

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
September 26, 2006

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

Board President Landwehr called the meeting to order at 4:03 p.m.

1. Mr. Hanson moved to approve the minutes of the August 29, 2006 meeting as amended, seconded by Ms. Parker.

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. Jim Pardikes and Mr. John Winters from MCR Performance Solutions appeared before the Board to discuss whether RPU should be a member of the Midwest Independent System Operator (MISO). RPU's wholesale power supplier, the Southern Minnesota Municipal Power Agency (SMMPA), joined MISO as a transmission owner in April 2006. This embedded RPU in the MISO network.

* Mr. Utz entered the meeting at this time.

RPU determined that it was necessary to become a MISO market participant. Previously, the Board approved agreements with the Minnesota Municipal Power Agency (MMPA) to market RPU generation and with The Energy Authority (TEA) to purchase above contract rate of delivery energy needs from the MISO market. As presented to the Board, RPU can continue to operate in the current mode as a MISO market participant, or consider the following further options:

- Terminate the marketing agreements and perform the marketing functions in-house.
- Place RPU's transmission assets in MISO and become a transmission owner in MISO.
- Meter RPU's system into Dairyland Power and remove itself from MISO.

RPU retained the services of MCR Performance Solutions of Northbrook, Illinois to evaluate these options. MCR worked with RPU staff to assemble the data and validate

the assumptions used in the MCR model. Based on the assumptions in the analysis, MCR recommended that RPU continue to remain a Market Participant in MISO and not become a MISO Transmission Owner.

5. Mr. Hanson moved to approve a purchase order agreement for construction services for masonry restoration at the Silver Lake Plant, seconded by Ms. Parker.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board to approve a purchase order agreement with Surety Waterproofing Company for

Silver Lake Plant Partial Masonry Restoration
As Defined in the Specification

The amount of the agreement to be FIFTY-NINE THOUSAND THREE HUNDRED THIRTY AND NO/100 (\$59,330.00), and Surety Waterproofing Company being lowest responsible bidder.

- 6a. Mr. Hanson moved to approve a change order to Purchase Order 10233 for the additional costs incurred due to the additional volumes of deposits that had to be removed as well as the testing costs and disposal costs for the chemical cleaning project for the unit 4 boiler at the Silver Lake Plant, seconded by Mr. Utz.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a change order to purchase order #10233 in the amount of \$76,819.69 for additional work related to the chemical cleaning of Silver Lake Plant Unit 4. The total amount of the purchase order will be \$329,099.49.

- 6.b&c Mr. Hanson moved to approve en bloc change order 006 with Knutson Construction Services and change order 006 with Himec for additions to the scope and field adjustments required for the steam line, seconded by Mr. Utz.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve Change Order No. 006 to the General Construction RPU Steam Supply Project Contract 02-28-C with Knutson Construction Services in the amount of \$301,670.00. This brings the total amount of the contract to \$6,972,523.00.

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve Change Order No. 006 to the General Construction Silver Lake Plant Modifications Project Contract 03-23-E between Rochester Public Utilities and Himec Inc. in the amount of \$37,896.00. This brings the total amount of the contract to \$3,589,614.00.

- 6.d. Mr. Hanson moved to approve the purchase of one truck cab and chassis using the state contract, seconded by Ms. Parker.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a purchase order agreement with I-State Truck, Inc. for

One Freightliner Model M2 106 38,000 lb. GVW Single Axle Four Wheel
Drive Truck Cab & Chassis With Manual Transmission

The amount of the purchase order agreement to be SIXTY-TWO THOUSAND EIGHT HUNDRED FIFTY-ONE AND 00/100 DOLLARS (\$62,851.00) plus sales tax and I-State Truck, Inc. being lowest responsible bidder.

7. Mr. Landwehr announced that he would abstain from the discussion and voting and for the Agreement to Hold the City of Rochester Harmless by Grandeville at Cascade Lake Limited Partnership. He appointed Ms. Parker as President Pro Tem during the discussion of this agenda item. Mr. Utz moved to approve the Agreement to Hold the City of Rochester Harmless/Waiver of Water Service Rules and Regulations, seconded by Mr. Hanson.

Three Voting "AYE" (Mr. Hanson, Mr. Utz and Ms. Parker)
One "Abstain" (Mr. Landwehr)
Motion Carried

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to request the Mayor and the City Clerk execute the

Agreement to Hold the City of Rochester Harmless /
Waiver of Water Service Rules and Regulations

8. Mr. Rovang, RPU Senior Civil Engineer, stated that the purpose of the Water Service Rules and Regulations is to assist RPU customers, prospective customers and their architects, engineers or plumbing contractors in planning for, making arrangements for, obtaining and maintaining municipal water service. Staff reviewed the proposed changes to the Rules with the Utility Board at the August 29, 2006 meeting. Mr. Hanson moved to approve the revisions effective January 1, 2007, seconded by Mr. Utz.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve the Water Service Rules and Regulations (Revised September 26, 2006) to be

effective January 1, 2007.

