

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
June 26, 2007

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

3. Due to a lack of quorum, Mr. Landwehr opened up the meeting for comments from the public. Mr. Ray Schmitz, 1508 28th Street SW, appeared before the Board to discuss the topic of energy.

* Mr. Utz entered the meeting at this time.

Using excerpts from an article entitled "Gambling with Coal" published by the Union of Concerned Scientists in September 2006 and the American Scientist magazine, Mr. Schmitz said that new conventional coal plants are not a good financial investment and that CO2 emissions from such fossil fuels are leading to a dangerous global warming. He warned the Board that costly government limits on CO2 are coming which will pose major financial risks to power companies. He also stated that wind power is a more viable alternative. He was asked by Mr. Utz to inform the author of the "Gambling with Coal" report that the RPU Utility Board was aware of the financial risk and impact of CO2 emissions and taking the necessary actions to considerably reduce such emissions prior to the enactment of such legislation.

Board President Landwehr called the meeting to order at 4:20 p.m.

1. Mr. Utz moved to approve the minutes of the May 29, 2007 meeting, seconded by Mr. Jibben

All voting "AYE"

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

Mr. Utz noted that a large expenditure had been made to the Knutson Company. Mr. Adkins said this was a separate agreement made by RPU staff and was unrelated to the problem with the leakage of the steam line joints which is unresolved. Mr. Schlink stated that RPU had already invoiced the Mayo Clinic for this expenditure.

All voting "AYE"

- 4.a. Mr. Utz moved to approve a purchase order with Dueco for a vehicle digger/derrick body, seconded by Mr. Jibben.

All voting "AYE"

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

One 2007 Terex-Telelect C-6060 Digger Derrick, Utility Body and Installation

The amount of the purchase order agreement to be ONE HUNDRED TWENTY-THREE THOUSAND SIX HUNDRED TWENTY-EIGHT AND 00/100 DOLLARS (\$123,628.00) plus sales tax and Dueco being lowest responsible bidder.

- 4.b. The NOx bids were discussed. Mr. Schlink, Director of Power Resources, explained that the NOx Emission Control System was designed to reduce NOx, particulate emissions and comply with the Board approved settlement agreement with the Minnesota Center for Environmental Advocacy (MCEA) and Minnesota Pollution Control Agency (MPCA). This level is also the target emission level identified in the Clean Air Interstate Rule (CAIR) Phase I NOx cap and trade program. Mr. Schlink said the goal of the project is to reduce pollutants in the community. He also stated that the proposed contract price exceeds the project estimate, but will meet future CAIR compliance levels. Mr. Landwehr said that it was worth it to pay the extra money to get to the best environmental results. Mr. Utz commented that much of what the RPU Board and staff have done is over and above the Minnesota and federal requirements. Mr. Schlink said the extra money required for the contract will come from the reserve fund the Board established for projects intended to benefit the environment. Mr. Luther Raatikka, Senior Design Consultant from Utility Engineering, was also present during the discussion of the bids. His firm was responsible for distributing and evaluating the bids. Mr. Schlink will provide an update on the scope of the entire Emissions Reduction Project at the July 31 board meeting. Mr. Utz moved to reject three bids as non-compliant with the terms of the bid specification and to approve a contract agreement with MobotecUSA, seconded by Mr. Jibben.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to reject the bids from Advanced Combustion Technology Inc., Burns and McDonnell and the alternative bid from MobotecUSA as non-compliant with the terms of the bid specification.

BE IT FURTHER RESOLVED that the Board approves a contract agreement with MobotecUSA and requests that the Mayor and City Clerk execute the contract for

Purchase of NOx Emission Control System
Emission Reduction Project

The amount of the contract agreement to be FOUR MILLION FORTY-NINE THOUSAND

TWO HUNDRED EIGHT AND 00/100 DOLLARS (\$4,049,208.00) and MobotecUSA being lowest responsible bidder.

5. Mr. Hensel, Director of Field Services, discussed the proposed amendment to RPU's ash disposal agreement with Enviro-Logic, Inc., which would allow disposal of ash at the SKB landfill and provide for other disposal options if and when they are determined to be environmentally sound, feasible, low risk and cost-effective. The SKB landfill has been audited by RPU staff. Mr. Utz 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, to approve an amendment to the existing ash disposal agreement approved on August 28, 2003 and as amended on January 11, 2007 and request that the Mayor and City Clerk execute the agreement amendment for ash disposal services by Enviro-Logic to provide for the beneficial use and/or disposal of coal ash from the Silver Lake Plant.

6. Since Mr. Utz expressed a desire to abstain from the discussion and vote for approval of the elimination of the 10% surcharge on rural electric customers, and because an affirmative vote is required from at least three members of the Board to take action on items (Rochester Home Rule Charter 15.03), this item was deferred to the July 31, 2007 Board meeting.
7. The Acting General Manager, Mr. Lorber, provided the following report to the Board:
 - a. A request for interim service has been denied by Peoples Cooperative Services.
 - b. An article in the Post-Bulletin discussed RPU's involvement with a project known as the Hybrid Energy System Study (HESS) which is a collaborative effort between RPU and the University of Minnesota. The goal is to transition RPU to less reliance on fossil fuel electric generation. Mr. Utz suggested that the article be placed on RPU's Web site.
 - c. RPU has been working with the United States Geological Survey (USGS) for several years on water quality studies. RPU spends approximately \$50,000 on the studies.
8. The management/financial reports were discussed.
9. Mr. Utz moved to adjourn the meeting, seconded by Mr. Jibben.

All voting "AYE"

The meeting was adjourned at 5:20 p.m.

Submitted by:

Kathleen Wilson
Secretary

Approved by the Board:

Jack Jobb
Board President Pro Tem
7/31/07
Date