

ROCHESTER PUBLIC UTILITIES  
BOARD MEETING MINUTES  
April 24, 2007

Members Present: Mr. Landwehr, \* Mr. Utz, Mr. Jibben, Mr. Hanson  
Absent: None  
Also Present: Mr. Adkins, City Attorney

Board President Landwehr called the meeting to order at 4:00 p.m.

1. Mr. Hanson moved to approve the minutes of the March 27, 2007 meeting, seconded by Mr. Jibben.

All voting "AYE"

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

All voting "AYE"

3. Mr. Curt Kraft, Director of Corporate Services, was recognized by the Board and staff for 34 years of service to the citizens of Rochester.

- 4a. Mr. Landwehr opened the meeting for comments from the public. Mr. Norm Erickson, 1303 5<sup>th</sup> Avenue NE, wished to be heard regarding natural gas. His comments were based on a paper prepared by the Energy Watch Group in March 2007 on "Coal: Resources and Future Production." With the increased demand projected for future years, he asked his audience how we would deal with energy descent as global coal production begins to peak.

\* Mr. Utz entered the meeting at this time.

- 4b. Mr. Landwehr introduced Mr. Brandon Vagt, formerly of RPU, and now employed by Weis Builders. Mr. Vagt was attending the meeting as a member of the Leadership Greater Rochester initiative.
5. Mr. Wentz from Smith Schafer & Associates presented an overview of RPU's 2006 audit process and results. No inconsistencies in the audited financial statements of RPU were noted. Mr. Utz moved to receive the 2006 annual audit report and place it on file, seconded by Mr. Hanson.

All voting "AYE"

The Board congratulated Mr. Benson, RPU Communications Coordinator, on the

appearance and contents of the 2006 annual report. Mr. Landwehr said it was the most reader-friendly of any of the reports he had seen. In addition, he asked that the minutes note the economic impact of RPU on the community stated on page 25 of the annual report which follows.

*“In 2006, Rochester Area Economic Development Inc. (RAEDI) evaluated RPU’s Economic Impact on the community. They found.*

- *RPU’s total economic impact on Rochester in 2006 was \$259 million. This figure is derived through analysis of the total revenue generated and the impact on other Rochester area industries*
- *RPU directly affects local employment. At the time of the study, RPU employed 193 people and an additional 400 jobs were sustained through RPU’s local operation.*
- *RPU has an impact on local taxes. Each year RPU transfers money to the City of Rochester via in lieu of taxes. In 2006, approximately \$8 million was transferred to the City, which represents \$8 million less that needs to be generated through the levying of local property taxes.”*

Other noteworthy accomplishments in the report included the following comment:

*“As part of our energy-saving management efforts we worked with residential and commercial customers to make energy efficient changes which resulted in a 10,000 megawatt-hour reduction in the need for energy.”*

6. Mr. Hanson moved to approve payment of the Silver Lake Plant 2007 air emission fee, seconded by Mr. Utz.

All voting “AYE”

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to authorize payment of the 2007 Silver Lake Plant air emission fee in the amount of \$130,571.40 to the Minnesota Pollution Control Agency.

7. Mr. Schlink, Director of Power Resources, provided an update on the Emissions Reduction Project (ERP). While the various equipment costs have risen with the high demand for pollution control equipment in the industry, the outage to implement the project will be reduced from 10 weeks to six weeks.
8. Mr. Schlink provided a short presentation on the proposed direction of the Utility’s activities related to renewable energy power supply. The State of Minnesota requires RPU to have 25% in renewable energy by 2025. Currently, RPU is using the Lake Zumbro hydro, Olmsted County Waste to Energy facility, and solar power as its renewable energy resources. RPU has purchased 50 acres of land. Staff suggests using the site for two wind turbines as well as making it an educational center for schools. The cost of this project would be \$6 million to \$10 million because the rest of the components

are budgeted. The Board directed staff to explore additional options, including the one presented at the meeting, with respect to renewable energy power supply as well as various collaborative opportunities.

9. The discussion of the 2006 Electric Engineering and Operations Report was deferred to the May 29, 2007 board meeting.
10. Mr. Hanson moved to approve a resolution designating those employees of RPU authorized to conduct the financial business for the Utility, seconded by Mr. Jibben.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, that the following person or persons are hereby authorized for and in behalf of the City of Rochester, D/B/A Rochester Public Utilities, to endorse or cause to be endorsed such documents regarding deposits, checks, drafts, investments or any other matter necessary for or pertaining to the financial operation of the Rochester Public Utilities.

Larry J. Koshire  
Tina Livingston  
Susan Parker  
Bryan Blom  
Judy Anderson

11. Mr. Hanson moved to approve a purchase order agreement for \$150,000 with Axon Solutions, Inc. for professional services to complete the SAP Business Upgrade and Customer Care preparation work, seconded by Mr. Jibben.

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 purchase order agreement with Axon Solutions, Inc. for

#### Professional Services for SAP Business Upgrade

The amount of the purchase order agreement to be ONE HUNDRED FIFTY THOUSAND AND 00/100 DOLLARS (\$150,000.00)

12. The guaranteed gas delivery contract with Cornerstone Energy Inc. was discussed. Mr. Utz moved to approve the contract contingent upon review of the contract language by the City Attorney, seconded by Mr. Hanson.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a contract agreement with Cornerstone Energy, Inc. and request the Mayor and the City Clerk to execute the agreement for

Guaranteed Delivery Agreement – Contract #18430

The term of the contract agreement to be three years at a price of \$12.50 per Daily Firm Unit per Month. The total value of the Agreement is \$90,000.00.

- 13. The General Manager provided the following report to the Board:
  - a. Mr. Koshire said that RPU and other municipals through the Minnesota Municipal Utilities Association (MMUA) are currently supporting climate change policy that would be national in scope, apply to all industries, and allow credit for early actions taken to reduce greenhouse emissions. At the state level, municipals are not in favor of any proposed legislation that would prohibit the building of new coal-fired plants and/or power lines.
  - b. RPU was recently awarded the 2007 Award of Continued Excellence (ACE) from the American Public Power Association's (APPA) Demonstration of Energy-Efficient Developments (DEED) program. The award recognizes the utility's long-term commitment to energy innovation and its support of research and development projects aimed at improving efficiency and renewable resources for public power systems. "Since the creation of the DEED program, Rochester Public Utilities has been a leader in efficiency and environment-friendly innovation," said APPA President and CEO Alan H. Richardson. APPA is the Washington, D.C.-based service organization representing the nation's more than 2,000 not-for-profit, community-owned electric utilities.
- 14. The management/financial reports were discussed.
- 15. Mr. Utz moved to adjourn the meeting, seconded by Mr. Hanson.

All voting "AYE"

The meeting was adjourned at 5:40 p.m.

Submitted by:

Kathleen Wilson  
Secretary

Approved by the Board:

[Signature]  
Board President

5-29-2006  
Date