



MEETING AGENDA – NOVEMBER 10, 2015

BOARD ROOM
4000 EAST RIVER ROAD NE
ROCHESTER, MN 55906

4:00 PM

1. 3:30 PM Closed Meeting

A closed meeting to receive a communication from, and to have a discussion with, the City Attorney regarding the status of and to discuss potential litigation strategies for the pending administrative legal proceedings involving the City and the U.S. Federal Energy Regulatory Commission ("FERC"). These two administrative cases involve the City's request for FERC approval to allow Rochester Public Utilities' transmission costs to be shared with other regional utility companies resulting in lower costs to the City and RPU. The administrative cases are identified as Midcontinent Independent System Operator, Inc., FERC Docket No. ER14-2154-000 and Midcontinent Independent System Operator, Inc., FERC Docket No. ER15-277-000. The closed meeting will occur pursuant to Minnesota Statutes, Section 13D.05, subd.3 (b).

2. 4:00 PM Regular Meeting

Call to Order

3. Approval of Agenda

4. Approval of Minutes

1. Public Utility Board - Regular Meeting - Oct 27, 2015 4:00 PM

NEW BUSINESS

Open Comment Period

(This agenda section is for the purpose of allowing citizens to address the Utility Board. Comments are limited to 4 minutes, total comment period limited to 15 minutes. Any speakers not having the opportunity to be heard will be the first to present at the next Board meeting.)

5. Regular Agenda

1. Approval of the 2016 Electric Budget
Resolution: Approval of the 2016 Electric Budget
2. 2016 – 2018 Water Rate Adjustment
Resolution: 2016-2018 Water Rate Adjustment
3. Approval of the 2016 Water Budget
Resolution: 2016 Water Budget Approval

6. Other Business

7. Adjourn

The agenda and board packet for Utility Board meetings are available on-line at www.rpu.org and <http://rochestercitymn.iqm2.com/Citizens/Default.aspx>



MEETING MINUTES – OCTOBER 27, 2015

COMMUNITY ROOM
4000 EAST RIVER ROAD NE
ROCHESTER, MN 55906

4:00 PM

Call to Order

Attendee Name	Title	Status	Arrived
Michael Wojcik	Board Member	Present	
Jerry Williams	Board President	Present	
Dave Reichert	Board Member	Present	
Roger Stahl	Board Member	Late	4:05 PM
Mark Browning	Board Member	Present	
Terry Adkins	City Attorney	Late	4:38 PM

1. Approval of Agenda

1. **Motion to:** approve the agenda as presented.

RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Mark Browning, Board Member
SECONDER:	Michael Wojcik, Board Member
AYES:	Michael Wojcik, Jerry Williams, Dave Reichert, Mark Browning
ABSENT:	Roger Stahl

2. Approval of Minutes

1. Public Utility Board - Regular Meeting - Sep 29, 2015 4:00 PM

RESULT:	ACCEPTED [UNANIMOUS]
MOVER:	Michael Wojcik, Board Member
SECONDER:	Mark Browning, Board Member
AYES:	Michael Wojcik, Jerry Williams, Dave Reichert, Mark Browning
ABSENT:	Roger Stahl

3. Approval of Accounts Payable

1. A/P Board Listing

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Mark Browning, Board Member
SECONDER:	Dave Reichert, Board Member
AYES:	Michael Wojcik, Jerry Williams, Dave Reichert, Mark Browning
ABSENT:	Roger Stahl

NEW BUSINESS**Open Comment Period**

(This agenda section is for the purpose of allowing citizens to address the Utility Board. Comments are limited to 4 minutes, total comment period limited to 15 minutes. Any speakers not having the opportunity to be heard will be the first to present at the next Board meeting.)

Ivan Idso 101 11th St. NW: Mayor's Proclamation 100% renewable energy plan and peaker plant proposal.

Henry Hamburger 2950 Fox Valley Dr. NW: peaker plant proposal.

4. Informational

1. Preliminary 2016 Electric and Water Budgets

Peter Hogan, Director of Corporate Services, presented the preliminary 2016 Electric and Water Budgets.

The water budget was presented first. Mr. Williams asked about replacements and water infrastructure maintenance and hoped we are prioritizing infrastructure projects accordingly. Doug Klamerus, Senior Civil Engineer, said that on the current schedule about 10k feet are replaced per year based on age, materials, etc. with expenses predicted to go up.

In response to Mr. Reichert's question about the impact of the rate increase, it is \$.061 for the average customer using 7 units per month.

The board will be asked to approve the water rate increase at the November meeting and Mr. Hogan informed the board they will be coming back in January with a new cash reserves policy based on the utility method.

The Electric budget was then presented. Mr. Williams asked about the future of the Silver Lake Plant (SLP) and are we planning a change the look of the site. Wally Schlink, Director of Power Resources, replied that the decommission process is still taking place, and the board previously allocated a half million dollars per year to complete additional projects.

The additional proposed electric rate track scenarios that were asked for by the Finance Committee were presented, taking into consideration the SMMPA rate increase which costs RPU about \$1M for each 1% increase.

Mr. Williams commented; there was a genuine commitment to our rate payers with the 3 year rate track, glad we are able to stick to that commitment for 2016, although we may be in jeopardy in 2017.

Mr. Hogan said he feels comfortable with the 2016 rate and it would be his recommendation to stick with the original track for 2016.

The board will vote on the proposal at their November 10th meeting.

RESULT:	NO ACTION
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5. Consideration Of Bids

1. West Side Energy Station Project Approval to proceed with purchase of Reciprocating Engine Generating Sets

Mark Kotschevar, General Manager, presented a short recap of the West Side Energy project that positions us long term for the impact in 2030.

The plan is flexible with changes in demand and builds a portfolio for RPU. The accelerated plan moving the peaker up is because of a favorable economic market, low exchange rates and a hedge for the utility against high energy costs. This also allows RPU to decommission GT1.

With uncertain future DMC load growth, RPU will be able to serve future loads in an efficient and reliable manner. The project supports the Mayors goal for 2031 to backup future renewable's.

Mike Borgstadt and Sandro Tombesi, from Burns and McDonnell, presented the

Reciprocating Engine Proposal Evaluation.

