



MEETING AGENDA – DECEMBER 16, 2014

BOARD ROOM
4000 EAST RIVER ROAD NE
ROCHESTER, MN 55906

4:00 PM

Call to Order

1. **Approval of Agenda**
2. **Approval of Minutes**

Public Utility Board - Regular Meeting - Nov 25, 2014 4:00 PM

3. **Approval of Accounts Payable**

A/P Board Listing

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.)

4. **Consideration Of Bids**

1. Consideration of Bids - Silver Lake Plant Elevator Modernization
Resolution: SLP Elevator Modernization Project

5. **Regular Agenda**

1. Proposed changes to the Medium General Service tariff language
Resolution: Changes to the Medium General Service Tariff Language
2. Authorized Depositories
Resolution: Authorized Depositories
3. IBM Standby Electric Service Agreement
Resolution - IBM Standby Electric Service Agreement
4. Insurance Quotations for 2015
Resolution: 2015 All Risk Property insurance renewal policy
Resolution; Commercial Auto and General Liability insurance renewal policy for 2015
Resolution: 2015 Excess General Liability insurance renewal policy
5. Introduction to the Updated Cash Reserves Policy (formally Financial Liquidity Policy)
Resolution: Cash Reserves Policy

6. **General Managers Report**

7. **Management Report**

Division Reports

8. Other Business
9. 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 – NOVEMBER 25, 2014

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	Absent	
Roger Stahl	Board Member	Present	
Mark Browning	Board Member	Present	

1. Approval of Agenda

Motion to: Approve the Agenda as presented.

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

2. Approval of Minutes

Public Utility Board - Regular Meeting - Nov 12, 2014 4:00 PM

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

3. Approval of Accounts Payable

A/P Board Listing

Motion to: approve the Accounts Payable as presented.

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

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.)

President Williams opened up the meeting for comments from the public. No one came forward to speak.

4. Regular Agenda

- 1. Backhoe and Accessories

Resolution: Backhoe and Accessories

Steve Monson, Supervisor of Facilities, said this was a regular replacement for the water department. It was a standard purchase, and came in under budget.

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 purchase order with Ziegler, Inc. for:

One Caterpillar 450F Backhoe and Accessories

The amount of the purchase order agreement to be ONE HUNDRED FORTY NINE THOUSAND SIX HUNDRED NINETY AND 00/100 DOLLARS (\$149,690.00).

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 25th day of November, 2014.

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

- 2. CapX 2020 Agreed Upon Procedures Deloitte

Peter Hogan, Director of Corporate services explained this is a routine purchase. Terry Adkins, City Attorney, will review the contract and approve. Peter Hogan will pass on Adkins comments before final approval.

Resolution: CapX 2020 Agreed Upon Procedures Deloitte

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 contract contingent upon acceptance by the General Manager and the Rochester City Attorney of any revisions to the contract and authorize the Mayor and the City Clerk to execute the agreement for:

CapX 2020 Agreed Upon Procedures with Deloitte and Tousche LLP

Minutes Acceptance: Minutes of Nov 25, 2014 4:00 PM (Approval of Minutes)

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 25day of November, 2014.

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

3. Uniform Rental/Laundry Services

Donald Coldiron, Materials Manager, explained the uniform process for staff. He also explained that we have had issues with our current vendor.

Staff have been involved in the purchase selections of the uniforms and RPU will start with Cintas Corporation on January 1, 2015.

The cost is approximately \$60,000 per year, with normal wear and tear uniforms replaced at no charge.

Our past contract was higher, and we had a 5 year contract.

Resolution: Uniform Rental/Laundry Services

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 three year contract agreement with Cintas Corporation and that the Mayor and the City Clerk to execute the agreement for:

Uniform Rental/Laundry Services

The amount of the contract agreement to be ONE HUNDRED EIGHTY THOUSAND AND 00/100 DOLLARS (\$180,000.00).

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 25th day of November, 2014.

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

4. Contract for Market Participant Services with The Energy Authority

Jeremy Sutton, Manager of Portfolio Optimization, gave a presentation on Market Participant Services to the board.

Minutes Acceptance: Minutes of Nov 25, 2014 4:00 PM (Approval of Minutes)

Dave Goslee, City Attorney has reviewed the contract and Terry Adkins will also review the final documents.

Resolution: Contract for Market Participant Services with The Energy Authority

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 contract agreement contingent upon the acceptance by the General Manager and the Rochester City Attorney of any revisions to the contract and authorize the Mayor and the City Clerk to execute the agreement for:

Contract for Market Participant Services with The Energy Authority

The amount of the contract agreement to be \$20,500 AND 00/100 DOLLARS (\$20,500.00) per month with escalation as noted in the contract.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 25th day of November, 2014.

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

5. Auction Services

Don Coldiron, Materials Manager, explained to the board that due to the decommissioning of SLP there is a need to sell the excess equipment. Wally Schlink, Director of Power Resources and Tony Dzubay, Manager of Power Resources, found the experienced vendor, Stuart B. Millner & Associates that has also worked with the Austin Utility.

- *Question about the cap of \$1,000,000. There is a cap on the commission that we are paying to the vendor.*
- *What is the market for this equipment? The equipment will be sold on a Global auction.*
- *City Attorney Terry Adkins said it was a difficult contract to put together.*
- *The anticipated start date is Dec 16th, 2014 that includes all of the back end equipment.*

The auction will be online. Michael Wojcik would like the details once they are available.

Minutes Acceptance: Minutes of Nov 25, 2014 4:00 PM (Approval of Minutes)

The ERP will be a bidding process.

Resolution: Auction Services

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 resolution and Asset Management Agreement with Stuart B. Millner & Associates and that the Common Council authorize the Mayor and the City Clerk to execute the agreement with:

Stuart B. Millner & Associates

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 25th day of November, 2014.

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

- 6. IBEW Local 949 (Clerical) 2015-16 Collective Bargaining Agreement

Linda Hillenbrand, City of Rochester, Director of Human Resources, appreciated the professionalism while working with staff on these contracts.

This is a 2 year contract with wage increase and added the new medical plans. Lots of language changed.

The question was asked what was the impact on 2015 budget, Mark said this estimate was included in the 2015 budget so it will be close to actual.

Resolution: IBEW Local 949 (Clerical) 2015-16 Collective Bargaining 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 a resolution and that the Common Council authorizing the Mayor and City Clerk to execute the respective 2015-2016 Collective Bargaining Agreement with IBEW, Local 949, (clerical group), with the changes as noted on the attached document.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 25th day of November, 2014.

Minutes Acceptance: Minutes of Nov 25, 2014 4:00 PM (Approval of Minutes)

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

7. IBEW Local 949 (Outside Group) 2015-16 Collective Bargaining Agreement

Linda Hillenbrand, City of Rochester, Director of Human Resources, commented that this was a much more extensive agreement because of the decommissioning of Silver Lake Plant and the large number of employees, 90-100, in this group.

Resolution: IBEW Local 949 (Outside Group) 2015-16 Collective Bargaining 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 a resolution and that the Common Council authorizing the Mayor and City Clerk to execute the respective 2015-2016 Collective Bargaining Agreement with IBEW, Local 949, (outside group), with the changes as noted on the attached document.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 25th day of November, 2014.

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

Informational

8. Solar Update

The Board was asked for direction, they would like to look at options 3,4&5.

- *Mr. Wojcik said he would lean toward options 4&5.*
- *Jerry Williams would like this project to be very visible to the public. Would like our community to see RPU s involvement in our renewable portfolio.*
- *Plugged In will be a valuable communication tool as well.*

9. Conservation Minnesota Survey

Anna Riche, SE MN Coordinator of Conservation MN and Paul Austin, Executive Director of Conservation MN presented the Conservation Minnesota Survey.

- *Conservation Minnesota has about 15,000 members.*

- *There were 7 questions that were presented on the survey.*
- *Mark Browning wondered about data on cost sensitivity? They did not have any.*
- *President Williams commented that he received one of the surveys and filled out and sent it in. He was not aware of Conservation MN and is a huge supporter of conservation.*
- *Mr. Williams also felt we were a little bit misrepresented about SMMPA (Southern Minnesota Municipal Power Agency) and coal burning but appreciated the survey results.*

Ms. Riche and Mr. Austin appreciated the feedback and commented that this was their first survey.

10. Power Resources Status Update

Tony Dzubay, Manager of Power Resources, gave the SLP (Silver Lake Plant) transition update to the board.

Jerry Williams would like to see a periodic update in the Plugged In so the public knows what is happening with SLP as well.

Tony Dzubay commented that they are in the process of eliminating the obsolete positions and training to fill the upcoming retirements with qualified staff. He also said they would like to keep assessing the department now that they are without coal. This will give us a better idea on the number of staff needed to run SLP, in the future years.

5. General Managers Report

Mark Kotschevar reminded the board of the next board meeting which is early, on December 16, 2014.

- There was a question on the bond information in Peter's director's report. Springstead is on board with our decision regarding these bonds.
- Wally Schlink, Jeremy Sutton and Mark Kotschevar met with MERC about potential partnerships. Gas and Electric working together from a reliability standpoint.
- SMMPA board voted to approve a 70MW CROD for Austin, MN.
- At the Sierra Club meeting a big thank you was sent out to our RPU staff for being active in the community.

6. Management Report

7. Other Business

8. Adjourn

Motion to: Adjourn at 5:30 PM.

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

Minutes Acceptance: Minutes of Nov 25, 2014 4:00 PM (Approval of Minutes)

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Submitted by:

Secretary

Approved by the Board

Board President

Date

Minutes Acceptance: Minutes of Nov 25, 2014 4:00 PM (Approval of Minutes)

MANAGEMENT REPORT

Meeting Date: 12/16/2014

SUBJECT: A/P Board Listing

PREPARED BY: Terri Engle

ROCHESTER PUBLIC UTILITIES

A/P Board Listing By Dollar Range

For 11/14/2014 To 12/09/2014

Consolidated & Summarized Below 1,000

Greater than 50,000 :

1			
2			
3	SOUTHERN MN MUNICIPAL POWER A	Monthly Billing	6,844,412.87
4	CITY OF ROCHESTER	RPU Water portion - City construction pr	940,548.35
5	XCEL ENERGY CORP	CapX - LaCrosse Project CMA	459,145.84
6	MN DEPT OF REVENUE	Oct Sales and Use Tax	453,744.94
7	WESCO DISTRIBUTION INC	Switchgear 161kv 2000A	131,176.24
8	SPARTA CONSULTING INC	Flex G/L Consulting	106,244.00
9	ROCH SERVICE COMPANY INC	Bituminous Service Center	99,976.00
10	OSI-OPEN SYSTEMS INTERNATIONA	SCADA Replacement - Electric	91,662.34
11	OSI-OPEN SYSTEMS INTERNATIONA	SCADA Replacement - Water	86,669.06
12	MN DEPT OF HEALTH	Community Water Supply Fee, Oct - Dec 20	59,828.00
13			
14		Price Range Total:	9,273,407.64
15			

5,000 to 50,000 :

