



Rochester Public Utilities

Board Meeting Packet

November 12, 2013

ROCHESTER PUBLIC UTILITIES BOARD

MEETING AGENDA –November 12, 2013

RPU SERVICE CENTER
4000 EAST RIVER ROAD NE
ROCHESTER, MN 55906

4:00 PM

1. Approval of Minutes of October 29, 2013 Meeting

NEW BUSINESS

2. 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.)
3. Approval of 2014 Electric and Water Budgets
4. Approval of 2014 Electric Revenue Adjustment
5. Approval of 2014 Water Revenue Adjustment
6. Other Business
7. Adjourn

The agenda and board packet for Utility Board meetings are available on-line at www.rpu.org

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
October 29, 2013

Members Present: Mr. Williams, Mr. Stahl, Mr. Wojcik, Mr. Reichert, and Mr. Browning
Absent: None
Also Present: David Goslee, City Attorney

Board President Williams called the meeting to order at 4:00 PM.

1. On behalf of the Utility Board, Mr. Williams thanked and recognized 6 Silver Lake Plant employees for their years of service to Rochester Public Utilities.

Kathy Smith, Power Production Administrative Assistant- 43 years.

Wade Reiser, Assistant Coal Crew Foreman- 37 years.

Steve Nienow, Machinist - 36 years.

James Button, Measures & Controls Supervisor - 33 years.

Wayne Seim, Coal Equipment Operator- 30 years.

Tom Williamson, Senior Mechanical Engineer - 30 years.

2. Mr. Williams appointed Lisa Stellmaker as Board Secretary.
3. Mr. Reichert moved to approve the minutes of the September 24, 2013 meeting, seconded by Mr. Wojcik.

All voting "AYE"

4. Mr. Wojcik moved to approve the accounts payable, seconded by Mr. Reichert.

All voting "AYE"

3. Mr. Williams opened the meeting for comments from the public.
Mr. Tim Hunsaker, representing PACE Dairy, presented an Energy Reduction Award in recognition of RPU's commitment to the community and ongoing stewardship of the environment in partnership with Pace Dairy.

4. Mr. Reichert moved to approve the proposal for audit services for fiscal years 2013-2017 with Baker Tilly Virchow Krause, LLP, subject to future budget authorization, seconded by Mr. Browning.

All voting "AYE"

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

Audit Services for fiscal years 2013-2017 from Baker Tilly Virchow Krause, LLP

The cost estimate for fiscal years are 2013- \$35,000, 2014- \$36,050, 2015- \$37,140, 2016- \$38,255, and 2017- \$39,000. The Audit fees have been included in the annual budget. Approval is requested subject to future budget authorization.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 29th day of October, 2013.

5. Mr. Browning moved to approve the two proposed Site Agreements with CC VIII Operating, LLC, d/b/a Charter Communications, seconded by Mr. Wojcik.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve the attached two (2) Site Agreements with CC VIII Operating, LLC, d/b/a Charter Communications, for the two (2) sites listed below, and to request the Mayor and the City Clerk to execute those Site Agreements.

- 1) Southeast Water Tower Site
- 2) Well #18 Site

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 29th day of October, 2013.


6. Ms. Parker, Director of Corporate Services, discussed the preliminary 2014 electric and water budgets with the Board. The RPU Finance Committee (which includes two Board members) met on October 24th to review the preliminary budgets. Management is recommending a 3% rate increase, which is option 4, for the electric utility and no rate increase in the water utility. The Board requested a 5th option to consider a 2.5% increase for electric, and a 1.5 % increase for water. Staff will gather this information for the Board to consider before the next meeting. Approval of the budgets by the Board will be requested at the next Board meeting on November 12th.
7. Mr. Stahl moved to approve the 2014 Utility Board Meeting Calendar with one revision: September 23 changed to September 30, seconded by Mr. Wojcik.
All voting "AYE"
8. The General Manager asked the Board to recognize Tony Benson, Communications Coordinator, for his APPA (American Public Power) Award, which he received for his work on the RPU annual report. The report received an award of excellence from APPA.
9. Mr. Schlink, Director of Power Resources, gave the SLP decommissioning status update.
 - a. The coal pile is gone after 65 years there will be no more burning. The facility will be a complete Natural gas facility.
 - b. 319 years of combined Power Plant Staff experience retired this year.
10. Mark Kotschevar reported:
 - a. IVR (Interactive Voice Recognition) is now live as of October 18th. IVR is a tool used to report outages electronically with a red dot showing up on GIS with the outages, thus reducing staff phone calls by 50%.
 - b. Joint Pole Agreement/Century Link- staff is discussing possible modifications.