- *Wartsila support is located in Houston*
- *Recommendations: Select OEM in order to finalize studies*
- *Permitting*
- *Generation Interconnection*
- *Financing*

Mark Browning had a question on emissions and Michael Wojcik asked how often these will be dispatched by MISO. Mark Kotshevar replied there will be fewer emissions per KWH with the new engines. The engines will be dispatched based on the MISO market. Mr. Browning also commented that this ties in with our infrastructure plan. Jeremy Sutton commented that we have the opportunity to collect additional revenue as well.

Mr. Kotschevar commented that although there are both benefits and risks to our customers by doing this project there is a financial reason for doing this today rather than waiting.

Resolution: West Side Energy Station Project Approval to proceed with purchase of Reciprocating Engine Generating Sets

The board approved the resolution reading as follows:

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, and to recommend approval by the Rochester Common Council to approve an agreement with Wartsila North America and authorize the Mayor and the City Clerk to execute the agreement for:

West Side Energy Station Project- Approval to proceed with purchase of Reciprocating Engine Generator Sets

The amount of the agreement, contingent on the approval of the RPU General Manager and the Rochester City Attorney for an amount not to exceed, TWENTY TWO MILLION, FIVE HUNDRED THOUSAND AND 00/100 DOLLARS (\$22,500,000) and the execution of a final agreement defining the terms of the purchase.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 27th day of October, 2015.

RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Roger Stahl, Board Member
SECONDER:	Dave Reichert, Board Member
AYES:	Wojcik, Williams, Reichert, Stahl, Browning

6. Regular Agenda

1. Epic - Amendment to Escrow and Disbursement Agreement

President Williams asked that the two Epic resolutions be discussed together. Sidney Jackson, Director of Core Services, presented the background regarding the Epic agreements and wanted to recognize Terry Adkins, Mr. Mark Utz, and RPU Staff for their collaborative efforts. Mr. Jackson introduced Mr. Utz, from Wendland Utz, and Mr. Bruce Richards, Chief Engineer from Epic. Mr. Utz presented the Amendment to the Escrow Agreement and the approval of the

Memorandum Of Understanding and asked if the board would designate an RPU representative to execute agreements on behalf of RPU.

Bruce Richards commented that Epic brings a long term commitment. There will be 80-90 staff to start with and can grow to 3 times that inside the proposed facility.

Resolution: Epic - Amendment to Escrow and Disbursement Agreement

The board approved the resolution reading as follows:

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve an Amendment of the Escrow and Disbursement Agreement for:

Professional Services Agreement - Substation Engineering

to reflect the changes to Exhibit A.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 27th day of October, 2015.

RESULT:	ADOPTED [4 TO 0]
MOVER:	Roger Stahl, Board Member
SECONDER:	Michael Wojcik, Board Member
AYES:	Michael Wojcik, Jerry Williams, Dave Reichert, Roger Stahl
ABSTAIN:	Mark Browning

2. Epic Memorandum of Understanding (MOU)

Resolution: Epic Memorandum of Understanding (MOU)

The board approved the amended resolution to include language by the City Attorney, reading as follows:

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a Memorandum of Understanding (MOU) between the City of Rochester, a Minnesota municipal corporation, acting by and through its Public Utility Board and Epic Hosting LLC and authorize the Mayor and the City Clerk to execute the agreement for:

Epic MOU: Douglas Trail Substation

and approval of any other attendant or subsequent resolutions or agreements consistent with the Memorandum of Understanding (MOU) and/or Escrow agreement as determined by the General Manager and City Attorney.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 27th day of October, 2015.

RESULT:	ADOPTED [4 TO 0]
MOVER:	Roger Stahl, Board Member
SECONDER:	Michael Wojcik, Board Member
AYES:	Michael Wojcik, Jerry Williams, Dave Reichert, Roger Stahl
ABSTAIN:	Mark Browning

3. CapX - Self Performance Agreement

Randy Anderton, Senior Electrical Engineer, gave an overview of the project. Terry Adkins, City Attorney, has reviewed the document.

This allows RPU to be reimburse for project expenses.

Resolution: CapX - Self Performance Agreement

The board approved the resolution reading as follows:

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve the;

City of Rochester Relocated Owners TL Self-Performance Agreement and authorize the Mayor and the City Clerk to execute the agreements.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 27th day of October, 2015.

RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Dave Reichert, Board Member
SECONDER:	Mark Browning, Board Member
AYES:	Wojcik, Williams, Reichert, Stahl, Browning

4. Saint Mary's Tower - New Cingular Wireless (AT&T) Lease Amendment

Mona Hoefft, Buyer said this is a minor adjustment to the lease agreement, adding 3 radio heads and the rate was going up slightly.

Resolution: Saint Mary's Tower - New Cingular Wireless (AT&T) Lease Amendment

The board approved the resolution reading as follows:

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a lease amendment with

New Cingular Wireless PCS, LLC (AT&T) for the Saint Mary's Tower

and authorize the General Manager and City Attorney to approve any final technical changes prior to execution by the Mayor and City Clerk.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 27th day of October, 2015.

RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Dave Reichert, Board Member
SECONDER:	Michael Wojcik, Board Member
AYES:	Wojcik, Williams, Reichert, Stahl, Browning

5. Sale of 0.65 Acres of RPU Service Center Property

Bill Cook, Director of Field Services gave an overview of the proposed sale. The County needs the property to complete the 55th Street Extension Project, requiring the sale of 0.65 acres of Service Center Property, temporary easement on 0.64 acres and moving of fencing and access gates. The work will be completed in 2016. The appraised value is as follows:

Acquisition - \$169,884

Temporary Easement - \$16,727

Additional Damages (fencing) - \$16,989

Resolution: Sale of 0.65 Acres of RPU Service Center Property

The board approved the resolution reading as follows:

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a resolution authorizing the sale of the property and execution of the warranty deed and memorandum of agreement by the Mayor and the City Clerk to execute the agreement for:

The Sale of 0.65 Acres of RPU Service Center Property

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 27th day of October, 2015.

RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Dave Reichert, Board Member
SECONDER:	Mark Browning, Board Member
AYES:	Wojcik, Williams, Reichert, Stahl, Browning

7. General Managers Report

Mark Kotschevar gave his General Managers update:

- There will be a special board meeting on November 10 to approve the budget and then it will go to the Council on 11/16 for approval.
- We are continuing to negotiate with Xcel for CapX we will hold a closed session at the 11/10 Board meeting to update the board at 3:30 PM.
- The bond refunding went better than expected.
- Minnesota Section of the AWWA meeting; Hydrant Hysteria & Meter Madness- Tim Jestus and Rich Rain took 3rd place.
- Terry Adkins and myself attended the APPA Legal seminar, some of the highlights:
 - FERC
 - Pole attachments
 - Electrifying transportation system
 - Drones use

8. Division Reports & Metrics

9. Other Business

10. Adjourn

1. **Motion to:** adjourn the meeting at 6:20 PM.

RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Roger Stahl, Board Member
SECONDER:	Dave Reichert, Board Member
AYES:	Wojcik, Williams, Reichert, Stahl, Browning

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Submitted by:

Secretary

Approved by the Board

Board President

Minutes Acceptance: Minutes of Oct 27, 2015 4:00 PM (Approval of Minutes)

Date

Minutes Acceptance: Minutes of Oct 27, 2015 4:00 PM (Approval of Minutes)

FOR BOARD ACTION

Agenda Item # (ID # 4710)

Meeting Date: 11/10/2015

SUBJECT: Approval of the 2016 Electric Budget

PREPARED BY: Peter Hogan

ITEM DESCRIPTION:

The preliminary 2016 electric budget was reviewed with the finance and audit committee on October 20th, 2015 and the full Board on October 27th, 2015. The budget as presented reflects a reduction of approximately \$4.5 million in operating and capital expenses from staff's original submissions in order to meet the 2014 cost of service study recommendations and approved rate track for 2016.

The significant drivers for the 2016 budget are:

- Electric rate increases have been approved for 2016 @ 1.7% and 2017 @ 1.7%
- Our SMMPA wholesale rate for 2016 will increase by 6%
- Continuation of prudent investments into our system to improve reliability, service, safety, and to serve new growth
- Investment in the West Side Energy Station with an in service date of 2018.
- Investments in IT systems and distribution systems
- Increased debt service payments for the completion of CAPX 2020 project and funding of the West Side Energy Station.
- Continued funding for our energy conservation programs
- Movement towards the financial targets set with the 2014 cost of service study:
 - o Change in Net Assets goal for 2016: \$9,950,000
 - o Debt Service Coverage Ratio, excluding PILOT, of 3.0 times or greater
 - o Minimum cash reserves for 2016:

Budget \$41,064,000; Cash Reserve Policy \$50,419,000

Summary financial sheets are attached reflecting the recommended budget. Staff will be available to answer questions.

UTILITY BOARD ACTION REQUESTED:

Management recommends that the Board approve and request City Council approval of the

FOR BOARD ACTION

Agenda Item # (ID # 4710)

Meeting Date: 11/10/2015

2016 RPU electric operating and capital improvement budget.

**ROCHESTER PUBLIC UTILITIES
ELECTRIC UTILITY
2016 OPERATING BUDGET**

BASIC ASSUMPTIONS

- Cost center budgets set at level used in cost-of-service study
- No assumptions have been made with regards to DMC
- Interest Earnings Rate: 1.0%
- Average Salary Expense Change: 3.0%
(consists of COLA, merit and promotion increases)
- Change in Full-time Equivalents: 2
- SMMPA Wholesale Power Cost: 6.0% increase
- SMMPA CROD Level: 216 MW
- Cash Reserve Requirements: Current policy amount \$50,419,000

RETAIL REVENUES / SALES

- Revenue Adjustment: 1.70%
- Electric KWH Sales Forecast: 2.5 % Increase from 2015 F2 Year End Projected Sales
- Total Electric Utility Customers: 0.8% Increase over Year End 2015 F2 Projected Customers
- Forecast Assumes Normal Weather : 495 Cooling Degree Days

WHOLESALE REVENUES / SALES & EXPENSES

- Wholesale Revenue Forecasts
 - o Silver Lake Plant \$0
 - o Cascade Creek Gas Turbines \$672,579
 - o Steam Generation \$4,456,844
 - Total \$5,129,423 (32.6% decrease from Y/E 2015 F2 Projected Revenue)
- Estimated Cost of Fuel 2016 \$4.026 / mmBtu
- Budgeted Cost of Fuel 2015 F2 \$7.187 / mmBtu

OTHER ITEMS

- In Lieu of Tax forecast increasing \$246,900

Attachment: Board Packet EIC (4710 : Approval of the 2016 Electric Budget)