16			
17			
18	SPARTA CONSULTING INC	Sol Man Consulting	45,156.00
19	JECH EXCAVATING INC	Watermain Improvements - 3.4MG Reservoir	43,174.00
20	CONSTELLATION NEWENERGY-GAS D	Gas at Cascade Creek	42,740.75
21	BILLTRUST dba	Credit Card/Billing/Mailing/IVR Services	39,567.30
22	MEGGER (P)	Portable 28kV 0.1Hz Cable Tester	34,878.65
23	TRENCH LTD	CVT, Outdoor, 161kV 1400/800:1 Meter Acc	31,581.56
24	WRIGHT TREE SERVICE INC	2014 Hourly Tree Contract	31,168.39
25	INSTITUTE FOR ENVIRONMENTAL	Asbestos Project Management	28,350.00
26	PEOPLES ENERGY COOPERATIVE (P	Services Compensable 11/01/2014-11/30/20	28,234.35
27	BURNS & MCDONNELL INC	Chester Eng Svs - Sub & Trans Line	27,835.83
28	WESCO DISTRIBUTION INC	Trans, PM, 1ph, 25kVA, 13.8/8, 240/120	20,116.24
29	FITCH INC	Relationship fee 12/01/2014 to 11/30/2014	20,000.00
30	TRI STATE DRILLING INC	Construct 2 Foundations per plans	19,900.00
31	WESCO DISTRIBUTION INC	Trans, PM, 1ph, 37.5kVA,13.8/8,240/120	17,822.68
32	S L CONTRACTING INC	Water main break repair, Oak Cliff	15,118.00
33	MASTEC NORTH AMERICA INC	New Subdivision, Scenic Oaks 9 & 10	14,035.33
34	MN PIPE & EQUIPMENT	Pipe, DI, Push-on, 12.0	13,230.00
35	McGRANN SHEA CARNIVAL STRAUGH	Legal Fees 4th Qtr	12,500.00
36	JECH EXCAVATING INC	AP Contract Retentn	12,425.74
37	VISION COMPANIES LLC (P)	Org Strategy	12,150.00
38	U S ALLIANCE GROUP	Credit Card Processing Fees	12,115.89
39	SPARTA CONSULTING INC	Travel for Flex G/L Consulting	12,033.96
40	OSMOSE UTILITIES SERVICES INC	2014 Pole Testing & Treatment	11,745.12
41	S L CONTRACTING INC	Repairs, Oak Cliff area	11,722.00
42	CENTURYLINK	2014 Monthly Telecommunications	11,470.91
43	CHS ROCHESTER	Monthly Fuel, Oct	11,331.94
44	USIC LOCATING SERVICES INC	2014-2015 Locating Services	11,328.00
45	BARR ENGINEERING COMPANY	2014 Lake Zumbro Dam 5-yr Inspection	10,979.88
46	BADGER METER INC (P)	RTR Badger M-25 100W Itron ERT Integral	10,440.00
47	STUART C IRBY CO INC	Cutout, 14.4kV, NLB, 100A	10,204.42
48	THE ENERGY AUTHORITY INC	TEA Resource Fee, Nov	10,112.84

Attachment: AP Board CRMO (3164 : A/P Board Listing)

ROCHESTER PUBLIC UTILITIES

A/P Board Listing By Dollar Range

For 11/14/2014 To 12/09/2014

Consolidated & Summarized Below 1,000

49	POWER SYSTEMS ENGINEERING INC	Services related to Downtown LRP	9,550.00
50	ALL SYSTEMS INSTALLATION INC	Work closet 2 cable install	8,963.00
51	RESCO	Three Phase VT Pack Ratio 2.5:1	8,881.74
52	MN DEPT OF REVENUE	Oct Sales and Use Tax	8,853.69
53	BARR ENGINEERING COMPANY	Silver Lake Dam Rehabilitation Design	8,544.50
54	RESCO	Polyphase test set, ProbeWell	8,415.00
55	CITY OF ROCHESTER	Street Opening Repairs, RPU Portion	8,298.16
56	XYLO TECHNOLOGIES INC	2014 Timothy Myers - Corp Svs/IS	7,878.00
57	HAWK & SON'S INC	Add'l structural modifications	7,686.00
58	WELLS FARGO BANK ACCT ANALYSI	2014 Banking Services	7,631.81
59	MASTEC NORTH AMERICA INC	Extension to woodland prairie crossing	7,619.24
60	RESCO	Polyphase test set, ProbeWell	7,440.00
61	HY VEE	Oversize Water Main Reimbursement, HyVee	7,282.46
62	MN PIPE & EQUIPMENT	Valve, Gate, MJ, 12.0	7,192.00
63	ARCON DEVELOPMENT	Oversize Water Main Reimbursement, Arcon	7,147.20
64	BORDER STATES ELECTRIC SUPPLY	Conduit Epoxy Adhesive	7,110.18
65	MASTEC NORTH AMERICA INC	New Subdivision, Shannon Oaks 5	7,089.72
66	BAIER GERALD	Snow Removal for Oct & Nov	6,933.32
67	XYLO TECHNOLOGIES INC	2014 Dominic Avila - Corp Svcs/IS	6,444.00
68	GP DEVELOPMENT	Oversize Water Main Reimbursement, GP De	6,387.00
69	SCHMIDT GOODMAN OFFICE PRODUC	Custom desk	6,260.20
70	ARNOLDS SUPPLY & KLEENIT CO (2014-2015 Monthly Cleaning Services	5,887.74
71	MASTEC NORTH AMERICA INC	New Subdivision, Stonehedge Townhomes	5,812.45
72	WRIGHT TREE SERVICE INC	Lump Sum Tree Clearance Trimming 712D	5,777.17
73	S L CONTRACTING INC	Service Center, 2 gate valves 1 man hole	5,711.00
74	EXPRESS SERVICES INC	2014 Fred Rahn - Field Svcs	5,584.63
75	MN PIPE & EQUIPMENT	Hydrant, 8 ft	5,530.00
76	AMER WATER WORKS ASSN	AWWA Corporate Membership	5,490.00
77	CHS ROCHESTER	Monthly Fuel, Oct	5,484.97
78	SPARTA CONSULTING INC	Travel for Sol Man Consulting	5,316.22
79	THOMAS & BETTS CORP	Repaint 60ft Pole	5,103.28
80	PITNEY BOWES PURCHASE POWER	Postage meter refill 10/28	5,000.00
81			
82		Price Range Total:	855,774.46
83			
84	<u>1,000 to 5,000 :</u>		
85			
86	VOLCO CO INC	Heater, Engine Enc Heater, GT2	4,830.00
87	MERIT CONTRACTING INC (P)	Roof Asset Mgmt SLP, 3 yrs (2014-2017)	4,756.00
88	MCR PERFORMANCE SOLUTIONS INC	Develop FERC Section 205 Filing for FLTY	4,327.37
89	WESCO DISTRIBUTION INC	Splice, 15kV, 500-750 MCM, C.S.	4,253.89
90	MEGGER (P)	EZ Restore Upgrade of Existing units	4,155.00
91	STUART C IRBY CO INC	Metal Sec. Encl, 3ph, 30" x 67" x 22"	3,854.18
92	MEGGER (P)	EZ Restore Upgrade of Existing units	3,725.00
93	HALO BRANDED SOLUTIONS	Mini vinyl football	3,500.00
94	MN PIPE & EQUIPMENT	Pipe, DI, Push-on, 8.0	3,411.00
95	READY MIX CONCRETE COMPANY LL	Interlocking concrete block, 2' x 2' x 4'	3,400.00
96	D P C INDUSTRIES INC	2014 Hydrofluorosilicic Acid - Delivered	3,221.85
97	CITY OF ROCHESTER	W/C	3,175.46

Attachment: AP Board CRMO (3164 : A/P Board Listing)

ROCHESTER PUBLIC UTILITIES

A/P Board Listing By Dollar Range

For 11/14/2014 To 12/09/2014

Consolidated & Summarized Below 1,000

98	STEVE BENNING ELECTRIC	VFD Replacement - well 37	3,166.12
99	VERIZON WIRELESS	2014 Cell & Ipad Monthly Service	3,042.47
100	MASTEC NORTH AMERICA INC	Feeder Extension, Kutzky Apts	2,970.00
101	MEGGER (P)	Labor Charges	2,900.00
102	INNER TITE CORP	Meter Locking Ring, Rhino	2,795.85
103	MN PIPE & EQUIPMENT	Valve, Gate, MJ, 8.0	2,745.00
104	MINNESOTA ENERGY RESOURCES CO	Gas at Cascade Creek	2,593.94
105	HALO BRANDED SOLUTIONS	Sunglasses	2,475.00
106	ENVENTIS	2014-2017 Monthly Data Services	2,473.84
107	GRAYBAR ELECTRIC COMPANY INC	Wire, 8 ga, 600V 3/C Control CB FREP-TC	2,464.33
108	S L CONTRACTING INC	replace concrete approach / 728 Zumbro d	2,464.00
109	GL NOBLE DENTON INC	2014 SynerGEE Electric License Agreement	2,408.82
110	VISION COMPANIES LLC (P)	Consulting Services	2,400.00
111	UNITED RENTALS INC	Boon Telescopix	2,380.64
112	BORDER STATES ELECTRIC SUPPLY	Conn, Fire-On, Lug, 2 Hole, 336 - 477	2,358.52
113	ARNOLDS SUPPLY & KLEENIT CO (2014-2015 Alternates	2,345.91
114	MASTEC NORTH AMERICA INC	Fox Hill North Third, New Subdivision	2,294.73
115	MERIT CONTRACTING INC (P)	Roof Asset Mgmt Water, 3 yrs (2014-2017)	2,251.00
116	JOHNSON PRINTING CO INC	Electrical diagrams, 11 x 17	2,249.23
117	ROBERT B HILL CO INC	Activated carbon SLP	2,226.00
118	BADGER METER INC (P)	Meter, Bare 1-1/2" Badger Disc	2,180.25
119	ADVANCED DISPOSAL SVC SOLID W	2014 Waste Removal Services - SLP	2,155.74
120	BADGER METER INC (P)	RTR Badger M-120 100W Itron ERT Integral	2,100.00
121	ARNOLDS SUPPLY & KLEENIT CO (Custodial Special Cleaning Project	2,094.75
122	D P C INDUSTRIES INC	2014 Carus 8500 Aqua Mag Kjell F35	2,073.20
123	CLAREY'S SAFETY EQUIPMENT dba	Gas Monitors for T & D	2,054.14
124	SOUND AND MEDIA SOLUTIONS	Repair PS system	2,014.89
125	GREAT RIVER ENERGY	Registration, Cert Energy Manager, Dirk	2,000.00
126	ADVANCED DISPOSAL SVC SOLID W	2014 Waste Removal Services - SC	1,935.90
127	MASTEC NORTH AMERICA INC	Reconfigure Caribou/Sherwin Williams	1,863.50
128	ACCUVANT INC	Secure Web Gateway Virtual Appliance	1,815.27
129	UNITED RENTALS INC	Mini Excavator	1,797.30
130	CITRIX SYSTEMS INC	Citrix XenApp, Advanced-Upgrade from Std	1,787.45
131	DIMENSION PLUMBING AND HEATIN	Install eye wash	1,766.00
132	PAYMENT REMITTANCE CENTER	Hand crimp tool	1,748.64
133	HUDSON WORKWEAR CO INC	Face Mask, FR	1,656.00
134	PAYMENT REMITTANCE CENTER	EXT Extreme terrain tracks	1,604.00
135	MN PIPE & EQUIPMENT	Retainer Gland, 12.0	1,550.00
136	GRAYBAR ELECTRIC COMPANY INC	Wire, Theft Deterrent, 0.334 in, #4 CU	1,543.10
137	S L CONTRACTING INC	sidewalk repair / 4917 Liohart dr nw	1,540.00
138	CDW GOVERNMENT INC	Netbotz Rack Monitor 450	1,505.77
139	PAYMENT REMITTANCE CENTER	Fire hose insulated pants	1,490.00
140	NOVASPECT INC	Software Support for Data Aggregation	1,455.40
141	WESCO DISTRIBUTION INC	CT, Bar Type, 600/5 600V High Accuracy	1,440.00
142	MN PIPE & EQUIPMENT	Valve box complete ND 6860-G	1,440.00
143	MADSEN BRIAN	2014-2015 Printer Maintenance contract	1,419.30
144	SOMA CONSTRUCTION INC	November	1,418.04
145	INNER TITE CORP	Meter Locking Ring, Jiffy Lock Universal	1,415.88
146	SPARTA CONSULTING INC	2014 SAP Application Support Travel Exp	1,401.40

Attachment: AP Board CRMO (3164 : A/P Board Listing)

