified as City of Rochester, Minnesota v. Southern Minnesota Municipal Power Agency, Olmsted County District Court, Case No. 55-C3-05-002712.

The meeting was opened to the public at 4:15 p.m.

1. Mr. Stahl moved to approve the minutes of the November 27, 2007 meeting, seconded by Mr. Jibben.

All voting "AYE"

2. Mr. Reichert moved to approve the accounts payable report, seconded by Mr. Stahl.

All voting "AYE"

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

4. Mr. Darwin Olson and Mr. Lyle Papenfuss (C.O. Brown Agency) appeared before the Board to discuss the insurance quotations for 2008. Mr. Olson said that rates are down and the municipal insurance program has been successful. The municipal program members for the property/casualty program will share a \$7 million dividend in 2008, which provides RPU with a dividend of \$12,000. Mr. Hanson moved to approve the resolutions for property and liability insurance for 2008, seconded by Mr. Reichert.

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 Star-Technical Risk Agency, Inc. (ACE American Insurance Company) for furnishing the following insurance coverage:

ALL RISK PROPERTY INSURANCE

The insurance agreement to be for a twelve month policy period commencing December 31, 2007 and expiring December 31, 2008.

The amount of the twelve month premium effective December 31, 2007 to be THREE HUNDRED FIFTY-FIVE THOUSAND FOUR HUNDRED NINETY-SIX AND NO/100 DOLLARS (\$355,496.00).

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, 2007 and expiring December 31, 2008.

The amount of the twelve month premium effective December 31, 2007 to be ONE HUNDRED THIRTY-ONE THOUSAND TWO HUNDRED EIGHTY-SIX AND NO/100 DOLLARS (\$131,286.00).

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, 2007 and expiring December 31, 2008.

The amount of the twelve month premium effective December 31, 2007 to be NINETY-FIVE THOUSAND SIX HUNDRED THIRTY-EIGHT AND NO/100 DOLLARS (\$95,638.00).

- 5.a. Mr. Schlink, Director of Power Resources, discussed the second construction contract for the Emissions Reduction Project at the Silver Lake Plant. Utility Engineering assisted RPU in evaluating the bids received from seven bidders. Mr. Hanson moved to approve the contract, seconded by Mr. Jibben

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota to approve a contract agreement with Moorhead Machinery & Boiler Company and that the Mayor and City Clerk execute the agreement for

Mechanical Construction I
Emissions Reduction Project

The amount of the agreement to be SEVEN MILLION FOUR HUNDRED AND EIGHT THOUSAND SEVEVEN HUNDRED AND TWO AND 00/100 (\$7,408,702.00), and Moorhead Machinery & Boiler Company being lowest responsible bidder.

- 5 b. Mr. Stiller, Senior Electrical Engineer, discussed the long delivery times for transformers with the Board. The current lead time is 52 to 60 weeks. He also said that there has been a 100% increase in price since the Board last approved a transformer in 2003. Mr. Reichert moved to approve a purchase order agreement for two outdoor power transformers, seconded by Mr. Hanson.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota to approve a purchase order agreement with Delta-Star Incorporated for

OUTDOOR TWO POWER TRANSFORMERS
DELIVERY OF THE FIRST TRANSFORMER TO BE FEBRUARY, 2009
DELIVERY OF THE SECOND TRANSFORMER TO BE FEBRUARY, 2010

The amount of the purchase order agreement to be TWO MILLION ONE HUNDRED FORTY-NINE THOUSAND EIGHT HUNDRED FIFTY-ONE AND 00/100 DOLLARS (\$2,149,851.00) and Delta-Star Incorporated being lowest responsible bidder.

6. Mr. Schlink, Director of Power Resources, informed the Board that the majority of the costs associated with staff's request for Change Order 003 for the engineering services associated with the Emissions Reduction Project were associated with retrofitting the Silver Lake Plant. Mr. Hanson moved to approve the change order, seconded by Mr. Stahl.

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 Change Order 003 to the contract agreement with Utility Engineering for additional engineering services on the Silver Lake Power Plant Unit 4 Emissions Reduction Project. The amount of the change order is \$362,595 and will increase the total contract amount to \$4,610,774. In addition, the 15% contingency will be reduced to a firm dollar amount of \$250,000 as part of this change. The total approved amount will be \$4,860,774.

7. The Silver Lake Plant control room consolidation was discussed with the Board. Mr. Schlink, Director of Power Resources, stated that the project would combine two control

rooms to integrate new automation with existing interfaces to control operations and protective activities on the plant boilers, gas turbines and auxiliary equipment. Mr. Stahl moved to approve the agreement, seconded by Mr. Reichert.

All voting "AYE"

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

Professional Services for Software Development, Logic Development,
Documentation, Start-up and Hardware Supply for the Silver Lake Plant Control
Room Consolidation.

