

FOR BOARD ACTION

Agenda Item # 9

Meeting Date:

1/27/04

SUBJECT: Standby Electric Service for IBM B301/EG#2

PREPARED BY: Walt Lorber, Director of Operations *WLF*

ITEM DESCRIPTION:

At the December meeting, the Board approved an agreement with IBM for the provision of standby electric service to Building 20. Discussions with IBM have always included a second backup service to Building 301. Originally, the expectation was that the B020 service would be commissioned approximately March 2004 and the B301 service approximately July 2004. With the delays in permitting, the two services are being designed and bid together with a target commissioning of July 2004.

The attached agreement is for Building 301 and is a duplicate of the one approved for Building 020, with the exception of the sound attenuation requirement. This unit will be located inside IBM's power house and will not need the same level of sound treatment. The required level is yet to be determined, but is unlikely to be a cost factor.

(B020 FBA attached for reference only.)

UTILITY BOARD ACTION REQUESTED:

Request the Common Council to approve the attached agreement, with pricing to be established by the Designated Representatives prior to commercial operation, for "Standby Electric Service for B301" and authorize the Mayor to execute the agreement.

Larry Kosher
General Manager

1/22/03
Date

FOR BOARD ACTION

Agenda Item # 5

Meeting Date:

12/30/03

SUBJECT: Standby Electric Service for IBM

PREPARED BY: Walt Lorber, Director of Operations

WLF

FILE COPY

ITEM DESCRIPTION:

In mid-2001, RPU and IBM began discussions regarding the potential for RPU to provide standby service to certain IBM Rochester facilities. The critical nature of certain IBM operations requires a level of service reliability that can be met only with on-site standby generators. RPU has determined that placement of peaking generators at IBM can support both RPU's need for increasing post-CROD capacity and IBM's need for a "hardened" site.

IBM has requested proposals from RPU for two units, approximately 2000 kW each. A project team has been developing specifications for two diesel-fueled, automatic-start, remote-operated gensets with sound attenuation that meets IBM's criteria for noise levels. The focus of the past year has been on obtaining an operating permit. The MPCA's initial position would have required that IBM permit the gensets as IBM operated units, thus requiring a modified site permit. RPU and IBM have now convinced the MPCA that IBM will have no control over the units and that RPU is the proper permitting entity. With this decision, permitting can now proceed. Assuming a permit issuance by April 1, 2004, the two gensets are targeted for commissioning approximately July 1.

An agreement for standby service has been drafted and is attached. The agreement is specifically for IBM's Building 20. A similar agreement will be developed for a second service point. With the slippage in schedule, IBM now requests that both services proceed together, so two gensets will be bid. The exact charge to IBM for standby service will not be determined until bids have been received, but is projected to be in the range of \$50,000 - \$75,000 annually per genset. The charge will be based on the differential cost to RPU of installing diesel capacity versus combustion turbine capacity. RPU has proposed to purchase used gensets, if units meeting specifications are available. A term of ten years is identified, with IBM obligated to pay certain "stranded" costs if the service is terminated early.

IBM has requested that RPU utilize the same consulting firm that is doing IBM's internal work: Ulteig Engineers. RPU expects to begin working with Ulteig under a purchase agreement approved by the GM. Specifications are expected to be issued in late January. The purchase cost of the two gensets is estimated to be approximately \$1.0 - 2.0 million, depending on whether new or used units are purchased. The 2004 budget contains \$2.5 million for the project. The budget assumes a financing instrument will be used.

UTILITY BOARD ACTION REQUESTED:

Request the Common Council to approve the attached agreement, with pricing to be established by the Designated Representatives prior to commercial operation, for "Standby Electric Service for B020" and authorize the Mayor to execute the agreement.