ROCHESTER PUBLIC UTILITIES

A/P Board Listing By Dollar Range

For 11/14/2014 To 12/09/2014

Consolidated & Summarized Below 1,000

147	D P C INDUSTRIES INC	2014 Chlorine, 150 lb Cyl	1,370.00
148	AMER ENGINEERING TESTING INC	DA Inspections	1,360.00
149	MINNESOTA ENERGY RESOURCES CO	Monthly gas as SC	1,318.21
150	CENTRAL STATES GROUP	Filter, Prefilter Element, #3032566	1,282.50
151	WESCO DISTRIBUTION INC	P/C, 120V-305V, 20 yr	1,279.29
152	MASTEC NORTH AMERICA INC	Set switch basement/extend conduit, Mayo	1,274.80
153	ENVENTIS dba	Unified Comm Mgr Enhance Single User <1K	1,256.85
154	WIESER PRECAST STEPS INC (P)	Grd Sleeve, Switch Basement, PME	1,250.00
155	MUELLER, MATTHEW	* Customer Refund - CCS 300000515035	1,232.00
156	CENTRAL STATES GROUP	Filter, Afterfilter Element, #3032550	1,223.72
157	SOUTH ST PAUL STEEL SUPPLY CO	Aluminum pipe, 5", sch 40	1,198.00
158	MN PIPE & EQUIPMENT	Valve, Gate, MJ, 6.0	1,160.00
159	SMS SYSTEMS MAINTENANCE SERVI	2014 Server Maintenance	1,120.34
160	BAIER GERALD	2014 Garage Sweep Jan-December	1,068.75
161	PAYMENT REMITTANCE CENTER	11x17, Circuit Books, tabs	1,061.91
162	NARDINI FIRE EQUIPMENT CO INC	Inspection 7 th ST NW	1,050.00
163	EINCK KATHY	CIP Conserve & Save Rebates	1,045.00
164	ROCHESTER ARMORED CAR CO INC	2014/15 Pick Up Services May-April	1,041.89
165	PAYMENT REMITTANCE CENTER	Travel, SAP Analytics Conf, hotel	1,038.20
166	WESCO DISTRIBUTION INC	CT, XL Window 2000/5 600V High Accuracy	1,026.00
167	WESCO DISTRIBUTION INC	Cable Shrink Cap, 1/0 - 600 MCM	1,022.58
168	LINOMA SOFTWARE	2015 GoAnywhere Software Maintanance	1,008.00
169	PAYMENT REMITTANCE CENTER	SCSC, to be refunded, wrong class	1,000.00
170			
171		Price Range Total:	174,569.11
172			
173	<u>0 to 1,000 :</u>		
174			
175	REBATES	Summarized transactions: 149	28,361.04
176	EXPRESS SERVICES INC	Summarized transactions: 30	15,975.94
177	PAYMENT REMITTANCE CENTER	Summarized transactions: 91	13,071.53
178	MN PIPE & EQUIPMENT	Summarized transactions: 42	8,947.59
179	G & K SERVICES	Summarized transactions: 131	6,041.82
180	BORDER STATES ELECTRIC SUPPLY	Summarized transactions: 28	4,559.86
181	Customer Refunds (CIS)	Summarized transactions: 38	4,024.85
182	HALO BRANDED SOLUTIONS	Summarized transactions: 21	3,514.99
183	RESCO	Summarized transactions: 9	3,098.10
184	VIKING ELECTRIC SUPPLY INC	Summarized transactions: 21	2,686.75
185	WESCO DISTRIBUTION INC	Summarized transactions: 13	2,523.35
186	SHORT ELLIOTT HENDRICKSON INC	Summarized transactions: 11	2,366.27
187	INNOVATIVE OFFICE SOLUTIONS L	Summarized transactions: 35	2,331.92
188	CITY OF ROCHESTER	Summarized transactions: 27	2,165.78
189	ROCH SAND & GRAVEL INC	Summarized transactions: 3	2,099.08
190	ARNOLDS SUPPLY & KLEENIT CO (Summarized transactions: 7	2,064.83
191	GRAYBAR ELECTRIC COMPANY INC	Summarized transactions: 6	2,035.98
192	ALL SYSTEMS INSTALLATION INC	Summarized transactions: 3	1,816.93
193	CITY OF ROCHESTER	Summarized transactions: 6	1,771.30
194	CRESCENT ELECTRIC SUPPLY CO	Summarized transactions: 16	1,729.52
195	MASTEC NORTH AMERICA INC	Summarized transactions: 2	1,459.91

Attachment: AP Board CRMO (3164 : A/P Board Listing)

ROCHESTER PUBLIC UTILITIES

A/P Board Listing By Dollar Range

For 11/14/2014 To 12/09/2014

Consolidated & Summarized Below 1,000

196	POMPS TIRE SERVICE INC	Summarized transactions: 4	1,454.01
197	GOPHER STATE ONE CALL	Summarized transactions: 2	1,383.50
198	GOPHER STATE ONE CALL	Summarized transactions: 2	1,383.50
199	ROCH PLUMBING & HEATING CO IN	Summarized transactions: 5	1,360.70
200	LAWSON PRODUCTS INC (P)	Summarized transactions: 5	1,228.57
201	BADGER METER INC (P)	Summarized transactions: 13	1,139.46
202	G & K SERVICES	Summarized transactions: 9	1,133.58
203	WHITEWATER WIRELESS INC	Summarized transactions: 3	1,124.49
204	NAPA AUTO PARTS (P)	Summarized transactions: 21	1,059.40
205	SCHMIDT GOODMAN OFFICE PRODUC	Summarized transactions: 3	1,035.99
206	S L CONTRACTING INC	Summarized transactions: 2	1,000.00
207	ADVANTAGE DIST LLC (P)	Summarized transactions: 2	994.55
208	MEGGER (P)	Summarized transactions: 5	991.65
209	LEAGUE OF MN CITIES INS TRUST	Summarized transactions: 1	974.15
210	METRO SALES INC	Summarized transactions: 3	953.75
211	KEY BUILDERS INC	Summarized transactions: 1	950.00
212	MN DEPT OF REVENUE	Summarized transactions: 3	944.76
213	KLOCKE DAVID P	Summarized transactions: 1	942.00
214	U S POSTMASTER	Summarized transactions: 2	905.00
215	RONCO ENGINEERING SALES INC	Summarized transactions: 4	895.47
216	REBATES	Summarized transactions: 19	875.00
217	MERIT CONTRACTING INC (P)	Summarized transactions: 2	866.00
218	NATL JOINT APP & TRAINING COM	Summarized transactions: 2	842.04
219	SEEME PRODUCTIONS LLC	Summarized transactions: 1	840.00
220	CORPORATE WEB SERVICES INC	Summarized transactions: 2	825.00
221	HEWLETT PACKARD CO INC	Summarized transactions: 1	810.65
222	MISSISSIPPI WELDERS SUPPLY CO	Summarized transactions: 12	800.10
223	MN DEPT OF PUBLIC SAFETY	Summarized transactions: 1	800.00
224	ARROW ACE HARDWARE-ST PETER	Summarized transactions: 4	793.48
225	OPEN ACCESS TECHNOLOGY	Summarized transactions: 1	788.06
226	MN MUNICIPAL UTILITIES ASSN C	Summarized transactions: 2	780.00
227	ENVENTIS dba	Summarized transactions: 2	774.85
228	PAYMENT REMITTANCE CENTER	Summarized transactions: 7	767.74
229	SPARTA CONSULTING INC	Summarized transactions: 1	742.00
230	MATHIS DAVE	Summarized transactions: 1	735.00
231	MN GROUND WATER ASSOC	Summarized transactions: 3	700.00
232	HUBBELL POWER SYSTEMS INC	Summarized transactions: 4	699.44
233	CHS ROCHESTER	Summarized transactions: 2	685.91
234	CENTURYLINK	Summarized transactions: 3	679.89
235	ONLINE INFORMATION SERVICES I	Summarized transactions: 1	644.10
236	GL NOBLE DENTON INC	Summarized transactions: 1	643.61
237	WARNING LITES OF MN INC	Summarized transactions: 2	613.32
238	ZIEGLER INC	Summarized transactions: 4	611.24
239	AUTHORIZE.NET	Summarized transactions: 1	609.50
240	FASTENAL COMPANY	Summarized transactions: 15	604.96
241	GRAINGER INC	Summarized transactions: 5	591.79
242	ON SITE SANITATION INC	Summarized transactions: 8	590.14
243	G A ERNST & ASSOCIATES INC	Summarized transactions: 1	586.00
244	ULTEIG ENGINEERS INC	Summarized transactions: 1	547.00

Attachment: AP Board CRMO (3164 : A/P Board Listing)

ROCHESTER PUBLIC UTILITIES

A/P Board Listing By Dollar Range

For 11/14/2014 To 12/09/2014

Consolidated & Summarized Below 1,000

245	HACH COMPANY	Summarized transactions: 2	545.21
246	BLACKBURN MANUFACTURING CO	Summarized transactions: 2	531.00
247	ZEE MEDICAL SERVICE INC (P)	Summarized transactions: 2	528.53
248	ALTERNATIVE TECHNOLOGIES INC	Summarized transactions: 2	515.00
249	COOK WILLIAM	Summarized transactions: 1	510.20
250	DAKOTA SUPPLY GROUP	Summarized transactions: 7	506.10
251	STUART C IRBY CO INC	Summarized transactions: 6	503.75
252	BOWMANS SAFE & LOCK SHOP LTD	Summarized transactions: 2	475.69
253	AFFILIATED GROUP INC	Summarized transactions: 1	454.80
254	REINDERS INC	Summarized transactions: 1	454.21
255	MINNESOTA ENERGY RESOURCES CO	Summarized transactions: 3	439.25
256	ROBERT B HILL CO INC	Summarized transactions: 3	429.05
257	SPECIALTY TURF & AG INC	Summarized transactions: 2	424.83
258	MCMASTER CARR SUPPLY COMPANY	Summarized transactions: 9	418.69
259	1SOURCE	Summarized transactions: 6	410.50
260	POWERMATION DIVISON	Summarized transactions: 4	401.85
261	DAKOTA SUPPLY GROUP	Summarized transactions: 2	397.54
262	PEOPLES ENERGY COOPERATIVE	Summarized transactions: 2	396.79
263	FIRST CLASS PLUMBING & HEATIN	Summarized transactions: 2	390.12
264	NOVASPECT INC	Summarized transactions: 1	388.86
265	CONSTELLATION NEWENERGY-GAS D	Summarized transactions: 1	377.32
266	TRENDEX INC	Summarized transactions: 4	372.77
267	MORROW RANDY	Summarized transactions: 2	362.80
268	MCR PERFORMANCE SOLUTIONS INC	Summarized transactions: 1	361.07
269	A T & T	Summarized transactions: 1	352.02
270	HOGAN PETER	Summarized transactions: 3	338.13
271	U S A SAFETY SUPPLY	Summarized transactions: 3	338.02
272	VOLCO CO INC	Summarized transactions: 1	332.06
273	GARCIA GRAPHICS INC	Summarized transactions: 2	328.50
274	CENTURYLINK	Summarized transactions: 1	325.95
275	CARD QUEST INC	Summarized transactions: 1	323.30
276	BAIER GERALD	Summarized transactions: 1	320.63
277	FEDEX	Summarized transactions: 17	314.00
278	HELMBRECHT DAN	Summarized transactions: 1	300.00
279	VISION COMPANIES LLC (P)	Summarized transactions: 1	300.00
280	TSP INC	Summarized transactions: 2	291.46
281	HY VEE	Summarized transactions: 7	285.78
282	MSC INDUSTRIAL SUPPLY CO INC	Summarized transactions: 8	281.72
283	LINOMA SOFTWARE	Summarized transactions: 1	269.33
284	FRONTIER	Summarized transactions: 1	258.72
285	HAWKINS INC	Summarized transactions: 3	258.62
286	AUSTIN UTILITIES	Summarized transactions: 1	245.22
287	POSSABILITIES OF SOUTHERN MN	Summarized transactions: 1	242.25
288	IRON MOUNTAIN DBA	Summarized transactions: 1	229.98
289	PEOPLES ENERGY COOPERATIVE	Summarized transactions: 2	222.53
290	MISSISSIPPI WELDERS SUPPLY CO	Summarized transactions: 2	221.82
291	TOTAL RESTAURANT SUPPLY	Summarized transactions: 2	218.97
292	BAUER BUILT INC (P)	Summarized transactions: 2	216.76
293	POWER DYNAMICS INC	Summarized transactions: 5	214.19

Attachment: AP Board CRMO (3164 : A/P Board Listing)

