

**ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
July 28, 2009**

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

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

1. Mr. Stahl moved to elect Mr. Williams as Board President, seconded by Mr. Landwehr.

All voting "AYE"

Mr. Williams appointed Kathy Wilson as Board Secretary. He discussed the current Board assignments with the members. It was agreed that the current assignments would remain in place. They are as follows:

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

2. Mr. Reichert moved to approve the minutes of the June 30, 2009 meeting, seconded by Mr. Stahl.

3 Voting "AYE"
1 Abstain (Mr. Landwehr)
Motion Carried

3. Mr. Williams opened the meeting for comments from the public. No one wished to be heard.
- 4a. The bids for the water storage tank repair/repainting were discussed. Mr. Johnson, Manager of Maintenance and Construction – Water Operations, explained that the bids came in lower than budget because a different tank was selected for the painting. Mr. Landwehr moved to approve a contract with M.K. Painting, seconded by Mr. Stahl.

All voting "AYE"

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

**WATER STORAGE TANK REPAIR-REPAINTING
(300,000 gallon Country Club Manor Main High Level Tower #89)**

The amount of the contract agreement to be ONE HUNDRED NINE THOUSAND AND 00/100 DOLLARS (\$109,000.00) and M.K.Painting, Inc. being the lowest responsible bidder.

- 4b. Mr. Stiller, Senior Electrical Engineer, discussed the bids received for the Westside substation grading, foundations and fence with the Board. He explained that the bids were routine and that staff was recommending the lowest bidder. Mr. Williams asked about the contingency fund request. Mr. Stiller replied that this was for unforeseen work like undocumented foundations. Typically, 10% to 15% is used for this amount, but Mr. Stiller wanted to make the amount smaller. Mr. Stahl moved to approve a contract agreement with Alvin E. Benike, 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 Alvin E. Benike, Inc. and authorize the Mayor and the City Clerk to execute the agreement for

Grading of the substation yard, excavation and backfill, concrete foundations,
fence reconstruction, and turf establishment at the Westside substation

The amount of the contract agreement to be SIX HUNDRED SIXTY SEVEN THOUSAND FIVE HUNDRED AND 00/100 DOLLARS (\$667,500.00) consisting of: 1) a firm price of 642,500.00 for the agreed to work and 2) a contingency of \$25,000 and Alvin E. Benike, Inc being lowest responsible bidder.

5. Mr. Schlink, Director of Power Resources, provided the Board with an update to the Electric Utility Baseline Strategy which is updated every five years. In June 2005, RPU staff and Burns & McDonnell developed the plan for 2005 – 2030. The current update will cover the period up to 2045. In 2005, the Board approved the plan as a guide for future infrastructure development. Based on the plan, RPU has invested in emission controls at the Silver Lake Plant, purchased a site for future generation and substation expansion, and proceeded in participation in transmission expansion projects. Mr. Schlink stated that the plan is also critical to the development of RPU's demand side management program which has been targeted to exceed regulatory requirements as a result of the plan's recommendations. As a guiding document for infrastructure development, the plan will be updated as industry, economic, legislative, and regulatory and other conditions emerge.

Mr. Schlink said that RPU's Conservation Improvement Program reductions through the use of its demand side management program will allow RPU to meet Minnesota's renewable energy portfolio until 2025. He also said that the Baseline Strategy plan recommends the addition of a combined cycle unit for generation in 2027. Mr. Koshire

stated that the rating agency for the recent Southern Minnesota Municipal Power Agency (SMMPA) bonding issue described SMMPA's lack of diversity in base-load power resources because of its reliance on coal from the SHERCO plant as a weakness. Finally, the Baseline Strategy update showed that RPU fits a solar portfolio better than the wind market and without as much economic exposure.

The Board directed staff to place the draft plan on RPU's web site (www.rpu.org) for public comment. The Board will be requested to approve the plan at its August 25 meeting and its use as a guideline for power supply planning. Mr. Koshire said RPU could take public comments through its blog on its web site, on facebook, or at the board meeting.

6. The amendments to the 2005 Master Site Agreement with Verizon Wireless were discussed. Additional revisions to the Fourth Amendment were distributed during the meeting. The proposed amendments were reviewed by the City Attorney. Mr. Landwehr moved to approve the amendments, seconded by Mr. Stahl.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve the attached five Amendments to the 2005 Verizon Master Site Agreement with Verizon Wireless LLC, and to request that the Mayor and the City Clerk execute the five Amendments for

First Amendment: Increasing the size of replacement antennas, and increasing the allowable number of antenna assemblies from six to twelve at the Willow High Water Tower site SW.

Second Amendment: Increasing the size of replacement antennas at the Country Club Standpipe Site NW.

Third Amendment: Increasing the size of replacement antennas, increasing the allowable number of antenna assemblies from six to twelve, and correcting previous antenna location description errors at the Viola High Water Tower site NE.

Fourth Amendment: Increasing the size of replacement antennas, changing the allowable number and size of cables, and increasing the allowable number of antenna assemblies from six to twelve at the Airport Water Tower site SW.

Fifth Amendment: Increasing the size of replacement antennas at the Silver Lake Plant site Ne.

7. Mr. Koshire provided the following update to the Board:
 - a. City Administration has discussed a streetlight utility with RPU staff. Currently, the City pays \$1.2 million to light the streets. RPU will consider this subject during its electric rate study.

- b. The 2010 budget shortfalls were discussed. RPU is considering a short-term borrowing to avoid raising rates. Board and Council approval will be sought for this in September. The Board directed staff to prepare an application for the Midwest Consortium of Municipal Utilities to consider. If approved, the funds would be used for the Westside Substation and remaining costs of the Emission Reduction Project. A larger bond issue may be needed at a later date for the investment in CapX2020.
 - c. RPU is considering joining the Midwest Independent System Operator (MISO). This topic will be brought back to the Board later in the year for future discussion.
 - d. The SMMPA bond issue has been completed. Moody's Investors Service mentioned SMMPA's base load resource concentration in Sherco 3 coal generation plant, potential power cost escalations resulting from new capital improvement requirements at the Sherco 3 plant, and uncertainty regarding new generation resources needed to meet demand forecasts as challenges for the Agency.
 - e. Mr. Walters, Director of Customer Relations, informed the Board that RPU has issued a Request for Proposal (RFP) on the topic of Smart Grid. A Smart Grid delivers electricity from suppliers to consumers using digital technology to save energy, reduce cost and increase reliability and transparency. RPU currently has components of Smart Grid but they are not integrated. Mr. Reichert said the key is to integrate them. He also said that utilities need two-way customer communications. He suggested using various home software applications. Mr. Walters said Smart Grid is waiting for standardizing protocols. Mr. Koshire said that this is part of what we will be looking at in the RFP. RPU would like to do a two-way pilot next year. Mr. Reichert also said that the recent customer survey showed an interest in this technology. Mr. Williams said he hopes this becomes a locally grown effort so people can embrace it.
8. The management and financial reports were discussed.
- Mr. Stahl moved to approve the accounts payable report, seconded by Mr. Reichert.

All voting "AYE"

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

All voting "AYE"

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

Submitted by:

Kathleen Wilson
Secretary

Approved by the Board:

Jerry Williams
Board President
8/25/09
Date