9. Ms. Parker announced that she would abstain from the discussion and voting on the subcontract agreement between Johnson Controls, Inc. and the City of Rochester through its Public Utility. The Agreement and Performance Bond terms and conditions were discussed. The City of Rochester has hired and contracted Johnson Controls, Inc. for a City-wide facilities improvement project. Johnson Controls, Inc. is subcontracting with RPU Energy Solutions to complete the lighting retrofits. Mr. Utz moved to approve the subcontract agreement, seconded by Mr. Hanson.

Three Voting "AYE" (Mr. Landwehr, Mr. Utz, Mr. Hanson)
One "Abstain" (Ms. Parker)
Motion Carried

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to request the Common Council to approve a Sub Contract Agreement (\$193593) between Johnson Controls, Inc. and the City of Rochester acting through its Public Utility Board for lighting retrofit services to include fixtures, supplies, materials, permits, disposal fees, labor and hazardous waste disposal not to exceed \$928,478.00, and request the Mayor and the City Clerk to execute the Agreement.

BE IT FURTHER RESOLVED that the Board requests the Council to approve the purchase of the Payment and Performance Bond for the approximate price of \$13,560 and the general indemnity agreement. JCI will reimburse RPU for the cost of the bonds.

* Mr. Utz left the meeting at this time.

10. Ms. Hanson, Manager of Marketing and External Affairs, discussed an Addendum to the SAP contract and implementation of SAP's CCS Module with the Board. The business case payback for this project is four years. Mr. Koshire stated that \$800,000 has been budgeted for 2006, but that staff is requesting approval for full project costs which will include dollars in 2007. Ms. Hanson stated that it will take nine months of implementation to go live with the CCS module. Mr. Hanson moved to approve the project, 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 Addendum in the amount of \$273,000.00 to the existing contract with SAP Public Services, Inc. (SAP), subject to the approval of the 2007 RPU budget by the Board and Council for the 2007 portion of the project costs and review of the documents by the City Attorney, and that the Common Council authorize the Mayor and the City Clerk to execute the agreement for:

Software and Hardware
As described in the attached documents labeled

Appendices 3, 4, 5, Amendment 1, and Exhibit B

BE IT FURTHER RESOLVED that the implementation, external resources and training for the SAP CCS module not exceed \$2,727,000.00, and the total project not to exceed \$3,000,000.00.

11. Three agreements for CapX 2020 were discussed with the Board. Mr. Woodworth, Transmission Manager, stated that they are an interim step in a long-term transmission project. All three agreements will expire in December 2006. Mr. Hanson moved to approve the agreements, seconded by Ms. Parker.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to the following contract agreement and to authorize the Mayor and the City Clerk to execute the agreement for

1. CapX Confidentiality Agreement
 2. CapX Organization Memorandum of Understanding
 3. Southeast Twin Cities-Rochester-La Crosse Transmission Project Memorandum of Understanding
12. The General Manager provided the following report to the Board:
 - a. A key component for RPU's 2007 budget will be the rate increase anticipated from its wholesale power supplier, the Southern Minnesota Municipal Power Agency (SMMPA). The Agency is scheduled to vote on its rates in November.
 - b. RPU staff received a complimentary letter from IBM for the technical and engineering assistance they provided for a ductwork and cable project at IBM.
 - c. Mr. Koshire distributed a monthly progress report prepared by Utility Engineering on the Silver Lake Plant emissions reduction project (ERP). He also informed the Board that this project will require bonding next year.
 - d. Some of Rochester's citizens have petitioned the City for goose control. RPU no longer has a must-run provision for the Silver Lake Plant units. If the units are called on, they will run. RPU staff has communicated this to the Department of Natural Resources. Mr. Hensel, Director of Field Services, said Olmsted County is also studying goose control in the event of avian flu.
 - e. Mr. Curt Kraft, Director of Administration, plans to retire in April 2007.
 13. The management/financial reports were discussed.
 14. Mr. Hanson moved to adjourn the meeting, seconded by Ms. Parker.

All voting "AYE"

The meeting was adjourned at 5:55 p.m.

Submitted by:

Kathleen Wilson
Secretary

Approved by the Board:

Board President

Date