ROCHESTER PUBLIC UTILITIES

A/P Board Listing By Dollar Range

For 11/14/2014 To 12/09/2014

Consolidated & Summarized Below 1,000

294	CITRIX ONLINE LLC	Summarized transactions: 1	208.41
295	ALS LABORATORY GROUP TRIBOLOG	Summarized transactions: 1	207.30
296	MENARDS ROCHESTER NORTH	Summarized transactions: 4	205.39
297	WERNER ELECTRIC SUPPLY	Summarized transactions: 4	204.18
298	NORTHERN / BLUETARP FINANCIAL	Summarized transactions: 5	197.88
299	VANCO SERVICES LLC	Summarized transactions: 1	196.90
300	BENSON ANTHONY	Summarized transactions: 2	196.00
301	WARNING LITES OF MN INC	Summarized transactions: 1	195.68
302	BLUESPIRE STRATEGIC MARKETING	Summarized transactions: 1	193.00
303	SAFELITE FULFILLMENT INC	Summarized transactions: 2	187.53
304	AMER WATER WORKS ASSN	Summarized transactions: 1	187.00
305	MENARDS ROCHESTER NORTH	Summarized transactions: 3	180.69
306	SUPERIOR COMPANIES OF MINNESO	Summarized transactions: 1	176.00
307	ROCH LANDSCAPING SERVICES INC	Summarized transactions: 2	173.48
308	ZEP SALES & SERVICE	Summarized transactions: 2	172.23
309	PETERSON FRANK	Summarized transactions: 2	158.15
310	MCROBERTS DOUGLAS A	Summarized transactions: 2	158.15
311	SCHWAB VOLLHABER LUBRATT CORP	Summarized transactions: 2	158.13
312	WIESER PRECAST STEPS INC (P)	Summarized transactions: 1	156.00
313	JOHNSON PRINTING CO INC	Summarized transactions: 1	154.39
314	TWIN CITY SECURITY INC	Summarized transactions: 1	152.62
315	READY MIX CONCRETE COMPANY LL	Summarized transactions: 1	148.25
316	PACE ANALYTICAL SERVICES INC	Summarized transactions: 1	147.00
317	SNAP ON INDUSTRIAL	Summarized transactions: 2	145.10
318	UNITED RENTALS INC	Summarized transactions: 2	145.03
319	MN GROUND WATER ASSOC	Summarized transactions: 1	140.00
320	T S E INTERNATIONAL INC	Summarized transactions: 2	128.43
321	OLM COUNTY SHERIFF'S DEPT	Summarized transactions: 1	125.00
322	BARRY & SEWALL	Summarized transactions: 3	122.65
323	STATE OF MINNESOTA	Summarized transactions: 3	120.00
324	RONCO ENGINEERING SALES INC	Summarized transactions: 1	119.99
325	GREAT RIVER ENERGY	Summarized transactions: 1	117.81
326	ALLIED ELECTRONICS INC	Summarized transactions: 2	114.92
327	HUDSON WORKWEAR CO INC	Summarized transactions: 1	113.85
328	SUPERIOR COMPANIES OF MINNESO	Summarized transactions: 1	110.00
329	ENPRO INC	Summarized transactions: 2	109.69
330	INCOM DIRECT	Summarized transactions: 1	106.94
331	CDW GOVERNMENT INC	Summarized transactions: 1	103.52
332	CLAREY'S SAFETY EQUIPMENT dba	Summarized transactions: 1	103.00
333	BEST BUY BUSINESS ADVANTAGE d	Summarized transactions: 3	101.61
334	R D O - POWERPLAN OIB	Summarized transactions: 1	101.42
335	ADVANTAGE DIST LLC (P)	Summarized transactions: 1	99.39
336	DEX MEDIA	Summarized transactions: 1	99.00
337	ANDERTON RANDY	Summarized transactions: 2	93.20
338	NICKELS SCOTT	Summarized transactions: 1	90.72
339	CARQUEST AUTO PARTS	Summarized transactions: 4	90.43
340	DEMARINO CHRISTOPHER	Summarized transactions: 1	85.97
341	SLEEPY EYE TELEPHONE CO	Summarized transactions: 1	84.76
342	SOUTH ST PAUL STEEL SUPPLY CO	Summarized transactions: 1	82.36

Attachment: AP Board CRMO (3164 : A/P Board Listing)

ROCHESTER PUBLIC UTILITIES

A/P Board Listing By Dollar Range

For 11/14/2014 To 12/09/2014

Consolidated & Summarized Below 1,000

343	CHARTER COMMUNICATIONS HOLDIN	Summarized transactions: 1	80.28
344	CUSTOM COMMUNICATIONS INC	Summarized transactions: 1	78.88
345	NORTHERN / BLUETARP FINANCIAL	Summarized transactions: 2	76.91
346	NETWORK SERVICES COMPANY	Summarized transactions: 1	76.81
347	DALCO CORPORATION (P)	Summarized transactions: 1	69.64
348	AGRICULTURAL WEATHER INFO SER	Summarized transactions: 1	69.47
349	INSTY PRINTS ROCHESTER (P)	Summarized transactions: 1	68.90
350	CONNEY SAFETY PRODUCTS LLC	Summarized transactions: 2	63.59
351	NORTH AMERICAN ELECTRIC RELIA	Summarized transactions: 1	60.48
352	GOODIN COMPANY	Summarized transactions: 4	59.24
353	HUDSON WORKWEAR CO INC	Summarized transactions: 2	57.99
354	HATHAWAY TREE SERVICE INC	Summarized transactions: 2	50.00
355	NALCO COMPANY	Summarized transactions: 1	49.40
356	CLEMENTS GM PARTS	Summarized transactions: 3	46.01
357	A T & T	Summarized transactions: 1	39.84
358	DOUBLETREE HOTEL - BGDS HOTEL	Summarized transactions: 1	30.00
359	RADIO SHACK	Summarized transactions: 4	28.99
360	OLM COUNTY CENTRAL FINANCE	Summarized transactions: 1	28.80
361	MINNESOTA ENERGY RESOURCES CO	Summarized transactions: 1	23.08
362	MN PIPE & EQUIPMENT	Summarized transactions: 1	21.20
363	CENTRAL STATES GROUP	Summarized transactions: 1	17.01
364	SHERWIN WILLIAMS CO	Summarized transactions: 1	16.93
365	AL'S SPECIALTY SERVICE INC	Summarized transactions: 1	15.71
366	FIRST SUPPLY (P)	Summarized transactions: 1	15.33
367	MENARDS ROCHESTER SOUTH	Summarized transactions: 1	11.97
368	TROM KEITH	Summarized transactions: 1	11.00
369	HALL NICK	Summarized transactions: 1	10.72
370	OREILLY AUTO PARTS	Summarized transactions: 1	9.99
371	THOMAS TOOL & SUPPLY INC	Summarized transactions: 1	7.98
372	PAULS LOCK & KEY SHOP INC	Summarized transactions: 1	4.71
373			
374		Price Range Total:	181,144.59
375			
376		Grand Total:	10,484,895.80

Attachment: AP Board CRMO (3164 : A/P Board Listing)

FOR BOARD ACTION

Agenda Item # (ID # 3121)

Meeting Date: 12/16/2014

SUBJECT: Consideration of Bids - SLP Elevator Modernization

PREPARED BY: Tony Dzubay

ITEM DESCRIPTION:

Sealed bids for the Silver Lake Plant Elevator Modernization were opened on December 3, 2014. This project consists of bringing the freight and passenger elevator #3 into code compliance and decommission passenger elevator #4. RPU has hired Elevator Consulting Services of Lakeville, who have reviewed the bids, to manage the project.

Two bids were received with the results as follows:

Schindler Elevator Corporation	\$ 393,189 + \$525/month interim maintenance
Schumacher Elevator Company	\$ 287,380 + \$300/month interim maintenance

Schumacher has been determined to be the lowest responsive and responsible bidder. This project is covered by the 2014 Power Resources Allocation budget, but will be carried over to 2015. The consultant's original estimate from 2013 was \$275,000.

Schindler Elevator Corporation failed to submit the required original bid bond and qualifications statement as indicated by the solicitation instructions therefore this action will request their bid be rejected.

UTILITY BOARD ACTION REQUESTED:

Staff recommends the board reject the bid from Schindler Elevator Corporation as unresponsive and approve a resolution authorizing the Mayor and City Clerk to execute a contract with Schumacher Elevator Company in the amount of \$287,380 plus interim maintenance.



RESOLUTION

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve an agreement with Schumacher Elevator Company and authorize the Mayor and the City Clerk to execute the agreement for

Silver Lake Plant (SLP) Elevator Modernization Project

The amount of the contract agreement to be TWO HUNDRED EIGHTY SEVEN THOUSAND, THREE HUNDRED EIGHTY AND 00/100 DOLLARS (\$287,380.00) plus interim maintenance.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 16th day of December, 2014.

President

Secretary

FOR BOARD ACTION

Agenda Item # (ID # 3122)

Meeting Date: 12/16/2014

SUBJECT: Changes to the Medium General Service tariff language

PREPARED BY: Mark Kotschevar

ITEM DESCRIPTION:

As part of the service provided for our commercial customers, we regularly monitor demand and energy usage to determine if customers are in the right rate class. Recently, we discovered a customer that had reduced their demand to below 75 kW for 12 months. In such cases, we will move the customer from the Medium General Service tariff to the General Service tariff.

Normally this is advantageous for the customer, as customers in the General Service class are billed kWh usage only, there is no demand charge. However, in this case, by reducing their demand and moving to the General Service tariff, this customer's bill will increase by 20%.

The kWh rate for the General Service tariff is higher than the kWh rate for the Medium General Service tariff which includes a demand charge. Demand charges are recovered in the kWh rate for the General Service tariff, similar to the residential tariff.

Customers with a high load factor that move from the Medium General Service tariff to the General Service tariff see an increase in their bill due to the increased kWh charge, which is not totally offset by the elimination of the demand charge. The kWh rate for the General Service tariff is set to recover costs of an average customer load factor of approximately 51%, whereas this customer operates at a 75% to 80% load factor.

This particular customer reduced their demand by implementing energy efficiency improvements we encourage through our Conserve & Save® program, but with their high load factor are being inadvertently penalized. Therefore, the attached amendment to the Medium General Service tariff is proposed.

This amendment would allow customers:

The option of staying on the Medium General Service tariff until they fell below 50 kW rather than the 75 kW.

It will remove the unintended penalty that exists today for high load factor Medium General Service customers who reduce their demand below 75 kW.

It will remove the disincentive created for high load factor Medium General Service customers just above the 75 kW demand threshold, who are considering energy efficiency investments.

We have approximately 40 customers that could possibly benefit from this change. Attached is

FOR BOARD ACTION

Agenda Item # (ID # 3122)

Meeting Date: 12/16/2014

a red-lined version of the proposed new tariff language. Staff will be available to answer any questions.

UTILITY BOARD ACTION REQUESTED:

It is requested the Board approve the Medium General Service tariff language change.

ROCHESTER PUBLIC UTILITIES
MGS
(RPU)

RATE SCHEDULE

SHEET 1 OF 2

MEDIUM GENERAL SERVICE

AVAILABILITY:

At all locations for loads where the demand is at least 75 kW or more for three or more billing periods in a given calendar year, but less than 1,000 kW, and where facilities of adequate capacity and suitable voltage are adjacent to the premises to be served. For loads where the service desired by the customer is not adjacent to the premises to be served, additional contract arrangements may be required prior to service being furnished. **Customers with minimum loads of at least 50kW for three or more billing periods in a given calendar year but less than 75 kW can choose to be classified as Medium General Service (MGS) and be billed under the MGS rate schedule below. The choice, once elected, is irrevocable for 12 billing periods and remain in force unless revoked in writing by the customer.**

APPLICATION:

To commercial, industrial, and governmental customers with all service taken at one point and measured through one meter. Also applicable to temporary service in accordance with RPU's published Electric Service Rules and Regulations. Not applicable to standby service.

CHARACTER OF SERVICE:

Single or three phase, 60 Hertz, alternating current at any one of the standard secondary service voltages as described in RPU's published Electric Service Rules and Regulations.

RATE:	<u>2015</u>	<u>2016</u>	<u>2017</u>
Demand Charge:			
Non-Summer /KW	\$15.52	\$15.52	\$15.52
Summer /KW	\$19.67	\$19.67	\$19.67
Energy Charge:			
Non-Summer Kwh	5.710¢	5.840¢	5.980¢
Summer Kwh	5.710¢	5.840¢	5.980¢

Definition of Season: Summer months are June through September. Non-summer months are January through May and October through December.

POWER COST ADJUSTMENT:

Bills computed under this rate schedule are subject to adjustment in accordance with the Power Cost Adjustment (PCA).

POWER FACTOR ADJUSTMENT:

The customer agrees to maintain an average power factor of 0.95 or greater for the billing period and to prevent a leading power factor. If the customer's average power factor is less than 0.95 for the billing period, the billing demand will be determined by multiplying the measured demand by 0.95 and dividing the results by the customer's average power factor. The average power factor is defined to be the quotient obtained by dividing the kWh used during the month by the square root of the sum of the squares of the kWh used and the lagging reactive kilovoltampere-hours supplied during the same period. The customer's average power factor will be determined by means of permanently installed meters.

Attachment: MGS RATE SCHEDULE-Proposed 50kW option (3122 : Changes to the Medium General Service tariff language)

PRIMARY METER DISCOUNT:

Customers approved for metering at 13.8 kV will receive a discount of 1.25% on base rate charges for measured demand and energy.

