

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
February 24, 2009

Members Present: Mr. Reichert, Mr. Williams, Mr. Stahl
Absent: Mr. Jibben, Mr. Hanson
Also Present: Mr. Adkins, City Attorney

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

1. Mr. Stahl moved to approve the minutes of the January 27, 2009 meeting, seconded by Mr. Reichert.

All voting "AYE"

2. Mr. Stahl moved to approve the accounts payable report, seconded by Mr. Reichert.

All voting "AYE"

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

The Board asked Mr. Dale Olofson, Manager of Maintenance and Construction, to extend its appreciation to the four RPU line workers (Steve Fiek, Brad Gunderson, Bjorn Olson, and Jeff Wagenaar) who provided assistance to the residents of Missouri during the ice storms which occurred at the end of January 2009. RPU was contacted by the Minnesota Municipal Utilities Association (MMUA) to assist in Missouri. RPU is part of a mutual aid agreement at both the state and national level. The four RPU line workers drove to Malden MO and worked there for twelve days, and then went to Kennett Missouri where they worked three to four more days. In the words of Larry Jones, Kennett, MO, *"Everyone in Kennett is grateful for the help of your linemen and equipment. We own the power, natural gas, water, sewer, power plant, and internet systems. I am the Director of Utilities here in Kennett. This ice storm was much worse than anything we have ever seen and it has kept everyone very busy."*

- 4.a. The Board discussed the multi-year bid received for transformers with Mr. Cook, Senior Electrical Engineer. Mr. Cook informed the Board that staff reviews the lowest life cycle cost within 5%. The multi-year agreement allows RPU to receive better lead times, better pricing, and the ability to order transformers as they are needed. The agreement can be terminated by either party with a 90 day notice. The multi-year agreement is subject to annual approval of the RPU budget by both the Utility Board and Common Council. Mr. Stahl moved to approve the purchase agreement, seconded by Mr. Reichert.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, that the Common Council of the said City is requested to approve a multi-year contract agreement with WESCO Distribution and that the Common Council authorize the Mayor and the City Clerk to execute the agreement for

Electric Distribution Transformers

The amount of the contract agreement to be determined by the number and type of transformers purchased over the life of the contract, WESCO Distribution being lowest responsible bidder. The term of the agreement to be 2009 – 2013, and is subject to the annual approval of the RPU budgets by the Board and Council.

- 4.b. A revised For Board Action and Resolution were distributed during the meeting which contained a revised purchase order agreement amount which included the amounts listed in the adjusted bids bid evaluation for the Silver Lake Plant Unit #3 turbine generator overhaul. Mr. Reichert moved to reject the bid received from TGM Maintenance as a non conforming bid and to approve the bid received from Power Generation Services, Inc. as the lowest evaluated bid, seconded by Mr. Stahl.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a purchase order agreement with Power Generation Services, Inc. for

Services and Parts for the SLP Unit #3 Turbine Generator Overhaul

The total amount of the purchase order agreement shall be THREE HUNDRED FIFTY-SIX THOUSAND SIX HUNDRED TWELVE AND 00/100 DOLLARS (\$356,612.00) consisting of: 1) a firm price for Work scope I of \$169,172.00, 2) a time and material price for Work scope II items (as determined by staff) not to exceed \$147,040, 3) miscellaneous shipping estimated at \$8000.00, and 4) a contingency of \$32,400.

- 4.c. Mr. Dunnette, Manager of Power Resources, explained that the Unit 3-4 high pressure feedwater heater re-tubing was a budgeted project and that RPU has worked with the vendor before. He also said that bid documents were originally prepared in January, but only one bid was received which was rejected by the Board because the submittal did not provide a firm price, failed to provide assurance that the contractor possessed sufficient experience, and because the bid amount significantly exceeded the budget. As a result, the project was re-bid. Mr. Williams said the rejection of the sole bid originally received for this project speaks highly to the integrity of RPU staff. Mr. Stahl moved to approve a purchase order agreement with American Power Services, Inc., seconded by Mr. Reichert.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a contract agreement with American Power Services, Inc. for re-tubing the Unit 3-4 High Pressure Feedwater Heater.

The amount of the contract agreement shall be One Hundred Fourteen Thousand Dollars and no/100 (\$114,953.00), which includes a Ten Thousand Dollar (\$10,000) contingency.

5. Mr. Naeem Qureshi, P.E. and Ms. Jeny Shah, E.I.T, from Progressive Consulting Engineers, Inc. presented the third year results of a four year water distribution system modeling study. The purpose of the study is to evaluate future water system infrastructure needs in the more rapidly developing areas within and around the City of Rochester. Mr. Rovang RPU Senior Civil Engineer, said one well is budgeted for 2009 and one well is budgeted for 2010. Staff is monitoring the annual demands and peak demands on the water system. Ultimate scenarios will be based on the City's development geographically using computer modeling techniques. This information has also been discussed with the Planning Department.
- 6.a. Mr. Schlink requested the Board to approve Change Order 002 to the Mechanical Construction I contract for the Emission Reduction Project which is a change in scope and will require additional funds in the amount of \$250,000. This amount is included in the project contingency and will not increase the overall project budget. Mr. Reichert moved to approve the change order, seconded by Mr. Stahl.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve Change Order 002 to the Mechanical Construction I contract with Moorhead Machinery & Boiler Company for the Silver Lake Plant Unit 4 Emissions Reduction Project which is a change of scope as identified on the Engineer's Summary, and the authorized amount of the contract increased by \$250,000. This amount is included in the project contingency and will not increase the overall project budget. The value of the contract will increase to \$7,658,702.

