

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
April 29, 2008

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

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

1. Mr. Jerry Williams was introduced as a new Board Member. Mr. Williams fills the expired term of Mr. Landwehr.

- 2a. Mr. Hanson moved to nominate Mr. Jibben for Board President for 2008, seconded by Mr. Reichert.

All voting "AYE"

Mr. Jibben recommended the following appointments to serve as board-management liaison for the functions listed below:

Finance, Accounting and Audit – Mr. Reichert
Council Liaison – Mr. Hanson
Communications and Strategic Planning – Mr. Jibben
Operations and Administration – Mr. Williams
Legal and Policy – Mr. Stahl

- 2b. Mr. Reichert moved to nominate Kathy Wilson as Board Secretary, seconded by Mr. Williams.

All voting "AYE"

3. Roger Moore, Water Distribution Worker, was recognized for 23 years of service to RPU. Mr. Moore plans to retire at the end of April

4. Mr. Hanson moved to approve the minutes of the March 25, 2008 meeting, seconded by Mr. Williams.

All voting "AYE"

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

All voting "AYE"

6. Mr. Jibben opened the meeting for comments from the public.

Wishing to be heard were Ian Cameron, Eric Lynn and Patrick Allen, Mayo High School students representing the Olmsted County Solar Initiative. Mr. Cameron stated that one of the goals of the project is to expose students to clean sustainable energy by the installation of a photovoltaic solar system on Mayo High School. The project also involves students from John Marshall, Century and Dover/Eyota high schools. Mr. Lynn said that the size of the system would on Mayo would 4 to 6 KW. The students requested funds from RPU for a data acquisition system for the project and to hook into the grid. Mr. Allen said the students are also conducting fundraising through the four high schools for panel implementation by August 2008. Grants have been received from the Rochester Area Foundation, CERTs, and the School District Foundation for the project. Mr. Williams commented that this was an excellent project. Mr. Schlink recommended RPU staff work with the students on obtaining a Demonstration of Energy-Efficient Developments (DEED) program grant. The Board applauded the students for their efforts and concurred with Mr. Schlink's recommendation.

Also wishing to be heard was Mr. Bob Johnson, an Eyota township resident, who asked the Board how consumers can generate their own electricity. He asked if homeowners could buy either wind or solar for their homes. Ms. Hanson, RPU Manager of Marketing and External Services, explained that RPU currently has one residential customer with photovoltaic and that RPU works with its customers on the steps involved. Mr. Johnson asked about the economic justification for this type of installation. Ms. Hanson said that there was a long payback for solar. She said that such installations must be looked at on a case by case basis and that an energy audit of the whole house was usually recommended. Mr. Jibben said that conservation options as well as generation options could be reviewed. He mentioned RPU's Conservation Improvement Program (CIP), the use of compact fluorescent lights (CFL's), and geothermal heating as having better financial payback for the average residential customer.

7. Mr. Reichert, Board Member and Audit Committee Chair, provided the results of the annual audit to the Board. The committee also consists of Board Member Stahl, the General Manager, Director of Corporate Service, Manager of Finance and Accounting, and Smith Schafer auditors. Overall the results of the audit were positive. There was one adjustment to be made on the disposition of assets which were retired too early. In addition, due to the new Customer Care System (CCS), some of the data did not translate from year to year and the reports did not quite match. Both Mr. Reichert and Mr. Stahl accepted the audit results. Mr. Jibben asked Mr. Blom, Manager of Finance and Accounting, to explain RPU's current reserve levels and goals. Mr. Blom explained the four components to the reserves which are designed to provide working capital, a contingency fund, a capital reserve and special reserves. The special reserves are used for projects like the Emission Reduction Project (ERP). Mr. Koshire said the reserve policy is reviewed from time to time.

Mr. Koshire asked the Board to receive and place on file the auditor's report for 2007 as well as RPU's annual report which contains a report from the auditors. Mr. Hanson moved to place the auditor's report and the annual report on file, seconded by Mr. Williams.