MEDIUM GENERAL SERVICE (Cont.)

TRANSFORMER OWNERSHIP CREDIT:

Customers owning transformers will receive a credit on each month's measured demand.

		<u>2015</u>	<u>2016</u>	<u>2017</u>
Credit per KW	\$0.25	\$0.30	\$0.35	

DETERMINATION OF DEMAND:

Measured demand is defined as the maximum rate at which energy is used for any period of fifteen consecutive minutes during the billing period. The billing demand shall be the greater of the measured demand for the billing period adjusted for power factor, or 50% of the maximum measured demand for the most current June-September billing periods adjusted for power factor. Billing periods may not coincide with calendar months.

MINIMUM BILL:

The minimum bill shall not be less than the billing demand, as provided above, whether or not energy is used.

PAYMENT:

Payments are due on or before the due date.

CONDITIONS OF DELIVERY:

1. Service furnished under this rate schedule is subject to applicable provisions of RPU's published Electric Service Rules and Regulations.
2. Unless authorized by separate written agreement, standby electric generating equipment installed by the customer shall not be interconnected or operated in parallel with the RPU system. Customer shall own, install, operate, and maintain electrical interlocking equipment, which will prevent parallel operation, and such equipment shall be approved by RPU prior to installation.
3. 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.
4. Energy furnished under this rate shall not be resold.

Approved by Rochester Public Utility Board:
Effective Date:

August 26, 2014
January 1, 2015



RESOLUTION

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve the Medium General Service Tariff language change effective January 1, 2014.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 16th day of December, 2014.

President

Secretary

FOR BOARD ACTION

Agenda Item # (ID # 3157)

Meeting Date: 12/16/2014

SUBJECT: Authorized Depositories

PREPARED BY: Peter Hogan

ITEM DESCRIPTION:

Each year the Board must pass a resolution authorizing the depositories for Utility monies. The Utility uses the same depositories as the City and follows the investment policies established by the City. The attached resolution shows the depositories to be used by RPU for investment activities for the calendar year 2015.

UTILITY BOARD ACTION REQUESTED:

The Board is requested to approve the attached resolution.



RESOLUTION

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 the 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, 2015 through the 31st day of December, 2015.

US Bank

Wells Fargo

The above depositories, and any added during the term by the City Finance Director, shall pay interest at such rates or rates, per annum, as may be mutually agreed upon 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.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 16th day of December, 2014.

President

Secretary

FOR BOARD ACTION

Agenda Item # (ID # 3165)

Meeting Date: 12/16/2014

SUBJECT: IBM Standby Electric Service and License Agreement

PREPARED BY: Mona Hoefl

ITEM DESCRIPTION:

The previous Agreement between RPU and International Business Machines Corporation (IBM) for standby electric service for two RPU owned generators expired in July, 2014. Both parties desire to continue the relationship to provide standby electric service for system load-serving purposes and have agreed to enter into a new Agreement and subsequent License Agreement.

This new Agreement is retro-active to October 1, 2014 and remains in effect until terminated. IBM will pay for services on a monthly fixed charge of \$3,175 per generator that reflects the operation, maintenance and administration of the generators, plus a fuel consumption charge. Initial prices are fixed for five years.

The Agreement has been reviewed by the City Attorney.

UTILITY BOARD ACTION REQUESTED:

Staff recommends the board approve the Standby Electric Service and License Agreement with International Business Machines Corporation (IBM) and approve a resolution authorizing the Mayor and City Clerk to execute the Agreement.

**License Agreement
Between
The City of Rochester and IBM Corporation**

REAL ESTATE LICENSE FOR BUILDING 301 AND 020

THIS REAL ESTATE LICENSE made between INTERNATIONAL BUSINESS MACHINES CORPORATION (IBM), ("**Licensor**"), a New York corporation and the CITY OF ROCHESTER, ("**Licensee**"), a Minnesota municipal corporation, acting through its Public Utility Board (RPU).

WHEREAS, the parties desire by this License to provide for the licensing by Licensor to Licensee of the right to use that certain part of Licensor's owned property located at 3605 Highway 52, North Rochester, MN 55901, as more particularly described on EXHIBIT A, attached hereto and made a part hereof (the "**License Area**"). Such License Areas are located adjacent to Buildings 301 and 020 (the "Buildings") on land and within buildings owned by Licensor (the "**Property**").

NOW, THEREFORE, in consideration of the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby covenant and agree as follows:

1. License. (a) Licensor hereby grants to Licensee a license (the "**License**") to use the License Area for the License Period (as hereinafter defined), together with the right to access the License Area through the common areas of the Property. Licensee shall use the License Area for the purposes set forth in Paragraph 2 hereof.

(b) Licensee has inspected and is familiar with the License Area and accepts it in its "as is" condition, Licensor shall not be required to perform any work or furnish any materials in order to prepare the License Area for Licensee's use.

2. Use. Licensee may use the License Area for the purpose of installing, operating and maintaining a standby generator, self-contained fuel source and secure enclosure and related equipment ("**License Facilities**") to provide standby electric service as needed to support Licensor's load. All of Licensee's construction, installation and maintenance work shall be performed at Licensee's sole cost and expense and in a good and workmanlike manner. Licensee shall be responsible for obtaining at its sole cost and expense all permits required by law or code for the construction, installation and maintenance of the Licensee Facilities. Licensee agrees to provide

Licensors with names of its proposed contractors and its plans for any work and obtained Licensor's prior approval.

3. Area License Period. The "**License Period**" shall commence on October 1, 2014 and shall continue until September 30, 2024 unless terminated earlier per the terms of the Standby Electric Service Agreement (Exhibit B).

4. License Fee. In consideration of the promises and covenants contained herein and for other good and valuable consideration including but not limited to that which is contained in the Agreement for Standby Electric Service of even date herewith between Licensor and Licensee (the "Agreement"), Licensee has paid to Licensor a onetime fee in the amount of TEN DOLLARS (\$10.00).

5. Services. During the License Period, Licensor shall provide those services to the License Area currently being supplied to the Property(s) as the same may reasonably be modified by Licensor from time-to-time.

6. Mechanics' Liens. Licensee shall discharge by payment, bond or otherwise those mechanics' liens filed against the Property(s) for work, labor, services or materials claimed to have been performed at or furnished to the License Area for or on behalf of Licensee, except that Licensee shall not be liable hereunder when any mechanics' lien is filed by a contractor, supplier, material man or laborer retained by or on behalf of Licensor.

7. Compliance with Laws and Regulations.

(a) Licensee shall promptly comply with all present and future (i) reasonable rules published by Licensor (including, without limitation, rules applicable to the use, storage and disposal of hazardous substances and waste and other environmental matters) providing Licensee has received a copy of such rules and (ii) applicable laws and regulations of state, federal, municipal and local governments, departments, commissions and boards and any direction of any public officer pursuant to law and all orders, rules and regulations of any Board of Fire Underwriters or any similar body (collectively "**Laws**") having jurisdiction which shall impose any obligation or duty upon Licensor, or upon Licensee with respect to the License Area; except that such compliance by Licensee shall relate only to Licensee's use and manner of use of a License Area. Also, Licensee agrees to cooperate with Licensor and do all things reasonably necessary for Licensor to comply with Laws.

(b) To the extent Licensee is not required to comply with any Laws pursuant to subparagraph (a) above, Licensor shall comply with such Laws applicable to the License Area.

8. Access. Licensee, its employees, contractors and agents shall have the right of twenty-four (24) hours per day, seven (7) days per week access to the License Area. Such access of Licensee, and Licensee's agents, employees and contractors shall include pedestrian and vehicular ingress and egress across the Property. Licensee shall observe and faithfully comply with all reasonable rules and regulations including, without limitation, security policies and procedures, Licensor may publish from time to time (and of which Licensee is notified) with respect to the use of and such access to the License Area.

9. Repairs. Throughout the License Period, Licensee shall take good care of the License Area and the Licensee Facilities. Licensee shall also be responsible for the cost to repair any damage to the License Area other than if caused by the actions of Licensor its respective agents or employees.

10. Damage and Destruction.

(a) Neither Licensor, nor Licensee, shall have any responsibility in the event of any damage to or theft or loss of any equipment or property of the other party, and the party incurring such damage, theft or loss shall look to its own insurance coverage (and to any self-insured portion of the damage, theft or loss), if any, for recovery in the event of any such damage, loss or theft.

(b) If the License Area or the Building(s) are destroyed or damaged by fire or other casualty, either Licensor or Licensee may elect to terminate the License. In the event neither Licensor nor Licensee terminates the License, Licensor may proceed after adjustment of the insurance loss, if any, to repair such damage to the Building(s) to the condition existing prior to such damage. Licensee shall be responsible for restoring the License Area and Licensee Facilities to the condition existing prior to the damage at its own cost and expense.

11. Insurance/Indemnity.

(a) Licensor and Licensee shall each, at their own cost and expense, maintain and keep in force at all times during the License Period:

(i) commercial general public liability insurance, which shall include coverage of such party's contractual liability obligation expressed in subparagraphs (c) and (d) below, against claims for personal injury, death or property damage occurring on, in or about the License Area, primary coverage to be a minimum combined single limit amount of not less than \$2,000,000 and excess umbrella coverage of not less than \$5,000,000; and

(ii) Employers' Liability and Workers' Compensation Insurance to the extent required by the Laws of the State of Minnesota.

(iii) All risk insurance on its property. Licensee shall provide Licensor with evidence of such insurance within 10 days prior to the Effective Date.

Notwithstanding the foregoing, Licensor may, upon notice to Licensee, elect to self-insure and be liable to cover any claims which would otherwise be payable hereunder by a third party insurer.

(b) Indemnification of Licensor. Licensee shall indemnify, defend and hold Licensor, and any partner, officer, agent, employee and director of Licensor (the "**Licensor Indemnitees**") harmless from and shall defend Licensor Indemnitees against all claims made or judicial or administrative actions filed which allege that any one of the Licensor Indemnitees is liable to the claimant by reason of: (i) any injury to or death of any person, or damage to or loss of property, or any other thing occurring on or about any part of the Property, or in any manner growing out of, resulting from or connected with the use, condition or occupancy of, the Property if caused by any negligent or wrongful act or omission of Licensee or its agents, partners, contractors, employees, permitted assignees, licensees, subleases, invitees or any other person or entity for whose conduct Licensee is legally responsible; (ii) violation by Licensee of any contract or agreement to which Licensee is a party in each case affecting any part of the Property or the occupancy or use thereof by Licensee; and (iii) violation of or failure to observe or perform any condition, provision or agreement of the License on Licensee's part to be observed or performed hereunder.

(c) Indemnification of Licensee. Licensor shall indemnify, defend and hold Licensee, and any partner, officer, agent, employee and director of Licensee (the "**Licensee Indemnitees**") harmless from and defend Licensee Indemnitees against all claims made or judicial or administrative actions filed which allege that any one of the Licensee Indemnitees is liable to the claimant by reason of: (i) any injury to or death of any person, or damage to or loss of property, or any other thing occurring on or about any part of the Property, or in any manner growing out of, resulting from or connected with the use, condition or occupancy of any part of the Property if caused by any negligent or wrongful act or omission of Licensor or its employees, agents, contractors, permitted assignees, licensees, subleases, in vi tees or any other person or entity for whose conduct Licensor is legally responsible; (ii) violation of or failure to observe or perform any condition, provision or agreement of this License on Licensor's part to be observed or performed hereunder, and (iii) violation by Licensor of any contract or agreement to which Licensor is a party, in each case affecting any part of the Property or the occupancy or use thereof by Licensor.

12. Assignment or Sublicensing. The License granted hereby is personal to Licensee and shall not be assigned, nor shall Licensee sublicense or otherwise permit or suffer the occupancy of the License Area by any person other than Licensee.

13. Alteration; Restoration. No alterations may be made by Licensee to the License Area without first obtaining the prior written consent of Licensor which, as to nonstructural alterations, shall not be unreasonably withheld, delayed or conditioned. At the time Licensor consents to a particular alteration, Licensor shall notify Licensee if such alteration must be removed and the License Area restored at the expiration or sooner termination of the License Period. Licensor shall also have the right to approve Licensee's contractor(s).