**ROCHESTER PUBLIC UTILITIES
ELECTRIC UTILITY
Management Reporting P&L**

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RPU Rate Increase

SMMPA Rate Increase

	Historical Data		2015		2016		Variance		%
	2013	2014	Orig Bdgt	2015 F2	2016	Orig Bdgt	2016 to Orig Bdgt	Variance	
	0.0%	3.0%	3.5%		1.7%				
Revenue									
Retail Electric	\$128,864	\$130,448	\$137,437	\$134,420	\$144,316	\$140,741	\$3,575	2.5%	
Wholesale Electric	\$4,786	\$2,848	\$2,477	\$2,028	\$673	\$1,393	(\$720)	-51.7%	
Wholesale Steam	\$4,850	\$6,744	\$6,459	\$5,583	\$4,457	\$4,864	(\$407)	-8.4%	
Transmission	\$0	\$134	\$200	\$1,397	\$4,400	\$0	\$4,400	0.0%	
Other Services & Fees	\$2,478	\$2,787	\$3,037	\$2,833	\$3,090	\$6,562	(\$3,472)	-52.9%	
Total Revenue	\$140,978	\$142,961	\$149,609	\$146,261	\$156,935	\$153,560	\$3,375	2.2%	
Cost of Revenue									
Power Supply	\$88,020	\$87,392	\$91,044	\$88,229	\$95,919	\$95,628	\$292	0.3%	
Generation Fuel	\$5,172	\$4,828	\$4,001	\$3,478	\$2,890	\$3,606	(\$716)	-19.8%	
Total Cost of Revenue	\$93,193	\$92,221	\$95,045	\$91,706	\$98,809	\$99,233	(\$424)	-0.4%	
Gross Margin									
Retail Electric	\$40,844	\$43,056	\$46,393	\$46,192	\$48,396	\$45,113	\$3,283	7.3%	
Wholesale	\$4,463	\$4,763	\$4,935	\$4,133	\$2,240	\$2,651	(\$412)	-15.5%	
Transmission	\$0	\$134	\$200	\$1,397	\$4,400	\$0	\$4,400	0.0%	
Other Services & Fees	\$2,478	\$2,787	\$3,037	\$2,833	\$3,090	\$6,562	(\$3,472)	-52.9%	
TOTAL GROSS MARGIN	\$47,785	\$50,741	\$54,565	\$54,555	\$58,126	\$54,327	\$3,799	7.5%	
Controllable Costs									
Salaries & Benefits	\$18,904	\$18,384	\$18,871	\$18,572	\$19,682	\$19,874	(\$192)	-1.0%	
Other Operating Expenses	\$9,812	\$9,702	\$9,167	\$9,280	\$9,361	\$9,942	(\$581)	-5.8%	
Major Maintenance	\$496	\$1,961	\$5,708	\$5,009	\$4,191	\$1,912	\$2,278	119.1%	
Non-Bonded Capital Projects	\$6,601	\$7,437	\$8,065	\$7,975	\$7,914	\$6,345	\$1,569	24.7%	
TOTAL CONTROLLABLE COSTS	\$35,813	\$37,485	\$41,811	\$40,836	\$41,147	\$38,072	\$3,074	8.1%	
Depreciation & Amortization	\$10,565	\$10,446	\$11,850	\$10,994	\$11,244	\$9,989	\$1,255	12.6%	
Less Non Bonded Projects (capitalized)	(\$6,601)	(\$7,437)	(\$8,065)	(\$7,975)	(\$7,914)	(\$6,345)	(\$1,569)	24.7%	
Less Total Internal Costs (capitalized)	(\$2,724)	(\$3,125)	(\$2,678)	(\$2,584)	(\$4,180)	(\$1,230)	(\$2,949)	239.8%	
Interutility Allocation	(\$1,201)	(\$1,257)	(\$1,413)	(\$1,227)	(\$1,313)	(\$1,388)	\$75	-5.4%	
Total Operating Expenses	\$35,853	\$36,111	\$41,505	\$40,043	\$38,984	\$39,099	(\$114)	-0.3%	
Net Operating Income (Loss)	\$11,933	\$14,630	\$13,059	\$14,511	\$19,142	\$15,228	\$3,914	25.7%	
Financing & Other Non-Operating Items:									
Bond & Interest Related Expenses	(\$3,552)	(\$3,502)	(\$3,473)	(\$3,530)	(\$3,981)	(\$4,626)	\$645	-13.9%	
Interest Income	(\$80)	\$369	\$470	\$332	\$644	\$450	\$194	43.0%	
Misc Non-Operating Income (Expense)	(\$143)	(\$242)	(\$111)	(\$64)	(\$96)	(\$114)	\$18	-15.9%	
Total Financing & Non-Operating Items	(\$3,775)	(\$3,375)	(\$3,115)	(\$3,263)	(\$3,433)	(\$4,289)	\$857	-20.0%	
Income Before Transfers or Capital Contributions	\$8,158	\$11,255	\$9,944	\$11,249	\$15,709	\$10,938	\$4,771	43.6%	
Transfers (In Lieu of Taxes)	(\$8,307)	(\$8,264)	(\$8,738)	(\$8,491)	(\$8,738)	(\$9,059)	\$321	-3.5%	
Capital Contributions	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%	
Special Items	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0%	
NET INCOME	(\$149)	\$2,992	\$1,206	\$2,757	\$6,971	\$1,879	\$5,092	271.0%	
1/01 Cash Balance	\$ 42,737		\$ 39,808	\$ 38,644	\$ 39,019	\$ 36,835	\$ 2,183	5.9%	
Change in Net Assets		2,992	1,206	2,757	6,971	\$ 1,879	5,092	271.0%	
Depreciation & Amortization		10,446	11,850	10,994	11,244	\$ 9,989	1,255	12.6%	
Capital Additions/Service Territory Comp		(20,548)	(30,342)	(25,733)	(40,757)	\$(11,075)	(29,683)	268.0%	
Bond Principal Payments		(4,270)	(3,765)	(3,765)	(3,895)	\$(3,895)	0	0.0%	
Bond Proceeds		-	12,400	-	96,600	\$ 3,500	93,100	2660.0%	
Net Change in Other Assets/Liabilities		7,288	6,634	16,122	(70,930)	\$ -	(70,930)	0.0%	
Net Changes in Cash		(4,093)	(2,017)	374	(767)	399	(1,166)	-292.5%	
12/31 Cash Balance	\$ 38,644		\$ 37,791	\$ 39,019	\$ 38,251	\$ 37,234	\$ 1,017	2.7%	
Reserve Target	\$ 35,300		\$ 37,000	\$ 47,758	\$ 50,419	\$ 37,600	\$ 12,819	34.1%	
Excess (Deficit) from Target	\$ 3,344		\$ 791	\$ (8,739)	\$ (12,168)	\$ (366)	\$ (11,802)	3225.9%	
Cash Balance as % of Reserve Target				81.7%	75.9%	99.0%			

Attachment: Board Packet Elic (4710) : Approval of the 2016 Electric Budget

**ROCHESTER PUBLIC UTILITIES
CAPITAL AND MAJOR MAINTENANCE PLAN
MATERIALS, SUPPLIES & SERVICE
PROJECT BREAKDOWN ON 5 YEAR SUMMARY**

