

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
January 30, 2007

Members Present: Mr. Landwehr, Mr. Utz, Mr. Jibben, Ms. Parker
Absent: Mr. Hanson
Also Present: Mr. Adkins, City Attorney

Mr. Schlink, Director of Power Resources, introduced Mr. Rob Dunnette, Manager of Power Resource, to the Board. Mr. Dunnette was formerly with the Olmsted County Waste-to-Energy facility.

Board President Landwehr called the meeting to order at 4:05 p.m.

- 1 Mr. Utz moved to approve the minutes of the December 14, 2006 meeting as amended, seconded by Ms. Parker.

All voting "AYE"

- 2 Ms. Parker moved to approve the accounts payable report, seconded by Mr. Utz. Mr. Jibben announced that he would abstain from voting on the Mayo Clinic items in the report.

Three voting "AYE"
1 Abstain (Mr. Jibben)
Motion Carried

A question arose about line item 2 on the payables report for National Electric Coil Company. Mr. Landwehr stated that, if there were no objection, item 2 of the payables would be tabled for discussion later during the meeting.

- 3 Mr. Landwehr opened the meeting for comments from the public. No one wished to be heard.
- 4 Mr. Utz moved to nominate Mr. Landwehr for Board President for 2007, seconded by Ms. Parker.

All voting "AYE"

Mr. Landwehr recommended the following appointments to serve as board-management liaison for the functions listed below:

Finance, Accounting and Audit – Ms. Parker
Council Liaison – Mr. Hanson

Communications and Strategic Planning – Mr. Landwehr
Operations and Administration – Mr. Jibben
Legal and Policy – Mr. Utz

5. Mr. Jibben moved to nominate Kathy Wilson as Board Secretary, seconded by Ms. Parker.

All voting "AYE"

- 6a. Mr. Schlink, Director of Power Resources, informed the Board that the purchase of an ash handling and storage system is the second large equipment purchase for the emission reduction project. He also stated that the bid came in below forecast and that the final contract is being prepared for review by the General Manager and City Attorney. Mr. Utz moved to approve the purchase of an ash handling and storage system for the emissions reduction project subject to review of the agreement by the City Attorney, 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 National Conveyor Corporation and request the Mayor and the City Clerk to execute the agreement for

Supply of Ash Handling and Storage System Package
Emissions Reduction Project

The amount of the contract agreement to be ONE MILLION THREE HUNDRED FORTY-NINE THOUSAND SEVEN HUNDRED SEVENTEEN AND 00/100 DOLLARS (\$1,349,717.00) and National Conveyor being lowest responsible bidder.

- 6b. The bids for wire and cable for 2007 were discussed. Items #4, 5, 6 and 7 are being reviewed by staff and will be on the February board agenda. Mr. Jibben moved to approve purchase agreements with Hendrix Wire and Cable, seconded by Mr. Utz.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a purchase order agreement with HENDRIX for Wire and Cable.

<u>Item #</u>	<u>Description</u>
2	1/0 AWG, 15kV, 1/C Stranded Aluminum with strand-fill
3	Primary Jacketed Cable in Conduit, 15kV, 1/0 AWG, 1/C Stranded Aluminum Conductor with strand-fill

The amount of the purchase order agreement to be THREE HUNDRED FOURTEEN THOUSAND SIX HUNDRED NINETY-TWO AND 02/100 DOLLARS (\$314,692.02) and HENDRIX being lowest responsible bidder.

- 2 Ms. Parker moved to remove from the table item #2 from the payables report for further discussion, seconded by Mr. Utz.

All voting "AYE"

Mr. Blom, Manager of Finance and Accounting, informed the Board that item 2 should not be in the payables report because it was previously paid. Mr. Landwehr stated that no further action on item 2 was required by the Board.

7. Ms. Parker moved to approve both of RPU's water use fees for 2007, seconded by Mr. Jibben.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to authorize payment of water use fees in the amount of \$118,665 for 2007, payable to State of Minnesota, DNR-Waters for municipal water system (ground water) Permit #795076 and SLP once-through cooling system (surface water) Permit #935065.

- 8a,b. Mr. Schlink, Director of Power Resources, discussed the need to reduce the particulate emissions from Silver Lake Plant Unit #3 to meet Maximum Achievable Control Technology (MACT) requirements that take effect in the fall of 2007, as well as the need to move funds from RPU's special capital and major maintenance reserve to accomplish this. This reserve is funded by RPU's sales of excess SO2 emission credits and energy market activity. Part of this project would include participating in a beta project that staff anticipates would bring a significant improvement in particulate removal estimated in the range of 25% to 50%. If successful, staff feels that there is a distinct possibility of applying the same technology to Units 1 and 2, thus reducing additional particulate emissions from Silver Lake Plant at a very economical cost. Mr. Utz moved to approve en bloc resolutions for a purchase order with Neundorfer, Inc. and authorization for the General Manager to move funds from the reserve account, 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 purchase order agreement with Neundorfer, Inc. for

Silver Lake Plant Unit 3 Opacity Reduction and Precipitator Improvement Services
Bipolar Charger

The amount of the agreement to be TWO HUNDRED FORTY-EIGHT THOUSAND

SEVEN HUNDRED FIVE AND 00/100 DOLLARS (\$248, 705.00) and an additional \$24,871 contingency for performance pay based on the proposal terms.