14. Default and Termination.

(a) If either party defaults in the performance of any of its obligations hereunder with respect to the License Area and such default continues for more than five (5) days with respect to a monetary default and thirty (30) days with respect to a nonmonetary default, in all cases after receipt of written notice from the non-defaulting party (except that if such nonmonetary default cannot be reasonably cured with the exercise of reasonable diligence during said thirty (30) day period, such period shall be extended for reasonable additional time, provided that the defaulting party has commenced to cure such default within the thirty (30) day period and proceeds diligently thereafter to effect such cure), the non-defaulting party shall have the right to terminate this License with respect to the License Area and pursue any other remedies available at Law or in equity.

(b) In the event of a termination of the Agreement, this License shall also terminate.

15. Limitation of Liability. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS LICENSE AGREEMENT, IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY INDIRECT, PUNITIVE, SPECIAL, CONSEQUENTIAL OR INCIDENTAL DAMAGES WHATSOEVER, INCLUDING LOSS OF GOODWILL OR LOSS OF PROFITS.

16. Quiet Enjoyment. Licensor covenants and agrees that, so long as Licensee shall fully, faithfully and timely observe and perform the agreements, covenants and conditions of this License on its part to be observed and performed with respect to the License Area, Licensee shall and may peaceably and quietly have, hold and enjoy the License Area for the License Period, as same may be extended, without disturbance, hindrance, ejection or molestation by, or from Licensor (subject, however, to the provisions hereof) or any one claiming by, through or under Licensor.

17. Waiver of Subrogation. Licensor and Licensee each hereby waives its respective right of recovery against the other and each releases the other from any claim for damage to property of the other, arising out of loss, damage or destruction to any part of the Property, and contents thereon or therein, whether or not such loss, damage or destruction may be attributable to the fault or negligence of either party or its respective agents, invitees, contractors or employees. Each property insurance policy carried by either party shall include a waiver of the insurer's rights of subrogation against the party hereto who is not an insured under said policy, if available at reasonable cost. Each party shall look solely to the proceeds of its respective property insurance policy (and to its own funds to the extent it is self-insured) to compensate it for any such loss, damage or destruction.

18. Surrender. Upon termination of the Standby Electric Service Agreement, Licensee shall vacate and surrender full and complete possession of the License Area to Licensor, broom clean and return in substantially the same condition as existed on the effective date of the original agreement. Notwithstanding the foregoing, Licensee shall have access to the License Area for up to thirty (30) days following termination to remove the Licensee Facilities.

19. Subordination. The License granted herein is subject and subordinate to all ground and underlying leases affecting the Property, and to all mortgages which may now or hereafter affect the Property.

20. Warranties. EXCEPT AS SET FORTH IN THIS AGREEMENT, THE PARTIES DO NOT MAKE ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THIS LICENSE AGREEMENT OR THE LICENSE AREA, INCLUDING THE WARRANTIES OF MERCHANTABILITY OR SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF LICENSEE'S, WHETHER OR NOT LICENSOR HAS BEEN MADE AWARE OF ANY SUCH PURPOSE.

21. Inability To Perform. Neither party shall be responsible for delays in the performance of its obligations caused by events beyond that party's reasonable control, including, but not limited to, acts of God.

22. Miscellaneous.

(b) Governing Law. This License shall be governed by the laws of the State of Minnesota.

(c) Section Headings. The section titles herein are for convenience only and do not define, limit or construe the contents of such sections.

(d) Attachments and Exhibits. All attachments and exhibits to this License are hereby made a part hereof as if fully set out herein.

(e) Severability. If any provision or provisions in this License is found to be in violation of any Law or otherwise unenforceable, all other provisions will remain unaffected in full force and effect.

23. Nonliability. Licensors and Licensee agree that neither their respective directors, officers, employees, shareholders nor any of their respective agents shall have any personal obligation hereunder, and that Licensor and Licensee shall not seek to assert any claim or enforce any of their rights hereunder against such directors, officers, employees, shareholders or agents.


24. Binding Effect. This License shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, and shall not be modified except by an express written agreement signed by duly authorized representative of both parties.

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

CITY OF ROCHESTER MINNESOTA

INTERNATIONAL BUSINESS MACHINES CORPORATION

By: _____
Mayor

By: 
IBM Program Manager
12/8/14

By: _____
City Clerk

Approved As to Form:

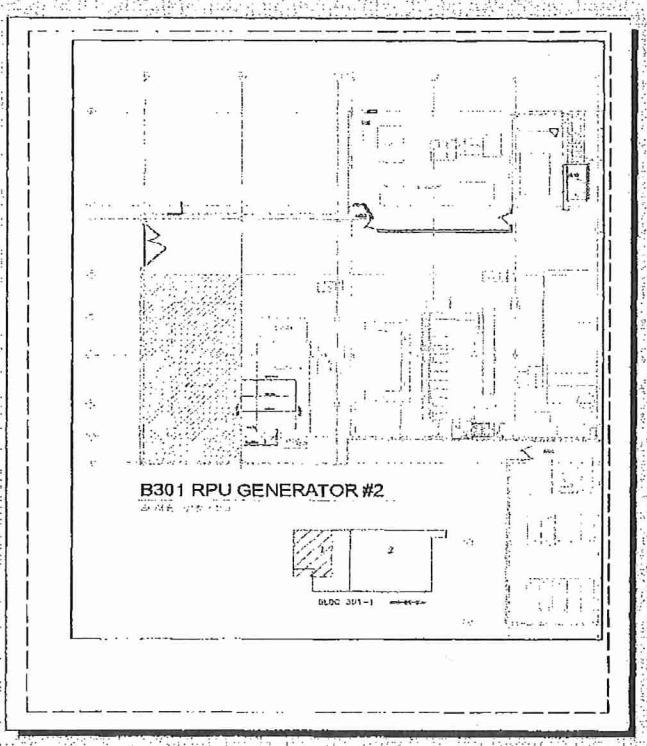
By: _____
City Attorney

Rochester Public Utilities

By: _____
General Manager

EXHIBIT A
License Area

Attached floor plans



License Area

Attached floor plans

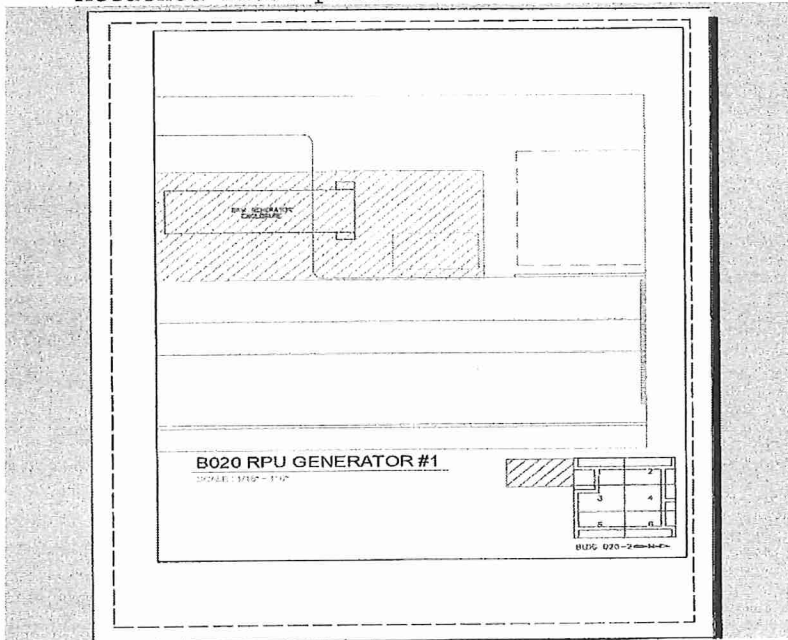


EXHIBIT B
AGREEMENT FOR STANDBY ELECTRIC SERVICE
B020/EG#1 and B301/EG#2
 Between
THE CITY OF ROCHESTER
 And
IBM CORPORATION

This Standby Electric Service Agreement (“Agreement”) is made and entered into this ___ day of November, 2014, 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.

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 0.0015% sulfur content, stored in on-board, double-wall tank, capacity sufficient for 24 hours operation at full load.

Displaced Plant Energy – Energy that would normally be delivered to IBM through traditional transmission, produced by the Gensets.

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.

License – An authorization provided by IBM (Licensor) to RPU (Licensee) to use certain parts of IBM’s property for the purpose of installing, operating, and maintaining the Genset(s).

Load-Serving Dispatch – Scheduled or emergency operation of the genset(s) 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 per genset of Standby Electric Service.

Operating Permits – The regulatory permits required for operation of the genset(s) 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(s) and IBM’s cable/equipment. The power connections will be in a junction cabinet provided by IBM and located adjacent to the genset(s). RPU’s ownership and responsibilities end at the genset(s) cable terminations in the junction cabinet. See Exhibit B-1.

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

Prime Rated Output – The maximum rated capability of the genset(s) 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 65 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.

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 October 1, 2014 and it shall remain in effect, unless terminated earlier as provided for in Article 2.02.

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:

(a) 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. Notwithstanding the foregoing, in the event of a sale of Building 020 or 301 or the Property as such terms are defined in the License IBM, with ninety (90) days notice, may terminate the Agreement with respect to the Building(s) or Property.

(b) 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.

(c) In the event of a termination of the License of even date herewith between the Parties, this Agreement shall also terminate.

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 each 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 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(s) as an RPU owned and controlled emissions unit. RPU shall maintain equipment that meets IBM's requirements for Sound Attenuation, Spill Containment, and air quality

3.02 IBM Responsibilities. IBM shall 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 each genset at its Prime-Rated Output. IBM shall provide a continuous 120 Volt signal for use in synchronizing each genset to Interconnected Electrical Load, and shall provide the appropriate switching equipment and controls to allow genset(s) 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 each genset.

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 from each generator. When there is a loss of RPU's Standard Electric Service to the IBM site, the RPU genset(s) 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 each genset operation remotely, and refuel each genset as required, to provide Standby Electric Service energy up to 328,000 kilowatt-hours per Contract Year per genset at the Normal Charge. Standby Electric Service provided in excess of 328,000 kilowatt-hours per genset 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(s) by RPU. Except during periods of operation for Standby Electric Service, RPU will be free to utilize each genset for Load-Serving Dispatch for up to 328,000 kilowatt-hours in a Contract Year per genset. 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(s) 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 affect 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. 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 Key Account Representative responsible for IBM business. IBM's Designated Representative is the IBM Rochester RESO Site Operations Manager.

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

4.07 Genset(s) Maintenance and Testing. RPU will inspect and maintain each genset on a monthly basis. Unless dispatched for other purposes, RPU will start and run each 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. Scheduled maintenance will be mutually planned.

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 each genset.

4.09 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.

ARTICLE V

BILLINGS AND PAYMENTS

5.01 Billings, Payments, and Disputes. RPU shall, by the tenth (10th) of each month, invoice IBM for services, other than fuel consumption and fuel adder, rendered during the previous month. The invoice for fuel consumption and fuel adder would occur on the 10th of each month, but would address services rendered during the second month prior to the 10th. These bills 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 be managed under the same terms as other commercial delinquent accounts. 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 a fuel consumption charge (5.022) for each 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 operation, maintenance, and administration of the generators will be billed at the end of each calendar month.

5.022 Fuel Consumption 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 per genset:

Normal Charge (\$) = No. of Gallons of Fuel Used x (LIFO Cost of Fuel per Gallon + FA)

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

Premium Charge (\$) = No. of Gallons of Fuel Used x (LIFO Cost of Fuel per Gallon + 2xFA)

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-2 to this Agreement.

ARTICLE VI PRICING

6.01 Pricing for Standby Generator Service. Unless modified per Article 6.02, the initial prices applicable to Article 5.02 for the services identified in the Agreement are fixed for five years. Prior to the fifth anniversary of the Agreement, RPU will present IBM with any required pricing adjustments for continuing Standby Electric Service beyond five years. Applicable prices are identified in Exhibit B-2, 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:

Key Account Representative
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 Dispute Resolution. Any claim, controversy or dispute arising out of this Agreement shall be subject to non-binding mediation as a condition precedent to the institution of legal or equitable proceedings by either party. The mediation shall be conducted in Olmsted County, Minnesota, and in accordance with the Minnesota Civil Mediation Act, Minn. Stat. 572.31, et., seq. Any claim, controversy or dispute not resolved by mediation may be the subject of legal or equitable proceedings filed by either party. The venue for legal or equitable proceedings shall be in Olmsted County, Minnesota. The parties waive all rights to and claims for monetary awards other than compensatory damages.

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: *Mark Carlson*
IBM Rochester RESO Site Operations
Manager

By: _____
Its City Clerk

Approved As to Form:

By: _____
City Attorney

Rochester Public Utilities

By: _____
General Manager

EXHIBIT B-1

One-line diagrams of each 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.