Larry Koslinski

General Manager

12-23-03

Date

AGREEMENT FOR STANDBY ELECTRIC SERVICE FOR B301/EG#2

Between

THE CITY OF ROCHESTER

And

THE IBM CORPORATION

This Standby Electric Service Agreement (“Agreement”) is made and entered into this ___ day of _____, 2004, by and between the International Business Machines Corporation (IBM), a New York corporation and the City of Rochester Minnesota, a Minnesota municipal corporation, acting through its Public Utility Board (RPU). Both IBM and RPU are sometimes hereinafter referred to individually as a “Party” and collectively as “Parties”.

WITNESS

WHEREAS RPU requires various generating resources in its provision of electric service; and

WHEREAS IBM requires standby electric service at its Rochester, Minnesota facility; and

WHEREAS, the Parties desire to enter into an agreement for the purchase of standby electric services by IBM from RPU, and the sale by RPU to IBM of standby electric services in combination with RPU’s operation of the generator for system load-serving purposes, as provided herein:

NOW THEREFORE, in consideration of the premises and mutual agreements and covenants contained herein, the legal sufficiency of which is hereby acknowledged, the Parties agree as follows:

ARTICLE I
DEFINITIONS

Auxiliary Power – The 120/208 Volt, three-phase power supply provided by IBM to operate the generator’s auxiliary equipment.

Capital Investment – The cost incurred by each Party to install the equipment required to provide and receive service under the terms of this Agreement.

Commissioning – The date on which the genset and interconnected equipment have passed the Parties acceptance tests and is capable of commercial operation (for Standby Electric Service and Load-Serving Dispatch) within the limits of the operating permit.

Contract Year – Any subsequent twelve-month period measured from the date on which Standby Electric Service is implemented under the terms of this agreement.

Designated Representative – The individual assigned by a Party to administer this Agreement.

Fuel – No. 2 diesel, less than 0.05% sulfur content, stored in on-board, double-wall tank, capacity sufficient for 24 hours operation at full load.

Fuel Adder – A charge that RPU adds to each gallon of fuel billed to IBM. The charge is intended to recover expenses incidental to ordering and handling fuel in the smaller quantities related to the needs of backup service. For service provided in excess of normal, the Fuel Adder charge per gallon of fuel billed to IBM will be doubled.

Genset – RPU's Standby Generator Equipment.

Interconnected Electrical Load – That portion of IBM's electrical load that is normally available to be automatically, upon synchronization, interconnected to the genset via 480 Volt switching and capable of accepting up to the Prime-Rated Output of the genset.

IBM Loading Availability – The availability of IBM's Interconnected Electrical Load to accept the Prime-Rated Output of the genset.

Load-Serving Dispatch – Scheduled or emergency operation of the genset by RPU to meet system needs. Except for system conditions which limit RPU's receipt of power from Southern Minnesota Municipal Power Agency, scheduled dispatch will occur only when RPU's SMMPA load exceeds the Contract Rate of Delivery established by the Power Sales Contract between SMMPA and RPU.

Normal Charge – The charge to IBM per gallon of fuel burned in the provision of up to 328,000 kilowatt-hours annually of Standby Electric Service.

Operating Permits – The regulatory permits required for operation of the genset by RPU on IBM's site. All costs for obtaining and complying with the permits will be paid by RPU.

Point of Delivery – The physical point/location of the electrical power connections between the genset and IBM's cable/equipment. The power connections will be in a junction cabinet provided by IBM and located adjacent to the genset. RPU's ownership and responsibilities end at the genset cable terminations in the junction cabinet. See Exhibit A.

Premium Charge – The charge per gallon of fuel burned in the provision of Standby Electric Service in excess of 328,000 kilowatt-hours annually.

Prime Rated Output – The maximum rated capability of the genset for continuous, extended operation.

RPU's Standard Electric Service – Electric service provided to the IBM site under RPU's applicable retail tariff and service rules.

Sound Attenuation – Genset housing insulation provided to reduce operating noise to no more than _____ dBa at 10 feet.

Spill Containment – The physical features incorporated into the fuel tank, genset enclosure, and/or genset foundation/surroundings for the purpose of capturing and holding any leaking or spilled fluids that may occur as a consequence of operating the genset for the purposes of this Agreement.