**ELECTRIC UTILITY
(\$000's)**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>5-Yr Total</u>
8 Core Services						
9 NERC CIP V5 Low Impact Facilities	60	130	-	-	-	190
10 Lump Sum Tree Trimming	649	651	658	648	500	3,107
11 Hourly Tree Trimming	380	361	343	326	326	1,736
12 Multi-Range Phasing Tool	25	-	-	-	-	25
13 Allocation - New Services	1,494	1,513	1,580	1,647	1,713	7,947
14 New Service Installations	450	533	600	667	733	2,983
15 Overhead Replacements	40	40	40	40	40	200
16 Pole Replacement	25	25	25	25	25	125
17 Manhole Repair and Replacement	64	-	-	-	-	64
18 Annual Underground Cable Replacements (URD)	700	700	700	700	700	3,500
19 Other Projects	100	100	100	100	100	500
20 Property Damage - Repair/Replace	85	85	85	85	85	425
21 Other Equipment Failures	30	30	30	30	30	150
22 Mobile Meter Reader	30	-	45	-	-	75
23 Transition Substation Equipment to Fiber	50	50	50	50	50	250
24 Metering/Shop Test Equipment Upgrade/Repl	40	-	-	-	-	40
25 Substation/Shop Test Equipment Upgrade/Repl	65	-	35	-	-	100
26 Remote Disconnect Meters	140	-	-	-	-	140
27 Allocation - Metering/AMR	313	649	416	345	355	2,079
28 345kV Transmission Project HC/Roch/LaCrosse	5,428	-	-	-	-	5,428
29 Chester CapX	15	-	-	-	-	15
30 Downtown Electric Resource Planning Study	40	20	10	15	50	135
31 Substation Transformer Blast Walls	-	50	-	-	50	100
32 Q6 Reroute for 55th St Extension	490	-	-	-	-	490
33 Q7 Rebuild to Grade B	-	-	250	250	250	750
34 Feeder 306 Install	-	-	300	-	-	300
35 Feeder 615 Install	-	250	-	-	-	250
36 Feeder 715 Install	-	-	-	-	200	200
37 Feeder 902 Install	165	-	-	-	-	165
38 Feeder 913 Install	-	-	-	-	150	150
39 Feeder 1315 Install	-	-	-	200	-	200
40 Feeder 1602 Install	-	-	200	-	-	200
41 Feeder 1701 Install	-	50	-	-	-	50
42 Feeder 1702 Install	-	65	-	-	-	65
43 Feeder 1703 Install	-	-	-	200	-	200
44 Downtown Distribution Duct Systems	-	300	2,000	200	1,000	3,500
45 Downtown Feeder Extensions	-	-	-	500	500	1,000
46 Q2 Rebuild from Bear Creek - RCTC	-	-	250	-	-	250
47 Q11 W.C. to new St. Bridget Sub - ROW	-	300	-	-	-	300
48 Q11 W.C. to new St. Bridget Sub - Constr	-	-	-	200	750	950
49 Willow Creek Expansion for Q11	-	-	-	200	500	700
50 St. Bridget Sub	-	-	-	-	1,000	1,000
51 Cascade Creek T2 Upgrade	-	1,470	-	-	-	1,470
52 Douglas Trail Substation	1,105	(14)	-	-	-	1,091
53 Replace Willow Creek Switchgear	-	-	-	500	-	500
54 Replace Cascade Creek Switchgear	-	-	-	-	550	550
55 Replace Zumbro River Switchgear	-	-	-	-	550	550
56 Downtown Capacity Addition	-	-	4,000	2,000	-	6,000
57 Distribution Planning Study	90	65	65	70	70	360
58 Insite Survey Tool	20	-	-	-	-	20
59 Feeder 1604 Extension	125	-	-	-	-	125
60 10th St NE - Convert from OH to URD	300	-	-	-	-	300
61 Fiber Willow Creek to Bamber Valley	47	-	-	-	-	47
62 Allocation - Distribution Expansion	1,630	1,865	1,955	2,180	2,540	10,170
63 Feeder Extensions	210	415	360	650	950	2,585
64 Feeder Rebuilds	60	120	240	230	120	770
65 Minor Transmission Projects	195	60	60	70	80	465
66 Minor Substation Projects	205	245	190	70	100	810
67 Road Projects	200	85	150	250	165	850
68 Capacitor Bank Installations	100	140	130	60	60	490
69 Fiber Optic Projects	35	100	100	100	265	600
70 Distribution Transformers	625	650	675	700	750	3,400
71 Overhead to Underground Conversion	-	50	50	50	50	200
72 Service Territory Payments	400	425	425	425	425	2,100
73 Total Core Services	13,102	8,200	12,582	9,956	11,529	55,369

Attachment: Board Packet EIC (4710 : Approval of the 2016 Electric Budget)

**ROCHESTER PUBLIC UTILITIES
CAPITAL AND MAJOR MAINTENANCE PLAN
MATERIALS, SUPPLIES & SERVICE
PROJECT BREAKDOWN ON 5 YEAR SUMMARY**

**ELECTRIC UTILITY
(\$000's)**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>5-Yr Total</u>
74 Customer Relations						
75 CRM	-	2,879	500	-	-	3,379
76 Total Customer Relations	-	2,879	500	-	-	3,379
77 Corporate Services						
78 Elec Cost-of-Srvc/Rate Design Study	-	65	-	-	-	65
79 Budgeting/Forecasting System Implementation	-	110	-	-	-	110
80 KPIT Support Contract	284	284	284	284	284	1,420
81 Substation Communications	1,725	-	-	-	-	1,725
82 NSX Implementation	268	-	-	-	-	268
83 SIEM Solution	108	-	-	-	-	108
84 Allocation - Technology	644	665	665	665	665	3,304
85 Network Management	296	200	200	200	200	1,096
86 Output Management	15	15	15	15	15	75
87 Server Management	54	70	70	70	70	334
88 Workstation Management	52	90	90	90	90	412
89 Backup/DR	65	70	70	70	70	345
90 Information Risk and Security	40	100	100	100	100	440
91 Storage Management	30	60	60	60	60	270
92 Business Systems/Applications	92	60	60	60	60	332
93 Total Corporate Services	3,029	1,124	949	949	949	7,000
94 Field Services						
95 AutoCAD Record Drawing	42	-	-	-	-	42
96 Zumbro River Dredging	1,167	-	-	-	-	1,167
97 Building Expansion	450	-	-	3,670	-	4,120
98 Physical Security	35	75	75	30	30	245
99 Substation Exhaust Fans	-	110	-	-	-	110
100 Security Assessment	-	95	-	-	-	95
101 Pickup - Grounds	33	-	-	-	-	33
102 Pickup - GIS	32	-	-	-	-	32
103 Flatbed Truck - T&D	125	-	-	-	-	125
104 Allocation - Facilities Maintenance	256	464	478	247	237	1,682
105 Allocation - Fleet	657	712	732	945	330	3,376
106 Total Field Services	2,797	1,456	1,285	4,891	597	11,027
107 Power Resources						
108 West Side Energy Station	17,746	50,025	7,049	-	-	74,819
109 Allocation - Power Resources Maintenance	855	140	540	822	905	3,262
110 Allocation - Power Resources Capital	-	875	500	250	200	1,825
111 Total Power Resources	18,601	51,040	8,089	1,072	1,105	79,906
112 General Management						
113 Wood Pole Fall Restraint Equipment	5	-	-	-	-	5
114 AED's	-	-	-	-	8	8
115 Fall Protection	10	-	-	-	-	10
116 Equipment Inspection	30	5	5	5	5	50
117 Project Contingency Fund	700	700	700	700	700	3,500
118 Operating Contingency Fund	300	300	300	300	300	1,500
119 Total General Management	1,045	1,005	1,005	1,005	1,013	5,073
120 Total Outside Expenditures	38,573	65,704	24,410	17,873	15,193	161,754
121 Capitalized Interest	1,932	3,911	240	104	130	6,317
122 Total Internal Expenditures	4,689	5,492	4,064	3,820	4,404	22,468
123 Less Bonding	(28,664)	(55,692)	(13,289)	(6,374)	(3,380)	(107,399)
124 Net Capital & Major Maintenance Plan	16,530	19,416	15,425	15,423	16,347	83,140