The amount of the contract agreement to be FOUR HUNDRED NINETY SIX THOUSAND AND 00/100 DOLLARS (\$496,000.00) contingent upon the approval of the RPU General Manager and the City Attorney.

8. The Amendment to the Master Services Agreement with Axon Solutions, Inc. was discussed. Ms. Parker, Director of Corporate Services, said that the amendment was for post Go-Live support for the SAP Customer Care System (CCS). Mr. Adkins, City Attorney, said that he had reviewed the contract. Mr. Reichert 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 Common Council of the said City is requested to approve a contract amendment with Axon Solutions Inc. and that the Common Council authorize the Mayor and the City Clerk to execute the agreement for

Amendment to the Master Services Agreement for Ongoing Support
Of the SAP Customer Care System (CCS) for a Three Year Period
With the Ability to Extend the Contract to Five Years

The amount of the amendment to be ONE MILLION NINE HUNDRED THIRTY-THREE THOUSAND SIX HUNDRED EIGHTY AND 00/100 DOLLARS (\$1,933,680.00) for a three year period.

9. Mr. Hanson moved to approve the 2008 electric and water 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 2008 electric and water capital and operating budgets.

- 10 Mr. Koshire said that staff did not receive any negative customer comments about the proposed rate increase during the public comment period. He noted that RPU’s electric rates were going up by 4% compared with gas prices going up 25%. Mr. Jibben moved to approve the 4% increase and the annual update to the Clean Air Rider rate, seconded by Mr. Stahl.

All voting “AYE”

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve the following rate schedules effective January 1, 2008.

Residential Service (RES)	Large General Service (LGS)
Residential Service-Dual Fuel (RES-DF)	Large Industrial Service (LIS)
Residential-High Efficiency HVAC (RESELGEO)	Interruptible Service (INIR)
General Service (GS)	City Street Lighting (CSL)
General Service-High Efficiency (GS-HEF)	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 (MGS-HEF)	Civil Defense Sirens (CDS)
Medium General Service Time-Of-Use (MGS-TOU)	Clean Air Rider (CAR)

BE IT FURTHER 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 overall 4.0% electric revenue increase with changes to all customer classes and an annual update to the Clean Rider Rate effective January 1, 2008.

- 11 a. Mr. Hanson moved to approve the authorized depositories for RPU for 2008, seconded by Mr. Stahl.

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, 2008 through the 31st day of December, 2008.

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.

- 11.b. Mr. Reichert moved to approve the RPU employees authorized to conduct financial business for the Utility, seconded by Mr. Jibben.

All voting "AYE"

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
Sue Parker
Bryan Blom
Tina Livingston
Judy Anderson

12. Distributed during the meeting were two confirmation agreements with the Minnesota Municipal Power Agency (MMPA). Mr. Schlink, Director of Power Resources, explained that these were the same agreements RPU has had in place for the past two years. Mr. Stahl moved to approve the agreements, seconded by Mr. Jibben.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve two Confirmation Agreements with the Minnesota Municipal Power Agency, and request that the Mayor and City Clerk execute the agreements for

Confirmation Agreement – Sale of Capacity (50 MW)
Confirmation Agreement – Purchase of Capacity (35 MW)

The contract term to be November 1, 2007 through October 31, 2008.

13. Distributed during the meeting was a tentative agreement with the IBEW Local 949 (Outside) bargaining group. The proposed agreement would be a three year agreement. According to Ms. Hillenbrand, City Human Resources Director, there is one outstanding non-economic issue. Mr. Hanson moved to approve the tentative agreement contingent upon resolution of any outstanding issues by the Director of Human Resources, the RPU General Manager and union membership, seconded by Mr. Reichert.

All voting "AYE"

- 14. Mr. Koshire, General Manager, provided the following report to the Board:
 - a. RPU's new Customer Care System will go live in December.
 - b. The Minnesota Municipal Utilities Association (MMUA) has contacted RPU for mutual aid in Missouri due to the severe storms. RPU has volunteers and equipment standing by.
 - c. Mortgage holders have been asking RPU to shut off water and electricity because some homeowners are abandoning their homes. RPU staff needs to make sure the homes are vacant before doing so. RPU customer account delinquencies are up as a result of the housing situation.
 - d. The utility in Moorhead, MN and their electric cooperative have reached a tentative service territory settlement.
- 15. The management and preliminary financial reports were discussed.
- 16. Mr. Hanson moved to adjourn the meeting, seconded by Mr. Reichert.

All voting "AYE"

The meeting was adjourned at 5 25 p m.

Submitted by:

Kathleen Wilson
Secretary

Approved by the Board:

R. H. [Signature]
Board President

1-29-08
Date