

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
December 30, 2003

Members Present: Mr. Hunziker, Mr. Jibben, Mr. Utz, Mr. Landwehr, Ms. Parker
Absent: None
Also Present: None

Board President Landwehr called the meeting to order at 4:00 p.m.

1. Mr. Utz moved to approve the minutes of the November 25, 2003 meeting, seconded by Mr. Hunziker.

All voting "AYE"

2. Mr. Utz moved to approve the accounts payable report, seconded by Mr. Jibben. Ms. Parker noted her relationship with the County in her review of the summary payables report, and stated that she would abstain from voting on County expenditures that came before the Utility Board.

All voting "AYE"

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

- 4a. The various insurance quotations received for all risk property insurance and general liability and automotive insurance for 2004 were discussed. Mr. Darwin Olson from the C. O. Brown Agency appeared before the Board to discuss the coverage and premiums for 2004. Mr. Jibben moved to approve en bloc the resolutions for property and liability insurance for 2004, 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 insurance agreement with Starr Technical Risks Agency, Inc. (Hartford Steam) for furnishing the following insurance coverage:

ALL RISK PROPERTY INSURANCE

The insurance agreement to be for a twelve month policy period commencing December 31, 2003 and expiring December 31, 2004.

The amount of the twelve month premium effective December 31, 2003 to be FIVE HUNDRED SIXTY-SIX THOUSAND ONE HUNDRED NINETY-SEVEN AND NO/100 DOLLARS (\$566,197.00).

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, 2003 and expiring December 31, 2004.

The amount of the twelve month premium effective December 31, 2003 to be ONE HUNDRED FOUR THOUSAND EIGHT HUNDRED FORTY-SIX AND NO/100 DOLLARS (\$104,846.00).

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 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, 2003 and expiring December 31, 2004.

The amount of the twelve month premium effective December 31, 2003 to be SIXTY-EIGHT THOUSAND ONE HUNDRED FORTY-NINE AND NO/100 DOLLARS (\$68,149.00).

- 4b. Mr. Hunziker moved to approve a resolution authorizing the depositories for Utility monies, seconded by Ms. Parker.

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, 2004 through the 31st day of December, 2004.

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.

- 4c. Mr. Utz moved to approve the advertisement of sealed bids for contract tree trimming services for 2004, seconded by Mr. Jibben.

All voting "AYE"

5. Mr. Lorber, Director of Operations, discussed IBM's request for standby electric service from RPU. The critical nature of certain IBM's operations requires a level of service reliability that can be met only with on-site standby generators. Two gensets are targeted for commissioning approximately July 1. An agreement for standby service has been drafted for the first genset. 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 to \$75,000 annually per genset. The purchase cost of the two gensets is estimated to be approximately \$1 million to \$2 million, depending on whether new or used units are purchased. The 2004 budget contains \$2.5 million for the project. Mr. Lorber also said staff anticipated coming back to the Board in February for consideration of genset bids. The City Attorney has reviewed the proposed contract.

Mr. Jibben moved to approve the Agreement for Standby Electric Service for IBM, seconded by Mr. Hunziker.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, that the Common Council of the said Cit 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 B020/EG#1

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

6. The 2004 water and electric capital and operating budgets were discussed. The budgets were presented to the Board at the November meeting. Mr. Koshire, General Manager said that the budgets reflect the strong growth of the community plus the various highway projects. Mr. Landwehr stated that the basic assumptions in the budget are a 2% increase in electric revenue and a 4% increase in water revenue. Mr. Koshire also stated that the real driver in the budget is the wholesale power costs of over 60%. No additional staff is requested for 2004. Ms. Parker moved to approve the budgets, seconded by Mr. Utz.

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 2004 electric and water capital and operating budgets.