- 6.b. Mr. Stahl moved to approve Change Order 002 to the Mechanical Construction II contract for the Emission Reduction Project, seconded by Mr. Reichert.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve Change Order 002 to the Mechanical Construction II contract with Moorhead Machinery & Boiler Company for the Silver Lake Plant Unit 4 Emissions Reduction Project which is a change of scope as identified on the Engineer's summary, and the authorized amount of the contract increased by \$200,000. This amount is included in the project contingency and will not increase the overall project budget.

The value of the contract will increase to \$3,602,011.

- 7. A request for firm delivery of gas to guarantee that plant facilities can be operated safely even if gas delivery is interrupted was presented to the Board. Mr. Schlink informed the Board that the name of the company was now Constellation New Energy. Mr. Reichert moved to approve the agreement, seconded by Mr. Stahl.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a Firm Gas Reservation Transaction Confirmation with Cornerstone Energy, LLC d/b/a/ Constellation New Energy – Gas Division CEI, LLC, and request the Mayor and the City Clerk to execute the agreement.

The term of the agreement to be November 1, 2008 through June 30, 2010.

- 8. Mr. Jeremy Sutton, RPU Manager of Portfolio Optimization, discussed a Meter Data Management Services Agreement with the Board. This agreement formalizes the services currently provided by the Southern Minnesota Municipal Power Agency (SMMPA) to RPU. Since the start of the Midwest Independent System Operator (MISO) Day 2 market in 2005, SMMPA agreed to send RPU's meter data to MISO. Mr. Adkins stated that either party can give a 60 day notice to end the agreement, but RPU needs this service. Mr. Schlink, Acting General Manager, said that there are no fees for this service. Mr. Stahl moved to approve the agreement, seconded by Mr. Reichert.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a Meter Data Management Services Agreement with Southern Minnesota Municipal Power Agency, and request the Mayor and the City Clerk to execute the agreement.

- 9. The annual maintenance and support of the enterprise business software fee from SAP Public Services was discussed. The annual fee is under budget and by contract can only increase by 8%. Mr. Stahl moved to approve a purchase order agreement, seconded by Mr. Reichert.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a purchase order agreement with SAP Public Services Inc. for

Software maintenance and support for 2009

The amount of the purchase order agreement to be ONE HUNDRED AND SIX THOUSAND EIGHT HUNDRED EIGHTY-FIVE AND 49/100 DOLLARS (\$106,885.49)

10. Mr. Reichert moved to approve payment of RPU's water use fees, seconded by Mr. Stahl.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to authorize payment of water use fees in the amount of \$114,585.20 for 2008, payable to State of Minnesota, DNR-Waters for municipal water system (ground water) Permit #795076 and SLP once-through cooling system (surface water) Permit #935065.

11. Mr. Schlink, Acting General Manager, provided the following update to the Board:

- a. The Southern Minnesota Municipal Power Agency (SMMPA) is having difficulty with its request for additional commercial paper. The bank extended \$68 million for this, but not the additional \$32 million SMMPA had requested. As a result, SMMPA is looking at other options.
- b. The executive team is looking at reducing RPU's budget for 2009. This will be discussed in more detail at the March 31 board meeting.
- c. Mr. Kiah Harris, Burns & McDonnell, will attend a board planning session after the April 28 board meeting.
- d. Mr. Walters, Director of Customer Relations, discussed survey options for obtaining public input with respect to renewables. The last survey was done in 2002. The survey would involve approximately 350 customers and RPU has asked for a 95% validity factor. Mr. Williams said the survey needs to be well constructed so that we know what our customers are thinking. He also said that it should be used as a baseline and repeated again in three years. Mr. Walters said we need to know if our customers will pay more for renewables. Mr. Walters said he also hoped to have the results available for the April 28 board meeting. Mr. Schlink added that you pay a premium for wind generation in today's market. Mr. Schlink also said that staff is seeking direction from the Board and not approval on this matter. Mr. Williams said that this subject will be significant down the road from a cost standpoint and that if we want valid data we need to do it. Mr. Walters said the survey is not budgeted but that there is money in the contingency fund for it. It was the consensus of the Board to direct staff to conduct the survey.

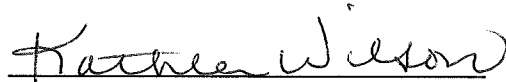
12. The management and financial reports were discussed. Mr. Williams asked about RPU's seasonal employment. Ms. Parker, Director of Corporate Services, said that staff was reviewing how much we need these services this year. Mr. Reichert said he was pleased that RPU was looking at its contract administration process and liked Mr. Koshire's position on looking at the 2009 budget because we need to rein it in now. Ms. Parker said the Finance and Accounting section is presenting the financials to the RPU executive team one week earlier in preparation for the board meeting.

13. Mr. Reichert moved to adjourn the meeting, seconded by Mr. Stahl.


All voting "AYE"

The meeting was adjourned at 5:30 p.m.

Submitted by:


Secretary

Approved by the Board:


Board President Pro Tem
3/31/09
Date