Attachment: Board Packet EIC (4710 : Approval of the 2016 Electric Budget)



RESOLUTION

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, and that the Common Council of the said City is requested to approve the:

2016 RPU Electric Operating and Capital Improvement Budget.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 10th day of November, 2015.

President

Secretary

FOR BOARD ACTION

Agenda Item # (ID # 4708)

Meeting Date: 11/10/2015

SUBJECT: 2016 – 2018 Water Rate Adjustment

PREPARED BY: Peter Hogan

ITEM DESCRIPTION:

Rochester Home Rule Charter Chapter 15.05, Subd. 3 states, *“The public utility board may adopt, amend, and rescind such rules and regulations as it may deem necessary for the control, management, and operation of the public utilities under its jurisdiction. The board shall, with the concurrence of the common council, fix the rates to be charged for the availability and use of the public utility commodities and services under its jurisdiction. Rates shall be reasonable and compensatory so as to cover all of the costs of the respective public utility and shall be uniform for all consumers within the same class, but different rates may be established for different classifications by the board. Rates within the city corporate limits may be less but shall be no greater than rates for the same classification outside the city limits.”*

Based on the Charter, the RPU Board has further developed a policy for determining rates. The main objective of the policy is, *“to recover, through the application of rates and charges for utility services, revenues which are sufficient to meet the financial obligations of each independent utility enterprise. Further, the Board intends to apply rates and charges which are equitable among customer or classes of customers based on generally accepted industry rate-making principles.”*

With this guidance staff conducted a Cost of Service Study for the water utility during 2015. The Board, during a study session on June 30, 2015 instructed management to:

1. Develop a levelized three year rate track.
2. Align fixed costs with fixed charges and variable costs with variable charges.
3. Align rates by the cost of services for each class of customer as required in the charter.
4. Allocate rate changes 1/3 to commodity charge and 2/3 to customer charger which reflects the breakdown of the overall percentage change needed to align with costs based on the study.
5. Adopt the utility method of rate setting that sets a targeted change in net assets (Net Income); minimum cash reserve level and when debt is present, a debt coverage ratio.

A draft water rate proposal was presented at the August Board meeting based on the Board's guidance and reviewed at the September 10th study session. At the September Board meeting, the Board accepted and placed on file the Water Cost of Service Study and authorized the preliminary notice to the public of the intent to increase the overall general water rate by up to 6.0% in 2016, 6.0% in 2017 and 6.0% in 2018 based on the individual rate class recommendations on or about January 1st of each year.

FOR BOARD ACTION

Agenda Item # (ID # 4708)

Meeting Date: 11/10/2015

At the October 27, 2015 Board meeting, staff presented the 2016 budget for the water utility that included the proposed 6.0% retail revenue increase for 2016 which supports and provides for prudent investments in infrastructure while working toward a sound financial position.

The water cost of service study and proposed water rates assumes normal growth and replacement of infrastructure. Unfunded DMC projects or other large unanticipated expenses may impact this rate track.

The impact of the rate track attached on the average residential customer using 7 CCF monthly is \$0.61 per month. This included the impact of reducing the residential hydrant charge by \$0.32 per month. The commodity charge for 1 CCF ranges from \$0.75 to \$0.95, so conservation of 1 CCF per month would offset the proposed rate change in most cases.

A notice of the proposed revenue adjustment was provided to the public via the paper of record.

Management recommends that the Board proceed with a recommendation to the City Council for a three year rate track for 2016 - 6.0%; 2017 - 6.0% and 2018 - 6.0%

Attached are the updated tariff sheets reflecting these changes.

UTILITY BOARD ACTION REQUESTED:

Request approval and recommend City Council approval of a three year rate track for 2016 - 6.0%; 2017 - 6.0% and 2018 - 6.0% overall general water rate increase to the following customer classes effective January 1, 2016:

Water Service WTR - C

Fire Hydrant Facilities Charge FHFC

**ROCHESTER PUBLIC UTILITIES
(RPU)**

**RATE SCHEDULE WTR-C
SHEET 1 OF 1**

WATER SERVICE

AVAILABILITY:

At all locations within the Rochester City limits and at locations external to the City limits, that have been authorized by the Rochester Common Council.

MONTHLY RATE:

<u>Customer Charge:</u>	<u>Size of Meter</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
	5/8"	\$ 5.53	\$ 6.26	\$ 6.84	\$ 7.50
	3/4"	\$ 7.86	\$ 8.89	\$ 9.72	\$ 10.66
	1"	\$ 12.63	\$ 14.29	\$ 15.62	\$ 17.14
	1-1/2"	\$ 24.38	\$ 27.58	\$ 30.14	\$ 33.07
	2"	\$ 38.48	\$ 43.54	\$ 47.59	\$ 52.21
	3"	\$ 71.59	\$ 81.00	\$ 88.53	\$ 97.13
	4"	\$ 118.78	\$ 134.39	\$ 146.88	\$ 161.15
	6"	\$ 236.75	\$ 267.86	\$ 292.76	\$ 321.20
	8"	\$ 423.40	\$ 479.03	\$ 523.56	\$ 574.42
<u>Commodity Charge Rate/CCF:</u>		<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Residential	0 - 7 CCF	72.7¢	75.5¢	78.5¢	81.3¢
	7.01 - 12 CCF	79.9¢	82.7¢	85.7¢	88.5¢
	12.01 and over CCF	91.9¢	94.7¢	97.7¢	100.5¢
Commercial:		72.7¢	75.5¢	78.5¢	81.3¢
Industrial:		72.7¢	75.5¢	78.5¢	81.3¢
Interdepartmental:		72.7¢	75.5¢	78.5¢	81.3¢
Irrigation Meter (All Classes):		91.9¢	94.7¢	97.7¢	100.5¢

NOTE: Customers whose service is taken outside the Rochester city limits with individual water systems not connected to the City water system shall have a rate of 2.0 times the customer and commodity charges.