7. The proposed electric revenue adjustments for 2004 were discussed with the Board. Mr. Kraft, Director of Administration, pointed out that while the budget document reflects a 2% increase, a 3% increase would offset the swings which bring RPU below its minimum reserve levels. Mr. Jibben asked what an appropriate cash reserve would be for the electric utility. Mr. Koshire stated that a target of \$14 million to \$15 million would be appropriate for a utility of this size. Mr. Jibben said that the Fitch Rating Agency report recommended that RPU have 2 months of operating expenses. Mr. Koshire said that this would be approximately \$16 million.

Mr. Hunziker said he understood the rationale for the increase, but expressed concerned about the timing of the increase in view of the other charges that homeowners would be experiencing in two to three weeks. Mr. Jibben said that he didn't want to see multiple increases done and that there were no additional staff being requested. Mr. Koshire stated that in comparing RPU's customer base to the number of its employees, in 1995 there were 337 customers served per employee and in 2004, that number is projected to be 413 customers per employee. He also mentioned that electric rates are 6% lower today than they were in 1994, and that he felt RPU has a good argument to make for being fiscally responsible.

Ms. Parker moved to approve a 3% increase in electric rates to all customer classes effective Jan 6, 2004, 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 3.0% increase electric rates effective January 6, 2004 to the following rate classes:

Residential Service (RES)	Large Industrial Service (LIS)
Residential Service-Dual Fuel (RES-DF)	Interruptible Service (INTR)
Residential-High Efficiency HVAC (RES-HEF)	City Street Lighting (CSL)
General Service (GS)	Traffic Signals (TS)
General Service Time-Of-Use (GS-TOU)	Highway Lighting (HL)
Medium General Service (MGS)	Security Lighting (SL)
Medium General Service Time-Of-Use (MGS-TOU)	Civil Defense Sirens (CDS)
Large General Service (LGS)	

Mr. Utz moved to approve changes to the electric rate schedules affected by the increase,

seconded by Ms. Parker.

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 6, 2004.

Residential Service (RES)	Large Industrial Service (LIS)
Residential Service-Dual Fuel (RES-DF)	Interruptible Service (INTR)
Residential-High Efficiency HVAC (RES-HEF)	City Street Lighting (CSL)
General Service (GS)	Traffic Signals (TS)
General Service Time-Of-Use (GS-TOU)	Highway Lighting (HL)
Medium General Service (MGS)	Security Lighting (SL)
Medium General Service Time-Of-Use (MGS-TOU)	Civil Defense Sirens (CDS)
Large General Service (LGS)	

8. The proposed water revenue adjustment was discussed. Mr. Kraft stated that RPU had less control on water utility expenditures due to City projects, and that staff was recommending a 4% increase. He also pointed out that only the Water Service (WTR) would be changing and not the Fire Hydrant Facilities Charge (FHFC). Mr. Utz noted that the average water residential customer would see an additional 42¢ charge on their monthly bill if the water rates were increased by 4%. Mr. Utz moved to approve en bloc resolutions for a 4% increase to the water service rates and appropriate changes in the rate tariff effective January 6, 2004, 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 4.0% increase water rates effective January 6, 2004 to the following rate classes:

Water Service (WTR)

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve the following rate schedules effective January 6, 2004.

Water Service (WTR)

9. The General Manager provided the following report to the Board:
- a. Ms. Mary Tompkins, Manager of Customer Services, gave a presentation on the status of the automated meter reading (AMR) project at RPU. Currently there are 21 billing cycles with 5 meter reader routes. Formerly there were six meter readers with six routes. AMR is being implemented under a seven year plan. All new homes have AMR, but no commercial customers as yet. Close to 50% of residential customers now have AMR. The Board directed staff to continue the

project.

- 10. The management/financial reports were discussed.

RPU's contract with the Minnesota Municipal Power Agency (MMPA) was discussed. Some of the Board members expressed concern about the continuing disputes over contract administration being generated by MMPA, the need for further mediation sessions, and the amount of RPU staff time and financial resources it was taking to resolve them.

- 11. 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. Handberg
Board President

1-27-04
Date