Standby Electric Service Load – The electrical equipment designated by IBM to receive Standby Electric Service.

Standby Generator Equipment – The equipment owned and operated by RPU in the provision of Standby Electric Service to IBM, including a diesel engine, electrical generator, fuel tank, 480 Volt breaker, automatic transfer switch, sound attenuated enclosure, and hospital-grade silencer on the exhaust.

Stranded Investment – A calculated charge paid by the Party terminating this Agreement prior to the end of the tenth year for no cause. If a Party terminates for cause, the Party shall not be required to pay the Stranded Investment Charge. The charge represents the unrealized benefit and/or expense which the remaining Party will experience as a result of early termination. In addition, RPU's charge will include any excess costs above those of a standard genset package that RPU incurred to meet IBM's requirements for Sound Attenuation and Spill Containment (see Article 3.01 and Exhibit C).

Synchronization – The electrical matching of frequency and voltage between the output of the genset and RPU's Standard Electric Service.

ARTICLE II

TERM

2.01 Contract Term. This Agreement shall become effective on the date executed and it shall remain in effect for ten (10) Contract Years, unless terminated earlier as provided for in Article 2.02. At the end of this period, unless either Party has provided one-year written notice of its intent to allow the Agreement to terminate, this Agreement shall continue in effect at the pricing and terms mutually agreed upon per Articles 4.09 and 6.02.

2.02 Termination. In addition to termination that might arise pursuant to other Articles of this Agreement, this Agreement shall terminate on the occurrence of any of the following conditions:

Either Party, with one year's notice, may terminate this Agreement by submitting a written notice of intent. Termination shall become effective one year after receipt of notice. If either Party elects to terminate the Agreement during the Contract Term and provided the Agreement has not been terminated due to cause, the terminating Party shall pay the remaining Party appropriate Stranded Investment as defined herein and calculated in Exhibit C, with such reimbursement due in full on the date the Agreement terminates.

If either Party should fail to perform or cause delays in performance of, unless excused by Uncontrollable Force, as such term is defined in Article 7.03, any of its obligations under this Agreement; be adjudged bankrupt; have a general assignment of its assets made for the benefit of its creditors; have a receiver appointed for it or for any of its property; or violate any of the material

conditions of this Agreement, then the aggrieved Party may serve written notice upon the other Party of its intent to terminate this Agreement. Unless within ninety (90) days after the service of such notice a satisfactory arrangement is made to remedy the aforementioned acts of omissions, then the aggrieved Party at its election may terminate the Agreement by written notice of termination to the other Party. Subject to Article 7.01, nothing herein shall be construed to limit or restrict any other legal rights or remedies at law or equity of the aggrieved Party.

Notwithstanding the reason for termination, each Party shall retain ownership and responsibility for its equipment. Within thirty (30) days of Agreement termination, RPU shall either 1) disconnect and remove the genset from the IBM site or 2) in the event RPU wishes to leave its equipment on the IBM site for purposes of Load-Serving Dispatch operation, reach agreement with IBM for a license to allow RPU to leave its equipment in place on terms and conditions mutually acceptable to both parties.

ARTICLE III RESPONSIBILITIES FOR STANDBY GENERATOR EQUIPMENT

3.01 RPU Responsibilities. RPU shall purchase, install, own, test, meter the electrical output of, operate, re-fuel, and maintain the Standby Generator Equipment necessary for the provision of Standby Electric Service to the Point of Delivery. RPU shall permit the genset as an RPU owned and controlled emissions unit. RPU shall specify and install equipment that meets IBM's requirements for Sound Attenuation, Spill Containment, and air quality; however, the associated, unrecovered costs for these provisions that exceed those RPU would have paid for a standard equipment package shall be included in the Stranded Investment calculation.