MINIMUM BILL:

Applicable monthly customer charge according to size of meter provided.

PAYMENT:

Payments are due on or before the due date.

CONDITIONS OF DELIVERY:

1. Service furnished under this rate schedule is subject to connection policies of the Rochester City Council.
2. Service furnished under this rate schedule is subject to provisions of RPU's Water Service Rules and Regulations.
3. RPU shall not be liable for damage or loss sustained by customer in conjunction with taking service under this rate.
4. Water furnished under this rate shall not be resold.

Approved by Rochester Public Utility Board:
Effective Date:

November 10, 2015
January 1, 2016

Attachment: 2016 Rates Redline copy (4708 : 2016 - 2018 Water Rate Adjustment)

**ROCHESTER PUBLIC UTILITIES
(RPU)**

**RATE SCHEDULE FHFC
SHEET 1 OF 1**

FIRE HYDRANT FACILITIES CHARGE

APPLICABILITY:

To all residential and commercial and industrial water utility customers.

MONTHLY RATE:

<u>Customer Class</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Residential	\$ 1.22	\$.90	\$.90	\$.90
Commercial/Industrial	\$ 2.43	\$3.50	\$3.70	\$3.70

BILLINGS:

Billings will be on a monthly basis.

PAYMENT:

Payments are due on or before the due date.

CONDITIONS OF DELIVERY:

1. RPU shall not be liable for any damage or loss sustained by customer resulting from interruptions, deficiencies, or imperfections of service provided under this rate.
2. The rate will not be applied to water service meters that are used exclusively for irrigation purposes.
3. The rate will not be applied to water service meters that are not connected to the City's central water system.
4. The rate will be applied regardless of the property's water service status (active or non-active).

Approved by Rochester Public Utility Board:
Effective Date:

November 10, 2015
January 1, 2016



RESOLUTION

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, and that the Common Council of the said City is requested to approve:

2016-2018 Water Rate Adjustment

A three year rate track for 2016-6%; 2017- 6% and 2018- 6% overall general water rate increase to the following customer classes effective January 1, 2016:

Water Service WTR - C

Fire Hydrant Facilities Charge FHFC

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 10th day of November, 2015.

President

Secretary

FOR BOARD ACTION

Agenda Item # (ID # 4712)

Meeting Date: 11/10/2015

SUBJECT: Approval of the 2016 Water Budget

PREPARED BY: Peter Hogan

ITEM DESCRIPTION:

During 2015 we conducted a cost of service study that was reviewed during a Board study session in June and at subsequent study sessions and board meetings to identify a recommended three year rate track that sets the Water Utility on a sustainable financial track.

The budget was presented to the finance and audit committee on October 20th, 2015 and the full Board on October 27th, 2015. It Incorporates the 6% rate increase identified in the cost of service study which reverses a negative financial trend and starts the process of attaining a targeted change in net assets of \$3,292,000 and minimum cash reserve levels of \$5,189,000. The significant drivers for the 2016 water budget are:

- Adoption of the utility method of rate setting base on cost of service
- Establishment of target change in net assets of \$3,292,000
- Completion of well #41
- Completion of St. Bridget's Rd SE water tower, reimbursed from WAC funds
- Increase in water main replacements in conjunction with street reconstructions
- Water tower painting and cleaning

This final budget supports the need for continued investment in infrastructure, maintenance and replacement reserves to avoid large unfunded outlays of capital in future years. The cost of service study identified the need to align our fixed charges with fixed revenues and variable charges with commodity costs to ensure the financial stability and sustainability of the water utility. This has been incorporated into the rate design.

Summary financial sheets are attached reflecting the recommended budget. Staff will be available to answer questions.

UTILITY BOARD ACTION REQUESTED:

Management recommends that the Board approve and request City Council approval of the 2016 RPU water operating and capital improvement budget.

**ROCHESTER PUBLIC UTILITIES
WATER UTILITY
2016 OPERATING BUDGET**

BASIC ASSUMPTIONS

- Interest Earnings Rate: 1.0%
- Average Salary Expense Change: 2.7%
(consists of COLA, merit and promotion increases)
- Change in Full-time Equivalents: 0
- Cash Reserve Requirements: Policy Amount \$2,652,135

RETAIL REVENUES / SALES

- Revenue Adjustment: 6.0%
- Water CCF Sales Forecast: 1.3% Increase from 2015 Projected Sales
- Total Water Utility Customers: 1.0% Increase over Y/E 2015 Projected Customers
- Forecast Assumes Normal Weather : 495 Cooling Degree Days,
24.1 Inches Summer Rainfall

OTHER ITEMS

- In Lieu of Tax forecast increasing \$11,800.
- RPU water projects are greatly dependent on the plans of the City Public Works Department and developers.
- Developer-installed subdivision water infrastructure assets are contributed to RPU at no cost. RPU records depreciation expense on these assets and is responsible for ongoing maintenance and replacement costs.

Attachment: Board Packet Wtr (4712 : Approval of the 2016 Water Budget)