(See separate sheet)



IBMG2-E-002 One
line.pdf



IBMG1-E-002 One
line.pdf

EXHIBIT B-2

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:**Backup Generation Services Building 20**

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:	\$3.79/gallon

Operation this period for Load-Serving Dispatch:	
Displaced plant energy (billed separately at current rate):	8,000 kWh

Backup Generation Services Building 301

Kilowatt-hours produced this period for SES:	800 kWh
Kilowatt-hours produced CYTD for SES:	125,000 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:	800 kWh
Metered Fuel used:	67 gallons
LIFO Fuel price:	\$3.79/gallon

Operation this period for Load-Serving Dispatch:	
Displaced plant energy (billed separately at current rate):	0 kWh

Calculations:**Backup Generation Services Building 20**

SES energy at Normal Charge:	3,400 kWh
[5,400 – (330,000 – 328,000)]	
Total Fuel used:	367 gallons
Fuel Adder at Normal Charge:	\$0.15/gallon

(3400/5400 x 367)=231gal
 SES energy at Premium Charge: 2,000 kWh
 (5,400 – 3,400)
 Fuel used at Premium Charge: 136 gallons
 (367 – 231)
 Fuel Adder at Premium Charge: \$0.30/gallon
 136 gal

Backup Generation Services Building 301

SES energy at Normal Charge: 800 kWh
 [(125,000 – 328,000)<0 therefore 800 kWh]
 Fuel used at Normal Charge: 67 gallons
 Fuel adder at Normal Charge: \$0.15/gallon
 67 gal
 SES energy at Premium Charge: 0 kWh
 0
 Fuel used at Premium Charge: 0 gallons
 0
 Price of Fuel at Premium Charge: \$0.30/gallon
 0 gal

Backup Generation Services – Building 20	
Building 20 Energy Charge	\$391.04
Standby Lease Charge	\$3,175.00
Standby Electric Communication	\$80.92
Fuel Consumption Charge	\$1,390.93
Fuel Adder Normal	\$34.65
Fuel Adder Premium	\$40.80
Total	\$5,113.34

Backup Generation Services – Building 301	
Building 301 Energy Charge	\$0.00
Standby Lease Charge	\$3,175.00
Standby Electric Communication	\$80.92
Fuel Consumption Charge	\$253.93
Fuel Adder Normal	\$10.05
Fuel Adder Premium	\$0.00
Total	\$3,519.90



RESOLUTION

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve the Standby Electric Service and License Agreement with International Business Machines Corporation (IBM) and authorize the Mayor and City Clerk to execute the agreement.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 16th day of December, 2014.

President

Secretary

FOR BOARD ACTION

Agenda Item # (ID # 3193)

Meeting Date: 12/16/2014

SUBJECT: Insurance Quotations for 2015

PREPARED BY: Deb Donahue

ITEM DESCRIPTION:

Recommended insurance quotations for obtaining all risk property insurance and general liability and automotive insurance for 2015.

Liability and Commercial Auto Insurance:

League of MN Cities provides the primary coverage up to \$1.5 million for claims in accordance with Minnesota statutory limits. The annual aggregate deductible remains at \$50,000 with \$25,000 per occurrence for all lines.

In 2014, RPU will receive a dividend from the League of \$22,381. The League will be distributing about \$9.5 million back to its members based on premiums and incurred losses for all years of membership.

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	
League of MN Cities	\$128,668	\$137,187	\$117,353	\$113,661	(-3.2%)

All Risk Property Insurance:

The carriers based their quotes on policy limits of \$250 million. The deductibles remain the same at \$100,000 for property and transformers and a range on the turbine generators from \$250,000 to \$400,000.

RPU declared a 3.5% increase on the Statement of Values but market drivers resulted in an overall 3.7% premium reduction. Management is recommending renewal of risk property coverage with AIG/AEGIS/Lloyds of London.

	<u>PROPERTY VALUE</u>	<u>PREMIUM</u>
2012	\$ 374,149,101	\$ 438,537

FOR BOARD ACTION

Agenda Item # (ID # 3193)

Meeting Date: 12/16/2014

2013	\$ 385,643,017	\$ 464,185	
2014	\$ 391,059,796	\$ 458,145	
2015	\$ 404,940,221	\$441,191	(-3.7%)

Excess Liability:

Early market conditions indicated a potential rate increase of approximately 10% for excess liability. This was due to external market conditions, not a reflection of RPU's individual risk profile. Rochester reflected a 5.6% increase in revenues plus an increase in rate of 3.1%; resulting in an overall premium increase of 8.5% for 2015. AEIGIS is the incumbent carrier and recommended for renewal.

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	
AEGIS	\$214,367	\$228,275	\$253,087	\$274,899	(+8.5%)

C.O. Brown will be available at the board meeting to answer any questions.

UTILITY BOARD ACTION REQUESTED:

Management recommends that the Board approve the resolutions for property, auto and liability insurance for 2015.



RESOLUTION

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a contract agreement with AIG / AEGIS / Lloyds of London Syndicates and that the Common Council authorize the Mayor and the City Clerk to execute the agreement for

ALL RISK PROPERTY INSURANCE

The insurance agreement to be for a twelve month policy period commencing December 31, 2014, and expiring December 31, 2015.

The amount of the contract agreement to be FOUR HUNDRED FORTY-ONE THOUSAND ONE HUNDRED NINETY-ONE AND 98/100 DOLLARS (\$441,191.98).

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 16th day of December, 2014.

President

Secretary



RESOLUTION

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a contract agreement with the League of Minnesota Cities Insurance Trust and that the Common Council authorize the Mayor and the City Clerk to execute the agreement for

COMMERCIAL AUTOMOBILE AND GENERAL LIABILITY INSURANCE

The insurance agreement to be for a twelve month policy period commencing December 31, 2014, and expiring December 31, 2015.

The amount of the contract agreement to be ONE HUNDRED THIRTEEN THOUSAND SIX HUNDRED ONE AND 00/100 DOLLARS (\$113,661.00).

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 16th day of December, 2014.

President

Secretary



RESOLUTION

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a contract agreement with Associated Electric and Gas Insurance Services, Ltd. (AEGIS) and that the Common Council authorize the Mayor and the City Clerk to execute the agreement for

EXCESS GENERAL LIABILITY INSURANCE

The insurance agreement to be for a twelve month policy period commencing December 31, 2014, and expiring December 31, 2054.

The amount of the contract agreement to be TWO HUNDRED SEVENTY-FOUR THOUSAND EIGHT HUNDRED NINETY-NINE AND 60/100 DOLLARS (\$274,899.60).

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 16th day of December, 2014.

President

Secretary

FOR BOARD ACTION

Agenda Item # (ID # 3190)

Meeting Date: 12/16/2014

SUBJECT: Cash Reserves Policy

PREPARED BY: Peter Hogan

ITEM DESCRIPTION:

The liquidity policy requires updating to conform to the utility basis cost of service study. While it is very similar to the reserve funds we have had in the past, some of the calculations have changed. The most significant change is in the capital & major maintenance reserve. This fund will build over time to provide cash to replace assets in the future. The Debt Service, Clean Air Rider Excess and Special Capital and Major Maintenance reserve calculations are unchanged.

The Working Capital Reserve is currently set at 45 days of operating expenses excluding depreciation and power supply costs. While this portion will not change, the new policy does include a reserve for power supply costs. This adjustment addresses both working capital related to power supply costs and any unanticipated increase in costs above the budgeted base rate. Unanticipated cost of power increases will be collected over the following 12 months through the power rate adjustment factor. This reserve provides the cash to allow for the slower recovery.

The Contingency Reserve is changing from a calculation on one significant event to being a percentage based on the average age of our assets (Currently 51% - Net Book Value/Historical Investment in Assets) between 1% and 3% of the historical investment in assets. Under this method our current rate would be 2% or \$7.6 million versus our prior estimate of the cool summer being about \$5.6 million.

The Capital & Major Maintenance Reserve is the one that will change the most due to a change to the utility method and using the average future assets purchases as the basis for the calculation. The calculation is 20% of the average of the next five year's capital improvement program less any improvements funded through the issuance of bonds or already included in the Special Capital and Major Maintenance Reserve. Below is a comparison of the old policy to the proposed policy as of December 31, 2014:

FOR BOARD ACTION

Agenda Item # (ID # 3190)

Meeting Date: 12/16/2014

	Current Policy	Proposed Policy
Debt Service (As of December 31, 2014)	744,000	744,000
Clean Air Rider Excess	7,200,000	7,200,000
Working Capital Reserve	\$ 17,400,000	\$ 18,100,000
Special Capital & Major Maintenance Reserve	1,617,000	1,617,000
Contingency Reserve	5,600,000	7,600,000
Capital & Major Maintenance Reserve	3,900,000	11,200,000
Total	\$ 36,461,000	\$ 46,461,000

Since our cash balances will not allow for full funding of all the reserves, there will be priority to funding the various reserves. This is sometimes referred to as a waterfall funding. The priority will be:

1. Debt Service Reserve
2. Clean Air Rider Excess
3. Working Capital Reserve
4. Special Capital and Major Maintenance Reserve
5. Contingency Reserve
6. Capital & Major Maintenance Reserve

The policy calls for action to occur to restore reserve levels to the minimum over the subsequent five years. The cost of service has the minimum reserves being built over the next five years with the last reserve to be completely funded to the minimum being the Capital & Major Maintenance Reserve.

The reserves defined in the policy are Board Restricted reserves. Legally restricted reserves are above and beyond these reserves. The most typical legally restricted reserves are construction funds from bond sale and the debt service reserve accounts created under the bond covenants.

Staff will be available to answer any questions.

UTILITY BOARD ACTION REQUESTED:

Approve the updated Cash Reserves Policy and attached resolution.

ROCHESTER PUBLIC UTILITIES
BOARD POLICY STATEMENT

POLICY SUBJECT: ~~Financial Liquidity~~ Cash

Reserves Policy

~~Policy~~ POLICY OBJECTIVE:

The Board recognizes the need to develop access to liquid reserves, using financial targets as a guide to determining future revenue requirements. ~~Funding~~ levels may vary as circumstances dictate.

POLICY STATEMENT:

The Board intends to establish the types and levels of reserves needed to cover various risks and needs. These reserves, and their levels, are intended as guides only, and are meant to apply under normal circumstances. However, the Board intends to work with the General Manager to take the necessary steps to attain the reserve levels established in this board policy. The required reserves may be a combination of internally financed reserves and access to external liquid reserves.

To help ensure timely completion of capital improvements and enable the utility to meet requirements for large unexpected expenditures, a minimum cash reserve policy will be established. Minimum cash reserves attempt to quantify the minimum amount of cash the utility should keep in reserve the actual cash reserves may vary substantially above the minimum and are dependent on the life cycle of assets currently in service. The minimum cash reserve calculation considers the risk "in total" and not each individual category. For example; catastrophic events can occur and the amount may far exceed the amount set aside under the ~~Investment in assets~~ Contingency Reserve. This category should also consider short term financing and the reserves set aside in the remaining four categories.

The methodology used is based on certain assumptions related to percent of operation and maintenance expense, rate base, capital improvements, and debt service. The establishment of minimum cash reserves should consider a number factors including:

1. Annual debt service – Debt service payments do not occur evenly throughout the year and often occur at periodic times, typically every six months. The utility has to ensure adequate cash reserves exist to fund the debt service payment when the payment is due. Each month 1/12th of the debt service payment is moved from working capital to the debt service reserve. RPU's current schedule for semi-annual debt service payments is June 1st and December 1st. The cash reserve policy will include 100% of the current portion of debt service when due.