3.02 IBM Responsibilities. IBM shall purchase, construct, own, operate, and maintain the electric facilities necessary to interconnect to the Standby Generator Equipment at the Point of Delivery. In addition, IBM shall provide an appropriate easement to RPU for placement of and access to the Standby Generator Equipment. IBM shall provide necessary site and electrical interconnection data to support RPU's design and construction needs and to support RPU's application(s) for all required Operating Permits for the genset. IBM shall provide sufficient Interconnected Electrical Load during RPU's Peaking Operations to allow RPU to operate the genset at its Prime-Rated Output. IBM shall provide a continuous 120 Volt signal for use in synchronizing the genset to Interconnected Electrical Load, and shall provide the appropriate switching equipment and controls to allow genset operation for Standby Generator Service and for RPU's Load-Serving Dispatch needs. IBM shall provide a 120/208 Volt, 300 Amp capacity auxiliary power supply to the genset.

3.03 Costs. Each Party is responsible for the initial Capital Investment costs associated with the installation of equipment as identified above. Except as set forth in this agreement, RPU will charge IBM for ongoing costs assignable to the operation of the genset for Standby Generator Service as delineated below and in Exhibit B.

ARTICLE IV

CONTRACT TERMS

4.01 Standby Electric Service. RPU hereby agrees to provide and IBM hereby agrees to purchase Standby Electric Service rated at three-phase, four-wire, 480 Volts, with a minimum continuous prime capability of 1640 kilowatts. When there is a loss of RPU's Standard Electric Service to the IBM site, the RPU genset will start, synchronize, and run automatically to provide Standby Electric Service to the Standby Electric Service Load. Sufficient Fuel will be available from the genset's onboard fuel tank to operate a minimum of twenty-four (24) continuous hours at Prime-Rated Output. RPU will monitor and control the genset operation remotely, and refuel the genset as required to provide Standby Electric Service energy up to 328,000 kilowatt-hours per Contract Year at the Normal Price. Standby Electric Service provided in excess of 328,000 kilowatt-hours in a Contract Year will be provided and billed at the Premium Charge.

Except for the provisions of Section 4.07, RPU will not supply energy for Standby Electric Service or Load-Serving Dispatch under circumstances that are the responsibility of SMMPA under the Power Sales Contract.

Energy produced in the provision of Standby Electric Service as a result of the loss of RPU's Standard Electric Service to Standby Electric Service Load will not be considered in the billing of plant electrical usage under the RPU tariff, but will be billed to IBM as a fuel charge under Section 5.022.

4.02 Load-Serving Dispatch of Genset by RPU. Except during periods of operation for Standby Electric Service, RPU will be free to utilize the genset for Load-Serving Dispatch for up to 328,000 kilowatt-hours in a Contract Year. RPU will generally provide IBM with two hours notice of such planned start-ups, but may dispatch the unit with shorter notice when system conditions warrant unplanned dispatch. IBM will operate its facilities electrically interconnected to the Point of Delivery such that upon synchronization, IBM will maintain a load-serving electrical path to permit RPU to operate the genset for Load-Serving Dispatch purposes at a level up to the genset's Prime-Rated Output.

Energy produced for Load-Serving Dispatch which has the effect of reducing normal plant load will be considered in the billing of plant electrical usage under the RPU Standard Electric Service tariff and will not be billed to IBM as a fuel charge under Section 5.022. Such metered energy will be added to the plant usage on a coincident basis to produce corrected demand and energy quantities for purposes of plant billing.

4.03 Interruption of Deliveries. If either Party causes an interruption in genset delivery, the responsible Party shall immediately notify the other Party of the cause of the interruption and of the expected duration. In such event, the Parties shall cooperate with each other to determine the cause and to effect a cure, which cure may be temporary in nature until a final cure can be made. If the interruption is not cured within ten (10) days, the Party not responsible for such interruption may terminate the contract for cause without liability for Stranded Investment. Interruptions covered under Section 7.03 are excluded from the remedies of this section.

4.04 Emergency Load-Serving Operation. In the event that RPU's system conditions require unplanned operation of generation facilities to achieve system stability, IBM will maintain a load-serving electrical path to permit RPU to obtain the Prime-Rated Output of the genset.