**ROCHESTER PUBLIC UTILITIES
WATER UTILITY
Management Reporting P&L**

	Historical Data		2015 F2			
	2013	2014		2016	2017	2018
in 000's						
RPU Rate Increase	0.0%	1.5%	3.5%	6.0%	6.0%	6.0%
Revenue						
Retail Water	\$7,528	\$7,503	\$7,880	\$8,307	\$8,836	\$9,391
Other Services & Fees	\$754	\$784	\$859	\$896	\$925	\$955
Total Revenue	\$8,282	\$8,287	\$8,738	\$9,203	\$9,761	\$10,347
Cost of Revenue						
Water Supply	\$1,707	\$1,813	\$1,802	\$1,883	\$1,931	\$1,969
Total Cost of Revenue	\$1,707	\$1,813	\$1,802	\$1,883	\$1,931	\$1,969
Gross Margin						
Retail Water	\$5,822	\$5,690	\$6,077	\$6,424	\$6,905	\$7,422
Other Services & Fees	\$754	\$784	\$859	\$896	\$925	\$955
TOTAL GROSS MARGIN	\$6,576	\$6,474	\$6,936	\$7,320	\$7,830	\$8,378
Controllable Costs						
Salaries & Benefits	\$2,177	\$2,207	\$2,204	\$2,310	\$2,455	\$2,615
Other Operating Expenses	\$1,052	\$1,033	\$995	\$1,048	\$1,059	\$1,068
Major Maintenance	\$238	\$417	\$462	\$390	\$515	\$375
Non-Bonded Capital Projects	\$4,439	\$2,438	\$2,979	\$2,330	\$1,766	\$2,504
TOTAL CONTROLLABLE COSTS	\$7,906	\$6,095	\$6,639	\$6,077	\$5,795	\$6,562
Depreciation & Amortization	\$2,647	\$2,325	\$2,384	\$2,442	\$2,466	\$2,483
Less Non Bonded Projects (capitalized)	(\$4,439)	(\$2,438)	(\$2,979)	(\$2,330)	(\$1,766)	(\$2,504)
Less Total Internal Costs (capitalized)	(\$335)	(\$342)	(\$292)	(\$391)	(\$288)	(\$273)
Interutility Allocation	\$1,201	\$1,257	\$1,227	\$1,313	\$1,339	\$1,366
Total Operating Expenses	\$6,979	\$6,897	\$6,980	\$7,112	\$7,546	\$7,634
Net Operating Income (Loss)	(\$404)	(\$424)	(\$44)	\$208	\$284	\$744
Financing & Other Non-Operating Items:						
Bond & Interest Related Expenses	\$0	\$0	(\$0)	\$0	\$0	\$0
Interest Income	\$81	\$63	\$54	\$54	\$55	\$58
Misc Non-Operating Income (Expense)	(\$45)	(\$62)	(\$0)	\$0	\$0	\$0
Total Financing & Non-Operating Items	\$36	\$0	\$54	\$54	\$55	\$58
Income Before Transfers or Capital Contributions	(\$368)	(\$423)	\$10	\$262	\$339	\$801
Transfers (In Lieu of Taxes)	(\$346)	(\$340)	(\$353)	(\$365)	(\$375)	(\$385)
Capital Contributions	\$1,762	\$2,167	\$1,100	\$1,100	\$1,100	\$1,100
Cash Transfers from City	\$1,500	\$0	\$978	\$236	\$0	\$0
NET INCOME	\$2,548	\$1,404	\$1,735	\$1,232	\$1,064	\$1,516
1/01 Cash Balance	\$ 6,570	\$ 5,747	\$ 5,747	\$ 5,496	\$ 5,350	\$ 5,726
Change in Net Assets		1,404	1,735	1,232	1,064	1,516
Depreciation & Amortization		2,325	2,384	2,442	2,466	2,483
Capital Additions		(2,780)	(3,270)	(2,720)	(2,054)	(2,777)
Non-Cash Contributions		(2,167)	(1,100)	(1,100)	(1,100)	(1,100)
Debt Principal Payments		-	-	-	-	-
Debt Proceeds		-	-	-	-	-
Net Change in Other Assets/Liabilities		396	-	-	-	-
Net Changes in Cash		(822)	(251)	(146)	376	122
12/31 Cash Balance	\$ 5,747	\$ 5,496	\$ 5,496	\$ 5,350	\$ 5,726	\$ 5,848
Reserve Policy	\$ 2,853	\$ 2,753	\$ 2,753	\$ 2,652	\$ 2,714	\$ 2,805
Excess (Deficit) from Policy	\$ 2,894	\$ 2,744	\$ 2,744	\$ 2,698	\$ 3,013	\$ 3,043
Cash Balance as % of Reserve Policy		199.7%	199.7%	201.7%	211.0%	208.5%

Attachment: Board Packet Wtr (4712 : Approval of the 2016 Water Budget)

**ROCHESTER PUBLIC UTILITIES
CAPITAL AND MAJOR MAINTENANCE PLAN
MATERIALS, SUPPLIES & SERVICES
PROJECT BREAKDOWN ON 3 YEAR SUMMARY**

**WATER UTILITY
(\$000's)**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>3-Yr Total</u>
Core Services				
Well & Booster Station Metering	30	31	28	89
Bulk Water Dispensing Station	36	37	-	72
Water Storage Tank Mixer	22	13	13	49
Well House Manual Switchgear	22	23	23	68
Backup Power Generator - Well #35	70	-	-	70
Replacement of Fluoride Pumping Equipment	50	-	-	50
Allocation - Water Distribution System Maintenance	467	399	410	1,275
Replacement of Pumping Units	71	108	110	288
Well Motor Replacements	13	13	13	38
Storage Facility Painting	300	235	250	785
Installation of Variable Frequency Drive Units	13	13	8	34
Replacement of Booster Pumps	70	31	31	131
Allocation - Water Metering/AMR	281	287	292	860
Residential Water Meters	182	185	189	556
Commercial Water Meters	99	101	103	304
New Wells	127	-	300	427
New Water Tower - St. Bridget SE	236	-	-	236
Water Cost-of-Service/Rate Design Study	-	-	35	35
Abandonment of 4th St SE Reservoir	-	190	-	190
Water Utility Contingency Fund	50	50	50	150
Allocation - Water Distribution System Expansion	1,185	1,043	1,518	3,745
T&D City Projects	559	503	978	2,039
T&D Developer Projects	284	225	225	734
T&D RPU Projects	242	215	215	672
T&D City/Developer Project Contingency Funds	100	100	100	300
Total Core Services	2,575	2,071	2,669	7,315
Field Services				
Water Sustainability Study	90	90	90	270
Allocation - Fleet	55	120	120	295
Total Field Services	145	210	210	565
Total Outside Expenditures	2,720	2,281	2,879	7,879
Total Internal Expenditures	408	309	290	1,007
Total Contributed Assets	1,100	1,100	1,100	3,300
Net Capital & Major Maintenance Plan	4,228	3,690	4,268	12,186

Attachment: Board Packet Wtr (4712 : Approval of the 2016 Water Budget)



RESOLUTION

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, and that the Common Council of the said City is requested to approve the:

2016 RPU Water Operating and Capital Improvement Budget

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 10th day of November, 2015.

President

Secretary