All voting "AYE"

8. Mr. Schlink, Director of Power Resources, provided a report on the 2007 financial performance of Power Resources. Because RPU chose not to have its wholesale power supplier, Southern Minnesota Municipal Power Agency (SMMPA), supply all of its power needs, RPU saved its customers from an additional 4% rate increase in 2007. Mr. Hanson asked whether the Silver Lake Plant (SLP) upgrades will make a difference. Mr. Schlink said that the Clean Air Rider is used for debt. In addition, the value of the sale of additional emission allowances RPU earns by reducing its emissions will offset any additional operating costs.
9. Mr. Anderton, Manager of Engineering, discussed the Electric Engineering & Operations Report for 2007 with the Board. The report is prepared annually to document the major accomplishments and performance statistics that reflect the work of the electric department for the year. There were 521 new electric customers for the year which brings the total electric customers to 47,000. The electric system peak was set at 276 megawatts for the year. Approximately 87% of electric residential customers have automatic meter reading (AMR) devices installed. Mr. Koshire, General Manager, said that the report included reliability data because the State of Minnesota requires that this be presented to the local governing body of the utility which is the Utility Board.
10. The bids for the 15 kV electrical bus duct were discussed. Mr. Stiller, Senior Electrical Engineer, said the equipment will be used at the Cascade Creek substation. It is part of a budgeted project to improve safety by reducing the amount of fault current that workers and equipment are exposed to. Two of the three bidders were disqualified for failure to meet bid specifications. Mr. Hanson moved to reject the bids of AZZ/Calvert and Technibus and to approve a purchase order with Eaton Electrical Group, seconded by Mr. Reichert.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to reject the bids from AZZ/Calvert and Technibus due to failure to meet bid specifications.

BE IT FURTHER RESOLVED that the Board approves a purchase order agreement with Eaton Electrical Group for

15kV Electrical Bus Duct

In the amount of ONE HUNDRED SEVENTY-SEVEN THOUSAND ONE HUNDRED SEVEN AND NO/100 DOLLARS (\$177,107.00), with Eaton Electrical Group being lowest responsible bidder.

11. Mr. Williams moved to approve the 2008 air emissions fee for the Silver Lake Plant which is set by the Minnesota Pollution Control Agency, seconded by Mr. Reichert.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to authorize payment of the 2008 Silver Lake Plant air emission fee in the amount of \$127,677.43 to the Minnesota Pollution Control Agency.

12. Mr. Koshire, General Manager, provided the following report to the Board:
- a. Mr. Koshire said the legislative request for \$175,000 in the state bonding bill to dredge the silt from Lake Zumbro survived, but the request for a sales tax exemption for the Emission Reduction Project did not. The request will be made in the next legislative session because there was support for it among the legislators.
 - b. For the second time, RPU has received the diamond level rating (100%) for being a Reliable Public Power Provider (RP3) from the American Public Power Association. The application was prepared by Ms. Wilson, Board Secretary.
 - c. The grant application for the Hybrid Energy System Solution submitted by the University of Minnesota and RPU to the Department of Energy was not approved.
 - d. Activities for "Drinking Water Week" (May 4 – 10) were discussed. They include RPU bags for children with water activity sheets, and information on RPU water versus bottled water.
 - e. An update on this year's Arbor Day event was provided. Hundreds of children attended. One thousand trees were given away and trees were also planted.
 - f. RPU's excess liability insurance carrier, AEGIS, conducted a risk assessment of RPU. The results were very positive.
 - g. Sara Fitch, RPU's new Residential Representative, was introduced to the Board.
13. The management and financial reports were discussed.
14. Other Business:
- a. Mr. Adkins invited the Board to attend a Committee of the Whole meeting on June 9 at 3:30 p.m. at which representatives from Peoples' Cooperative Services plan to appear before the Council to request the right to serve within the City. This event will be noticed on RPU's web site. Mr. Jibben said the citizens of Rochester want the high reliability of RPU.

- b Mr. Johnson asked whether water with salt from the proposed ethanol plant by Eyota which is being dumped into Bear Lake would get into the RPU operation. He wants to make sure RPU takes the necessary steps to prevent this. Mr. Koshire said the proposed ethanol plant is on the border of RPU's water supply and that the Minnesota Department of Water wants to study this. He also said he was not aware of the discharge which is also regulated. If this is the case, the firm in charge of the ethanol plant would need a discharge permit.

- 15 Mr. Reichert moved to adjourn the meeting, seconded by Mr. Hanson

All voting "AYE"

The meeting was adjourned at 6:00 p m.

Submitted by:

Kathleen Wilson
Secretary

Approved by the Board:

Jack Johnson
Board President
5/27/08
Date