4.05 Designated Representative. Each Party will appoint one individual as the contact person for contract administration. RPU's Designated Representative is the Manager of System Operations/Reliability. IBM's Designated Representative is the IBM Rochester RESO Site Operations Manager.

4.06 Site Access. IBM will grant 24/7 site/easement access to RPU representatives for purposes of maintaining, testing, refueling, and operating the genset. RPU will follow IBM's security procedures in accessing the IBM site. RPU will keep the genset enclosure locked and will furnish IBM with a key for emergency purposes only. For safety reasons, IBM personnel must not enter the genset enclosure without prior notification of RPU.

4.07 Genset Maintenance and Testing. RPU will inspect and maintain the genset on a monthly basis. Unless dispatched for other purposes, RPU will start and run the genset engine for approximately one hour each month. In addition, RPU will perform scheduled maintenance on the equipment per the manufacturer's recommendation. Such maintenance is expected to result in the unavailability of Standby Electric Service for approximately 36 continuous hours annually and for approximately two weeks continuous during major overhauls projected to occur every 4-6 years. Regardless of such periods of scheduled testing and maintenance, the liabilities and cost responsibilities of both Parties shall be those established by contract.

Testing of synchronization and switching equipment will be accomplished as mutually agreed upon. Energy produced during maintenance and testing that replaces energy otherwise supplied by SMMPA under the Power Sales Contract will be metered and sold to SMMPA and will not result in a reduction in IBM plant electrical usage or RPU purchases from SMMPA.

4.08 Environmental Clean-up. RPU will be solely responsible for the clean-up of fuel, oils, and fluids released as a result of refueling, maintenance activities, or operation of the genset.

4.09 Reopening Contract. Each fifth year, following the effective date of the Agreement, the Parties will meet and review the Agreement to determine the need to renegotiate, or adjust, the terms and pricing structure of the Agreement. Any changes to the Agreement mutually agreed upon by the Parties shall become effective on the January 1 following the date of the necessary approvals of such amended Agreement terms and/or agreement on a revised pricing structure.

4.10 Right of Audit. IBM may periodically request supporting data for charges billed by RPU. IBM may audit RPU's records and practices related to pricing and billing. Upon submission of a data or audit request by IBM, RPU shall provide the requested data or identify a date for accommodating an in-house audit within thirty (30) days of receiving the request. In the event of a dispute, the Parties shall attempt to resolve the dispute. If such dispute is not resolved within thirty (30) days, either party may submit such dispute to arbitration.

ARTICLE V
BILLINGS AND PAYMENTS

5.01 Billings, Payments, and Disputes. RPU shall, by the tenth (10th) of each month, invoice IBM for services rendered during the previous month. This bill shall itemize charges as provided in Article 5.02. Payment shall be made by the last day of the month. When the due date falls on a Saturday, Sunday or a federal holiday, the due date will be the next business day thereafter. If any bill is not paid when due, it shall become delinquent and shall bear interest from the date due until the date upon which payment of the unpaid balance of the billed amount and accrued interest is paid in full, using for each day the lowest daily prime rate of interest published on that day in the money rates section of the Wall Street Journal. Disputed bills shall be paid in full when due and adjusted subsequent to settlement of the dispute. If IBM prevails in any dispute, IBM shall receive interest from the date paid. The remedies under this Article are not in lieu of other remedies available at law or equity.

5.02 Charges. RPU will provide Standby Electric Service to IBM on the basis of a monthly fixed charge (5.021), plus an energy charge (5.022) for any genset operation provided to IBM for testing or backup service.

5.021 Standby Electric Service Fixed Charge. A monthly charge, fixed for the Contract Term (except for the provisions of Articles 4.10 and 6.02) that reflects the differential cost between RPU installing fixed-station generator capacity and diesel gensets. The charge will be billed at the end of each calendar month following Commissioning of the genset for commercial operation. Commercial operation will be deemed to have commenced on the First of the month following Commissioning, unless the Designated Representatives agree on an alternate date.