- 11. St. Mary's Reservoir Update: Doug Rovang
 - a. Brick will be the same color as the existing tower
 - b. Will not be finished (painted, landscaped) until next spring

- 12. Mr. Stahl moved to adjourn the meeting at 5:56 PM, seconded by Mr. Wojcik.

All voting "AYE"

Submitted by:


Secretary

Approved by the Board:

Board President

Date

unapproved

FOR BOARD ACTION

Agenda Item # 3

Meeting Date: November 12, 2013

SUBJECT:

Approval of the 2014 Electric and Water Budgets

PREPARED BY:

Susan Parker, Director of Corporate Services

ITEM DESCRIPTION:

The preliminary 2014 electric and water budgets were reviewed with the finance and audit committee and the Board as a whole in October. Four rate alternatives for the electric budget and two rate alternatives for the water utility were presented for discussion. As a part of the discussion the Board asked for one more alternative for each utility. The results of the alternatives will be presented.

Based on direction from the finance and audit committee, management presented a recommendation on October 29th of a 3% rate increase effective January 1, 2014 for the electric utility and no rate increase for the water utility which will allow for providing reliable, quality service and maintaining a sound financial position. This continues to be the recommendation of management since it provides for the best long-term financial stability as RPU positions itself for 2030 and beyond in the electric utility.

The significant current year business drivers for 2014 are:

- Loss of margin from wholesale & retail markets since 2009 (SMMPA increase in 2010)
- Impact of increasing operational costs since last increase in 2009
- Continued investment in our system to maintain reliability
- Debt obligations for investment in CAPX 2020 since last rate increase
- Decommissioning of SLP
- Need to meet financial targets:
 - Retail Gross Margin 32% - 34% for electric and 78% - 80% for water
 - Debt Service Coverage of 2.5 times or greater
 - Minimum Cash Reserve per Board policy
- Completion of the St. Mary's reservoir in 2014
- Completion of Well 41 in 2014 and
- Continuation of our energy efficiency and water conservation programs

Summary financial sheets are attached reflecting the recommended revenue adjustments.

UTILITY BOARD ACTION REQUESTED:

Management recommends that the Board approve and recommend that the City Council approve the 2014 RPU electric and water budgets.



General Manager



Date



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 the 2014 electric and water capital and operating budgets.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 12th day of November, 2013.

President

Secretary

FOR BOARD ACTION

Agenda Item # 4

Meeting Date: November 12, 2013

SUBJECT: 2014 Electric Revenue Adjustment

PREPARED BY: Susan Parker, Director of Corporate Services

ITEM DESCRIPTION:

At the last Utility Board meeting, staff presented a proposed 3% retail revenue increase for 2014 which would allow for providing reliable, quality service and maintaining a sound financial position. The Board gave its preliminary consensus for up to a 3% increase in 2014. 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 increasing electric retail revenues by 3% overall for the year. For the year the revenue adjustment would increase the typical residential bill by approximately \$2.34 per month.

Management proposes the customer charge for a residential customer be adjusted from \$14.50 to \$14.90, and the general service customer charge be adjusted from \$29.00 to \$29.90, while maintaining an overall revenue increase of 3% in these rate classes. The adjustment to this rate component moves us closer to what our cost-of-service model indicates is appropriate.

UTILITY BOARD ACTION REQUESTED:

1. Approve and recommend to the City Council an overall 3.0% electric revenue increase for the year with changes to all customer classes effective January 1, 2014.
2. Approve a resolution for the following existing and modified rate schedules to be effective January 1, 2014.

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



General Manager



Date



RESOLUTION

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve the following rate schedules effective January 1, 2014.

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

BE IT FURTHER 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 overall 3.0% electric revenue increase with changes to all customer classes effective January 1, 2014.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 12th day of November, 2013.

President

Secretary

FOR BOARD ACTION

Agenda Item # 5

Meeting Date: November 12, 2013

SUBJECT:

2014 Water Revenue Adjustment

PREPARED BY:

Susan Parker, Director of Corporate Services

ITEM DESCRIPTION:


At the last Utility Board meeting, staff presented a proposed 0% retail revenue increase for 2014 which would allow for providing reliable, quality service and maintaining a sound financial position. The Board gave its preliminary consensus for up to a 3% increase in 2014. A notice of the proposed revenue adjustment was provided to the public via the paper of record.

The Board requested an additional rate model in order to consider a modest increase and more level increases in future years.


Management recommends that the Board proceed with a recommendation to the City Council for no rate increase in the water utility.

UTILITY BOARD ACTION REQUESTED:

1. Approve and recommend to the City Council a 0.0% water rate increase to all customer classes effective January 1, 2014.



General Manager



Date