~~1. Working Funds Reserve. Ordinarily, this reserve is used to handle the day-to-day cash flow activities of the utilities. The target amount for this reserve is forty five days of the current year's budgeted annual operating expenses plus in lieu of tax payments. Transfers and replenishments between this and the other reserves~~

~~occur as needed. Timing differences occur between when expenses are incurred and revenues are received from customers. Establishing a minimum cash reserve helps ensure cash exists to pay expenses in a timely manner.~~

~~The cash reserve policy will include 12.3% of annual operating expenses excluding depreciation and power supply costs this which is the equivalent of 45 days and 16% of annual power supply costs which is the equivalent of 60 days.~~

~~The cash reserve policy will include 16% of annual power supply costs.~~

2. Clean Air Rider Adjustment – When this rider was established, the Board made the decision to have a level amount of rider collected each year. The related debt service amounts are lower than the level payment amount in the early years and higher in the later years. The funds collected in excess of the debt service are restricted for future debt service payments when the actual debt service payments will exceed the amounts collected through the rider. The amount of this reserve is calculated annually.
3. Working Funds Reserve. Timing differences occur between when expenses are incurred and revenues are received from customers. Establishing a minimum cash reserve helps ensure cash exists to pay expenses in a timely manner. This cash reserve policy will include 12.3% (approximately 45 days) of annual operating expenses excluding depreciation and power supply costs, plus 16% (approximately 60 days) of annual power supply costs.
4. Special Capital and Major Maintenance Reserve. This reserve is meant to pay for that portion of significant capital and major maintenance projects, external expenditures that are not externally financed. There will be one reserve for each significant project. Each reserve will be funded over the number of years, and up to a certain amount of the project's planned total expenditures, as determined by the Board and the General Manager for each significant project. These reserves will be set up and used only as needed.
52. ~~Contingency Reserve. Catastrophic events may occur that require substantial investments to replace damaged assets. Some examples of catastrophic events include ice storms, earthquakes, wind storms, floods, or tornadoes. Many of these catastrophic events may allow the utility to recover the cost of damages from FEMA; however FEMA reimbursements can take between 6 months to 2 years to recover. The utility should ensure adequate cash reserves exist to replace the assets in a timely fashion. The minimum reserve levels are often combined with emergency funding from banks or bonding agencies. The percentage used to calculate the minimum cash reserves are is dependent on the age of the assets in service and the level of risk of catastrophic type events of a catastrophic type event. The age of the assets in service will be computed by dividing the Net Book Value by the Historical Investment in Assets to arrive at the Percent of Assets Depreciated.~~

This cash reserve policy will include the Reserve Percent corresponding to the Percent of

Assets Depreciated multiplied by 2% of the Historical Investment in Assets as recorded in the financial statements:

<u>Percent of Assets Depreciated</u>	<u>Reserve Percent</u>
<u>Greater than 55%</u>	<u>3.0%</u>
<u>45% to 55%</u>	<u>2.0%</u>
<u>Below 45%</u>	<u>1.0%</u>

~~This reserve is used for emergency circumstances as needed, and as determined by the Board and the General Manager. (Examples of emergency circumstances include: Loss of a large revenue customer; significant increase in fuel prices; Loss of a generating unit for a long time at a critical time, etc) The amount of this reserve is based on the estimated financial impacts of a single proxy emergency event~~

~~3. Annual debt service—Debt service payments do not occur evenly throughout the year and often occurs at periodic times, typically every six months. The utility has to ensure adequate cash reserves exist to fund the debt service payment when the payment is due. Each month 1/12th of the debt service payment is moved from working capital to the debt service account. RPU's current schedule for semi-annual debt service payments is June 1st and December 1st.~~

~~The cash reserve policy will include 100% of the current portion of debt service. At year end that would be 1/12th of the annual debt service payment.~~

~~4. Clean Air Rider Adjustment—When this rider was established, the Board made the decision to have a level amount of rider collected each year even though the related debt service payments vary from year to year. As a result, The clean air rider in the early years collected more cash in the early years than the actual debt service payments required. The board made this decision to have a level amount of rider collected. As such the advance collections in the early years cash has been are restricted for future debt service payments in the later years when the actual debt service payments will exceed the amounts collected through the rider.~~

~~The reserve is calculated annually.~~

~~65. Capital and Major Maintenance Reserve. Some capital improvements are funded through bond issuances and some through cash reserves. The establishment of a minimum cash reserve level for capital and major maintenance projects helps to ensure timely replacement or construction of assets.~~

~~This cash reserve policy will use include 20% of the average capital improvements anticipated during the next following five year's, capital improvement program less any improvements funded through the issuance of bonds and ; less any capital projects included in capital improvements specifically reserved in the Special Capital and Major Maintenance R and. Plus; 20% of the~~

~~total of the five year capital improvement program less improvements funded through the issuance of bonds. This reserve is meant to pay for that portion of the current year's external expenditures for typical annual capital and major maintenance projects that is *not* externally financed and that the current year's revenues cannot finance. This reserve will equal fifty percent of the average of the external expenditures for typical annual capital and major maintenance projects that is not externally financed for the first two years in RPU's current five year capital and major maintenance plan.~~
erve for the same period.

- 4.. ~~Special Capital and Major Maintenance Reserve. This reserve is meant to pay for that portion of significant capital and major maintenance projects external projects external expenditures that is *are not* externally financed. There will be one reserve for each significant project. Each reserve will be funded over the number of years, and up to a certain amount of the project's planned total expenditures, as determined by~~

~~the Board and the General Manager for each significant project. These reserves will be set up and used only as needed.~~

The General Manager will have the authority to move funds among all the reserves. When practical, the General Manager will consult with the Board before moving funds involving the *Contingency Reserve*. In that case he will report to the Board as soon as practical when he authorized such transactions without first informing the Board.

Ordinarily, the order of replenishment among these reserves is as follows:

- ~~1. Working Funds Reserve~~ Debt Service Reserve
- ~~2. Capital and Major Maintenance Reserves~~ Clean Air Rider Reserve
- ~~3. Contingency Reserve~~ Working Funds Reserve
- ~~4. Special Capital and Major Maintenance Reserve~~
- ~~5. Special Capital and Major Maintenance Reserves~~ Contingency Reserve
- ~~5. Capital & Major Maintenance Reserve~~
- ~~6. Special Capital and Major Maintenance Reserve~~ 6. Capital & Major Maintenance Reserve

Annually at budget time the General Manager will recommend funding levels for each reserve. ~~If certain events occur that result in cash reserves falling below the minimum cash reserve levels, the Board shall take action to restore the cash reserve to the minimum levels over the subsequent five years. the percentage variation from the targets that should be considered acceptable, timeframes within which to expect to reach targeted levels, etc.~~ These actions may include:

- 1. Rate adjustments
- 2. Cost reductions
- 3. Issuance of bonds to fund capital improvement programs
- 4. Modification of the assumptions used to determine the cash reserve levels

~~This policy is intended as a guide only.~~ The reserve levels are meant to be long-term average balances. It will usually take several months to achieve the revised reserve levels this policy requires (based on annual recalculations due to updates to RPU's long term plans). There will be times when the reserve balances will fall ~~outside~~ below the established acceptable levels. The General Manager will advise the Board on various matters related to the reserves, such as whether a current deviation from the established acceptable levels ~~me is~~ is expected to be short-term or whether any action needs to be taken, etc.

EFFECTIVE DATE OF POLICY: _____ April 27, 1999

DATE OF LAST POLICY REVISION: June 28,

~~2005~~ November 12th-December 16, 2014

POLICY APPROVAL:

Attachment: Cash Reserves Policy Redlined V2 final (3190 : Cash Reserves Policy)

Board President

Date _____

ROCHESTER PUBLIC
UTILITIES BOARD POLICY
STATEMENT

POLICY SUBJECT: Cash Reserves Policy

POLICY OBJECTIVE:

The Board recognizes the need to develop access to liquid reserves, using financial targets as a guide to determining future revenue requirements. Funding levels may vary as circumstances dictate.

POLICY STATEMENT:

The Board intends to establish the types and levels of reserves needed to cover various risks and needs. These reserves, and their levels, are intended as guides only, and are meant to apply under normal circumstances. However, the Board intends to work with the General Manager to take the necessary steps to attain the reserve levels established in this board policy. The required reserves may be a combination of internally financed reserves and access to external liquid reserves.

To help ensure timely completion of capital improvements and enable the utility to meet requirements for large unexpected expenditures, a minimum cash reserve policy will be established. Minimum cash reserves attempt to quantify the minimum amount of cash the utility should keep in reserve the actual cash reserves may vary above the minimum and are dependent on the life cycle of assets currently in service. The minimum cash reserve calculation considers the risk “in total” and not each individual category. For example; catastrophic events can occur and the amount may far exceed the amount set aside under the Contingency Reserve. This category should also consider short term financing and the reserves set aside in the remaining categories.

The methodology used is based on certain assumptions related to percent of operation and maintenance expense, rate base, capital improvements, and debt service. The establishment of minimum cash reserves should consider a number factors including:

1. Annual debt service – Debt service payments do not occur evenly throughout the year and often occur at periodic times, typically every six months. The utility has to ensure adequate cash reserves exist to fund the debt service payment when the payment is due. Each month 1/12th of the debt service payment is moved from working capital to the debt service reserve. RPU’s current schedule for semi-annual debt service payments is June 1st and December 1st. The cash reserve policy will include 100% of the current portion of debt service when due.
2. Clean Air Rider Adjustment – When this rider was established, the Board made the decision to have a level amount of rider collected each year. The related debt service amounts are lower than the level payment amount in the early years and higher in the later years. The funds collected in excess of the debt service are

restricted for future debt service payments when the actual debt service payments will exceed the amounts collected through the rider. The amount of this reserve is calculated annually.

- 3. Working Funds Reserve. Timing differences occur between when expenses are incurred and revenues are received from customers. Establishing a minimum cash reserve helps ensure cash exists to pay expenses in a timely manner. This cash reserve policy will include 12.3% (approximately 45 days) of annual operating expenses excluding depreciation and power supply costs, plus 16% (approximately 60 days) of annual power supply costs.
- 4. Special Capital and Major Maintenance Reserve. This reserve is meant to pay for that portion of significant capital and major maintenance projects, external expenditures that are *not* externally financed. There will be one reserve for each significant project. Each reserve will be funded over the number of years and up to a certain amount of the project's planned total expenditures, as determined by the Board and the General Manager for each significant project. These reserves will be set up and used only as needed.
- 5. Contingency Reserve. Catastrophic events may occur that require substantial investments to replace damaged assets. Some examples of catastrophic events include ice storms, wind storms, floods, or tornadoes. The percentage used to calculate the minimum cash reserves is dependent on the age of the assets in service and the level of risk of a catastrophic type event. The age of the assets in service will be computed by dividing the Net Book Value by the Historical Investment in Assets to arrive at the Percent of Assets Depreciated. This cash reserve policy will include the Reserve Percent corresponding to the Percent of Assets Depreciated multiplied by the Historical Investment in Assets as recorded in the financial statements

Percent of Assets Depreciated	Reserve Percent
Greater than 55%	3.0%
45% to 55%	2.0%
Below 45%	1.0%

- 6. Capital and Major Maintenance Reserve. Some capital improvements are funded through bond issuances and some through cash reserves. The establishment of a minimum cash reserve level for capital and major maintenance projects helps to ensure timely replacement or construction of assets. This cash reserve policy will include 20% of the average capital improvements anticipated during the following five year's, less any improvements funded through the issuance of bonds and less any capital projects included in capital improvements specifically reserved in the Special Capital and Major Maintenance Reserve for the same period.

The General Manager will have the authority to move funds among all the reserves. When practical, the General Manager will consult with the Board before moving funds involving the *Contingency Reserve*. In that case he will report to the Board as soon as

practical when he authorized such transactions without first informing the Board.

Ordinarily, the order of replenishment among these reserves is as follows:

1. Debt Service Reserve
2. Clean Air Rider Reserve
3. Working Funds Reserve
4. Special Capital and Major Maintenance Reserve
5. Contingency Reserve
6. Capital & Major Maintenance Reserve

Annually at budget time the General Manager will recommend funding levels for each reserve. If certain events occur that result in cash reserves falling below the minimum cash reserve levels, the Board shall take action to restore the cash reserve to the minimum levels over the subsequent five years. These actions may include:

1. Rate adjustments
2. Cost reductions
3. Issuance of bonds to fund capital improvement programs
4. Modification of the assumptions used to determine the cash reserve levels

The reserve levels are meant to be long-term average balances. It will usually take several months to achieve the revised reserve levels this policy requires (based on annual recalculations due to updates to RPU's long term plans). There will be times when the reserve balances will fall below the established acceptable levels. The General Manager will advise the Board on various matters related to the reserves, such as whether a current deviation from the established acceptable levels is expected to be short-term or whether any action needs to be taken.

EFFECTIVE DATE OF POLICY: April 27, 1999

DATE OF LAST POLICY REVISION: December 16, 2014

POLICY APPROVAL:

Board President

Date _____

Attachment: Cash Reserves Policy Redlined V2 final (3190 : Cash Reserves Policy)



RESOLUTION

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

Cash Reserves Policy

effective December 16, 2014.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 16th day of December, 2014.

President

Secretary