5.022 Energy Charge. A charge billed at the end of any calendar month in which Standby Electric Service was provided, computed as the cost of fuel used to provide service per Article 4.01, including a Fuel Adder (FA) that is intended to recover certain incremental expenses associated with energy production.

For the first 328,000 kilowatt-hours:

$$\text{Normal Charge (\$)} = \text{No. of Gallons of Fuel Used} \times (\text{LIFO Cost of Fuel per Gallon} + \text{FA})$$

For energy produced for service in excess of 328,000 kilowatt-hours:

$$\text{Premium Charge (\$)} = \text{No. of Gallons of Fuel Used} \times (\text{LIFO Cost of Fuel per Gallon} + 2 \times \text{FA})$$

where LIFO is the Last-In-First-Out method of accounting that RPU will utilize in deriving fuel prices for billing purposes.

A sample bill calculation is attached as Exhibit B to this Agreement.

ARTICLE VI

PRICING

6.01 Pricing for Standby Generator Service. Unless modified per Article 4.09 or Article 6.02, the initial prices applicable to Article 5.02 for the services identified in the Agreement are fixed for ten (10) years. Prior to the 9th anniversary of the Agreement, RPU will present IBM with any required pricing adjustments for continuing Standby Electric Service beyond ten years. Applicable prices are identified in Exhibit D, as revised from time to time by the Parties within the provisions of the Agreement.

6.02 Cost Adjustments. In the instance where RPU incurs additional, unforeseen, expenses related to the provision of Standby Electric Service to IBM which are not currently incorporated into the cost recovery provisions of this Agreement, including but not limited to increases in taxes or environmental costs required by applicable environmental laws enacted after the date of this Agreement execution and not due to RPU's act or omission, such expenses, upon proper documentation by RPU and acceptance by IBM, may be immediately incorporated into the appropriate monthly charge to IBM.

ARTICLE VII

GENERAL PROVISIONS

7.01 Damages. In no event, shall either IBM or the City be liable to the other Party for any indirect, consequential, punitive, or similar damages arising from, or in any other way connected with, this Agreement.

7.02 Waiver. Any waiver at any time by either Party of its rights with respect to a default under this Agreement shall not be deemed a waiver with respect to any other default or other matter arising in connection herein. Any delay short of the statutory of limitation in asserting or enforcing any right shall not be deemed a waiver of such rights.

7.03 Uncontrollable Force. The Parties will exercise reasonable diligence and care to meet their respective obligations and duties hereunder. However, a Party will not be in default of this Agreement and will not be liable for any obligations hereunder if the same is due to causes or contingencies beyond the control of that Party which could not reasonably have been avoided, including but not limited to accidents, breakdown of equipment, loss or curtailment of delivery system, acts of God or the public enemy, authority and orders of government, fires, strikes, sabotage, riots, or war. In the cases of all Uncontrollable Forces, the Parties will make reasonable effort to remedy the conditions, except that any labor dispute may be settled at the discretion of the involved Party.

7.04 Applicable Law. In order to promote uniformity in the interpretation of this Agreement, it is agreed that the laws of the State of Minnesota shall control the rights and obligations established by this Agreement and the performance and enforcement thereof, to the extent that such rights and obligations are not governed by Federal law.

7.05 Assignment. Neither party may assign its interest in this Agreement without the prior written consent of the other party, except that IBM may assign its interest to any legal affiliate of IBM as long as it gives RPU written notice of such assignment.

7.06 Entire Agreement. As to the subject matter of this Agreement, this Agreement supercedes any and all proposals and/or understandings, oral and in writing, between the Parties hereto and constitutes their sole and only Agreement. Title and paragraph headings are for convenient reference and are not part of this Agreement.

7.07 Notices. Any notices, demands, or requests required or authorized by the Agreement shall be deemed properly given if mailed postage prepaid to:

Manager of System Operations/Reliability
Rochester Public Utilities
4000 East River Road NE
Rochester, Minnesota 55906-2813

on behalf of Rochester Public Utilities and to:

IBM Rochester RESO Site Operations Manager
International Business Machines Corporation
3605 Hwy 52 North
Rochester, MN 55901

on behalf of IBM. Either Party may change its address or the position to which notices are to be sent by providing written notice.