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve authorization for the General Manager to move funds per Utility Board Policy "Financial Liquidity Policy" for

Silver Lake Plant Unit 3 Opacity Reduction and Precipitator Improvement Services

9. Mr. Koshire, General Manager, recommended that the Board ratify Common Council Resolution No. 044-07 to acquire electric service rights through condemnation for 2001 through 2006 annexations. A resolution passed by the Common Council in 1990 allows RPU to serve annexed areas. The City had previously acquired permanent electric service rights to annexations completed through December 31, 2000. According to Mr. Lorber, Director of Core Services, acquisition of rights to annexations completed subsequent to that date has been the subject of numerous meetings and letters between RPU and People's Cooperative Services, but no agreement was reached. In the event that parties cannot agree on compensation, a City may acquire electric service rights through petitioning the Minnesota Public Utilities Commission or through a condemnation proceeding in district court. RPU's legal counsel had recommended that the City use condemnation in this case. Mr. Koshire distributed a press release by Moorhead Public Service announcing a Clay County District Court appointed commissioners' award in an electric service territory condemnation case of 7.75 mills per kilowatt-hour after Red River Valley Cooperative Power Association had requested 33 mills per kilowatt-hour. Mr. Jibben moved to ratify Council Resolution 044-07 to acquire electric services to 2001 through 2006 annexations through condemnation and authorize staff to commence such action utilizing the McGrann-Shea legal firm for legal support, seconded by Ms. Parker.

All voting "AYE"

10. Mr. Lorber, Director of Core Services, told the Board that RPU has been working with certain area utilities (calling themselves CapX) for purposes of strengthening the regional transmission grid. RPU is interested in establishing a new 345kV interconnection to the City's electric system. The partners in the project are Xcel (64%), SMMPA (13%), Dairyland Power (11%), RPU (9%) and Wisconsin Public Power (3%). Mr. Adkins, City Attorney, said that he had expressed concern about the organizations working on CapX because it was not a partnership. He further stated that Chapter 453 of the Minnesota Statutes allows the City to use certain specific powers without becoming a joint action agency. The Council has approved Resolution 043-07 which is limited to CapX activity. Mr. Utz moved to ratify Council Resolution 043-07 adopting limited 453 agency authority for joint transmission construction, seconded by Mr. Jibben.

All voting "AYE"

11. Mr. Koshire, General Manager, discussed the proposed financing team for RPU's 2007 electric revenue bonds. Both the Board and City Council had previously approved the

emission reduction project at the Silver Lake plant as well as the issuance of electric revenue bonds to support the power plant improvements, significant infrastructure improvements in the electric division, and potential refunding of outstanding debt. RPU has been consulting with the City of Rochester's financial advisor, Springsted Inc., on the financing portion, and the City's bond counsel, Briggs and Morgan, for legal review and opinions regarding financing. The bonds will be sold at a special meeting in March. Both the Board and Council need to approve the sale. An underwriter was selected through a process of request for proposals to national and regional underwriters, and interviews by RPU and Springsted, Inc. A letter dated January 26, 2007 from Springsted Inc. was distributed during the meeting. It recommended Lehman Brothers as senior managing underwriter and RBC Capital Markets as co-manager. Springsted also recommended that Lehman's underwriter counsel be replaced with Faegre & Benson to reduce costs and add efficiencies to the process. Ms. Parker moved to approve the financing team of Briggs and Morgan as bond counsel, Springsted Inc. as financial advisor, Lehman Brothers as senior manager, and RBC Capital Markets as co-manager, seconded by Mr. Utz.

All voting "AYE"

12. The General Manager provided the following report to the Board:
 - a. An agreement has been reached with the Park and Recreation Department and the City Council with respect to notifying the Council when five or more trees are scheduled to be cut down.
 - b. Mr. Hensel, Director of Core Services, said the City of Rochester wants to reduce the resident flock of geese, but some non-residents oppose control. The Minnesota Department of Natural Resources has measures for this.
 - c. Mr. Utz said that the passing of line worker Jeff Peterson was a tragic event. He noted that both the community and Jeff's co-workers paid tribute to him.
13. The management/financial reports were discussed. A revised water utility cash flow statement was distributed.
14. Other Business:

Mr. Ray Schmitz, Rochester resident, announced that there would be a presentation on global warming on February 26 in Rochester at the Heinz Hall.
15. Mr. Utz moved to adjourn the meeting, seconded by Ms. Parker.

All voting "AYE"

The meeting was adjourned at 5:30 p.m.

Submitted by:

Kathleen Wilson
Secretary

Approved by the Board:

R. Randolph
Board President

2-27-2007
Date