

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
March 31, 2009

Members Present: *Mr. Reichert, Mr. Williams, Mr. Stahl, Mr. Hanson
Absent: Mr. Jibben
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 February 24, 2009 meeting, seconded by Mr. Hanson.

All voting "AYE"

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

All voting "AYE"

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

4. Ms. Humphrey, RPU Commercial Account Representative, discussed RPU's *Partnering in Energy Solutions Green Financing* program with the Board. The program will assist RPU's customers in obtaining Energy Star[®], LEED[®] or Green Globes certification for their projects.

* Mr. Reichert entered the meeting at this time.

Staff proposed using \$250,000 of RPU allocated funds in a revolving financing program. This program will leverage required Conservation Improvement Program (CIP) spending to indirectly help RPU and its customers meet RPU's conservation goals in accordance with the Next Generation Act of 2007 (MN Statute 216B.241). This program will be offered to RPU commercial and industrial customers. Mr. Stahl moved to approve the fund allocation to support the program, seconded by Mr. Reichert.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve the use of allocated dollars in the amount of \$250,000 to support RPU's *Partnering in Energy Solutions Green Financing* program, which will help our business customers obtain Energy Star[®] labeling, LEED[®] certification, and Green Globes certification for their "green" projects.

5. Mr. Koshire discussed the Power Sales Contract extension being offered by the Southern Minnesota Municipal Power Agency (SMMPA) to its 18 members. The current contract expires in 2030. In December, 2008, the SMMPA Board passed a resolution to extend the contract to 2050. No other terms and conditions are changed. SMMPA asked members to respond by the September, 2009 board meeting date. Mr. Koshire stated that the Utility Board has three options: 1) do nothing; 2) agree to the extension; or 3) reject the offer of extension. He recommended the Board signal its intent sooner rather than later to SMMPA due to RPU's size. He also said that this decision is independent of the outcome of the lawsuit. If the Utility Board declines the offer, Mr. Koshire said we will still have the current contract until 2030. RPU could still indicate to SMMPA that we may be interested in a Purchased Power Agreement that may extend beyond 2030. A decision on a Purchased Power Agreement would not need to be made for some time to come. Mr. Adkins asked what would prevent the City from responding with an amendment to the Power Sales Contract. This would be a fourth option for the Utility Board to consider. Mr. Koshire replied that he brought this up at a SMMPA Board meeting and was told that SMMPA did not want to consider an amendment at this time.

Mr. Hanson asked how the contract would be structured since we do not know what the future will hold from now until 2050. Mr. Koshire said no other words in the contract would change. Mr. Reichert asked about SMMPA's assets. Mr. Koshire said Sherco 3 would be 40 years old in 2030, but will require a lot of money. He also said that RPU is 42% of the Agency. Mr. Williams said there were a number of issues mentioned in the March 31, 2009 For Board Action form. Mr. Koshire stated that RPU is in the process of evaluating its infrastructure plan, including its long-term power resource plan. Mr. Williams asked staff to put the options together so the Board can see them. He said the Board would like to discuss this subject again in April and make a decision in May. He asked the Board to let staff know if there were any other items to review. Mr. Reichert said the governance issues are huge. He was open to Mr. Adkins option. Mr. Stahl said we do not owe SMMPA anything when the contract is done, but we owe our own rate payers. Mr. Adkins said the Board would make a recommendation on the Power Sales Contract extension to the Council, and the Council would make the decision.

6. Mr. Anderton, Manager of Engineering, presented the Electric Engineering and Operations Report for 2008 to the Board. There were 452 new electric customers. The report is prepared annually to document the major accomplishments and performance statistics that reflect the work of the electric department.
7. Mr. Koshire provided the following update to the Board:
 - a. Staff and two Board members attended the Minnesota Municipal Utilities Association's legislative rally in St. Paul.
 - b. Mr. Hensel, Director of Field Services, provided an update on the American Recovery and Reinvestment Act of 2009 (economic stimulus bill). The City of Rochester is eligible for some of this funding. Mr. Hensel is working with City Administration on an application which is due June 25. He has also met with a consultant who is knowledgeable about the stimulus package. He is also working

with both the Minnesota Municipal Utilities Association and the American Public Power Association on other funding opportunities for RPU under this legislation. RPU has a list of "shovel-ready" projects and potential projects, some of which meet the criteria.

- c. The March 30, 2009 press release entitled "RPU to make \$5 million in budget cuts and deferrals" was discussed. Approximately \$2.9 million of the cuts and deferrals are capital and major projects. Some of the projects were able to be deferred. However, Mr. Koshire assured the Board that RPU is still investing in maintenance and reliability. The Utility's reserves are in good shape. He also said that there have been some good discussions among employees regarding cost cutting and deferment suggestions. The 2009 budget reductions are just a first step. Progress towards the 2009 budget goal will be reviewed in May and June. If changes need to be made, staff will present them to the Board. RPU will also need to take a look at its 2010 budget. At the present time, RPU does not want to add cost to our customers during times like this so the goal for 2010 is not to have a rate increase. Mr. Williams applauded management for working with employees on this subject. He also said he assumed that none of the cuts affect safety because this is a dangerous business and we would not want to affect customer or employee safety. Mr. Koshire responded that RPU will continue to spend money to preserve both safety and reliability.

8. The management and financial reports were discussed.

9. Other Business:

Mr. Tom Leonard, a local union member, asked if RPU would get involved in a wind farm project. He said the IBEW Training Center just built a wind tower facility for training purposes. Mr. Koshire said this would be brought back to the Board at a future date.

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

All voting "AYE"

The meeting was adjourned at 5:25 p.m.

Submitted by:

Kathleen Wilson
Secretary

Approved by the Board:

Jack Stahl
Board President
4/28/09
Date