7.08 Arbitration. Any dispute under sections 4.11 or 5.01 shall be settled by arbitration in accordance with The Commercial Rules of the American Arbitration Association.

IN WITNESS THEREOF, the parties have caused this Agreement to be executed the day and year first above written.

CITY OF ROCHESTER MINNESOTA

IBM

By: _____
Its Mayor

By: _____
IBM Rochester RESO Site Operations
Manager

By: _____
Its City Clerk

Approved As to Form:

By: _____
City Attorney

Reviewed by Rochester Pubic Utilities

By: _____
General Manager

EXHIBIT A

One-line diagram of RPU genset interconnection to IBM electrical system to effect the provisions of the "Standby Electric Service Agreement Between the City of Rochester and the IBM Corporation".

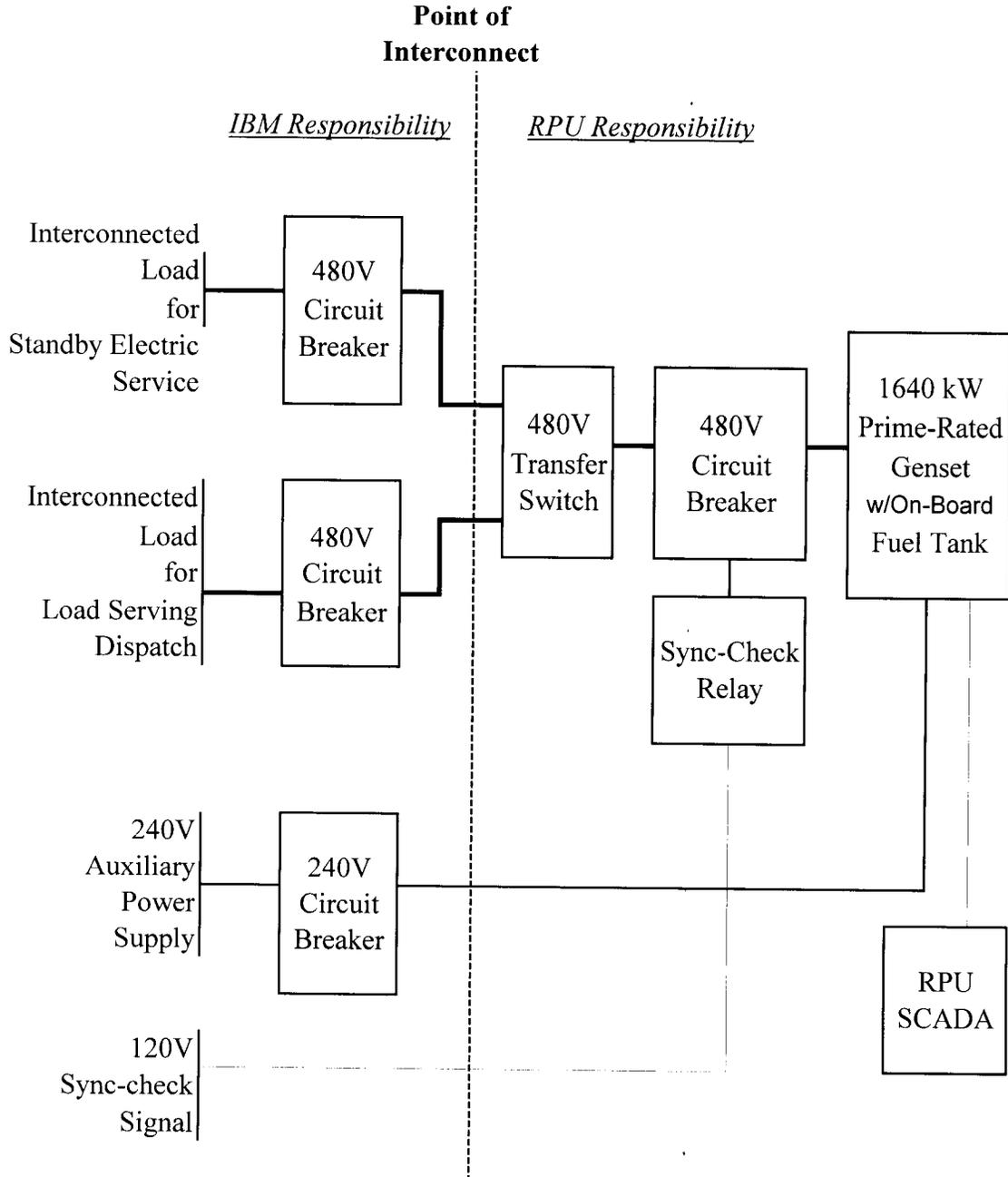


EXHIBIT B

Example application of assumed billing charges for Standby Electric Service (SES) and Load-Serving Dispatch (LSD) for the month and contract year-to-date (CYTD):

Assumptions:

Kilowatt-hours produced this period for SES:	5,400 kWh
Kilowatt-hours produced CYTD for SES:	330,000 kWh
Kilowatt-hours produced this period for LSD:	8,000 kWh
Kilowatt-hours produced CYTD for LSD:	150,000 kWh
Operation this period for Standby Electric Service:	
Metered energy production:	5,400 kWh
Metered Fuel used:	367 gallons
LIFO Fuel price:	\$1.00/gallon
Operation this period for Load-Serving Dispatch:	
Displaced plant energy (billed separately):	8,000 kWh

Calculations:

SES energy at Normal Charge:	3,400 kWh
[5,400 – (330,000 – 328,000)]	
Fuel used at Normal Charge:	231 gallons
(3400/5400 x 367)	
Price of Fuel at Normal Charge:	\$1.15/gallon
(\$1.00 + 0.15)	
SES energy at Premium Charge:	2,000 kWh
(5,400 – 3,400)	
Fuel used at Premium Charge:	136 gallons
(367 – 231)	
Price of Fuel at Premium Charge:	\$1.30/gallon
(\$1.00 + 0.30)	

<u>Billing Component</u>	<u>Billing Units</u>	<u>Price/Multiplier</u>	<u>Charge</u>
