

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
April 28, 2009

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

Board President Jibben called the meeting to order at 4:03 PM.

1. Mr. Williams moved to approve the minutes of the March 31, 2009 meeting, seconded by Mr. Stahl.

Mr. Jibben noted the discussion regarding the Power Sales Contract extension being offered by the Southern Minnesota Municipal Power Agency (SMMPA) to its members mentioned in item 5 in the minutes. He said rather than extending the contract, RPU could make SMMPA compete in the market by issuing a Request for Proposal to SMMPA for power supply. Mr. Koshire said the SMMPA Board has asked RPU to consider only the contract extension at this time. As City Attorney Adkins stated at the March meeting, this involves the Utility Board making a recommendation on the Power Sales Contract extension to the Council, and the Council making the decision.

All voting "AYE"

2. Mr. Jibben opened the meeting for comments from the public. No one wished to be heard.
3. Mr. Reichert, Board member and audit committee chair, summarized the results of the 2008 audit. Also appearing before the Board was Mr. Tom Wentz of Smith, Schaffer and Associates. Mr. Wentz stated that his firm conducted an independent audit and issued an unqualified opinion to the audit committee prior to the Board meeting. Ms. Parker, Director of Corporate Services, told the Board that RPU is at 74% of its reserve goal with a cash reserve ratio at 22%. She also said that RPU is above the industry standard for this. Further, RPU's working capital is very healthy. Although RPU's bad write offs have been increasing, they are still fewer than most utilities. Mr. Williams asked how the reserves are handled. Mr. Blom, Manager of Finance and Accounting, said RPU uses the City's investment pool. Mr. Williams said we need to balance the need for reserves for capital needs versus the public view that RPU is a bank. Mr. Koshire said RPU's reserves are based on Board policy. Mr. Wentz explained that reserves are supported by past rate payers while bonds are supported by future rate payers. When the bond market is shaky, there needs to be balance between reserves and debt. Mr. Wentz said he had reviewed the management letter with the audit committee and found no major areas of concern or irregularities.

4. Mr. Reichert moved to approve the 2009 air emissions fee for the Silver Lake Plant, seconded by Mr. Williams. Mr. Koshire said the rate is set by the Minnesota Pollution Control Agency and covers the operating costs for their Air Quality Program.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to authorize payment of the 2009 Silver Lake Plant air emission fee in the amount of \$164,651.62 to the Minnesota Pollution Control Agency.

5. Mr. Koshire provided the following update to the Board:
 - a. A new ordinance for an Energy Commission is being reviewed by the Council on May 4. If approved, RPU will be an ad hoc member.
 - b. A SMMPA bond sale will be voted on at the May 13 SMMPA Board meeting. RPU plans to vote for the bond sale in lieu of a significant rate increase from SMMPA to its 18 member cities. This money will not be used for any generating facilities based on language in the resolution. Mr. Jibben asked if any of the bond money could be used for Big Stone II. Mr. Koshire said he had received assurance that the SMMPA Board cannot use bond funds for this purpose.
 - c. Mr. Kotschevar, Director of Core Services, provided an update on the pandemic planning RPU has been involved in recently. RPU's plan is known as a Continuity of Operations Plan (COOP). The plan identifies critical staffing levels based on the duration and type of emergency for each of its 16 functional areas. Its critical staffing needs are identified and food, water containers and protective equipment supplies are in stock. RPU has been coordinating its planning efforts with Sgt. Jon Turk, Emergency Management Coordinator for the City of Rochester, the Olmsted County Public Health Department and the Minnesota Department of Health. In addition, RPU has participated in mass inoculations for the influenza vaccine in prior years through the County/City. He thanked Kathy Wilson, Assistant to the General Manager and Board Secretary, for her assistance in RPU's emergency preparedness planning efforts.
6. The management and financial reports were discussed. The Board extended its congratulations to Mr. Scott Rendler, Water Distribution Worker, for passing his Class B Water Operator exam.

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

All voting "AYE"

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

All voting "AYE"

The meeting was adjourned at 4:48 p.m.

Following the meeting, there was an informal planning session.

Submitted by:

Kathleen Wilson
Secretary

Approved by the Board:

Jack Jobin
Board President
5/26/09
Date