5.021 S/B Service Charge			\$4,000.00
5.022 Energy Charge	231	\$1.15	265.65
5.022 Energy Charge	136	\$1.30	<u>176.80</u>
Total payment due:			\$4,442.45

EXHIBIT C

The Stranded Investment is:

For RPU, the unrealized benefit of and return on RPU's Capital Investment that would have accrued to RPU during the remainder of the Contract Term had IBM not elected early termination of this Agreement. This unrealized benefit is set at [\$50,000 + Excess Costs incurred under Article 3.01] initially, decreasing [\$5000 + 0.04 x Excess Costs] per Contract Year.

For IBM, no Stranded Investment is identified.

A sample calculation of Stranded Investment due RPU for contract termination by IBM at four years and 11 months (4 + 11/12 years = 4.9167 years) from the execution date of this Agreement (based on notice of termination being given by IBM at least one year prior) and based on RPU incurring excess costs of \$30,000:

For this example, the Stranded Investment payment due to RPU by IBM at the time of termination is:

$$[\$50,000.00 + \$30,000] - 4.9167 \times [\$5,000.00 + 0.04 \times \$30,000] = \$49,516.46$$

EXHIBIT D

Effective upon initiation of service, the prices applicable to the charges for services provided under the terms of the Standby Electric Service Agreement, Article 5.02, are:

5.021 Fixed Charge (billed monthly): \$ _____

5.022 Fuel Adder (FA): \$ _____/gallon



RESOLUTION

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 agreement with IBM and that the Common Council authorize the Mayor and the City Clerk to execute the agreement for

Agreement for Standby Electric Service for B301/EG#2

Initial pricing for the included services shall be finalized by the Designated Representatives prior to initiating service.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 27th day of January 2004.

President

Secretary