

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
July 29, 2008

Members Present: Mr. Jibben, Mr. Reichert, Mr. Stahl, Mr. Williams, Mr. Hanson
Absent: None
Also Present: Mr. Adkins, City Attorney

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

1. Mr. Reichert moved to approve the minutes of the June 26, 2008 meeting, seconded by Mr. Williams.

All voting "AYE"

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

All voting "AYE"

3. Mr. Jibben opened the meeting for comments from the public. No one wished to be heard.
4. Distributed during the meeting was a revised For Board Action form with supporting documentation and staff's recommendation of lowest bidder for the indoor metalclad switchgear. The bids were discussed. The equipment will be used at the Bamber Valley Substation to meet the growing electric requirements of that area. Mr. Adkins asked Mr. Stiller, Senior Electrical Engineer, to provide a brief summary of why the bid received from Dakota Supply Group was incomplete. Mr. Stiller replied that staff is recommending the Dakota Supply Group bid be disqualified due to the incompleteness of their proposal and lack of responsiveness to requests for clarifying information, both technical and commercial. He also stated that there was a lack of proof of Dakota Supply Group's experience and performance in delivering comparable equipment on schedule. In addition, after submitting the proposal, the manufacturer revised their delivery date to a later date which is unacceptable for the project schedule. Mr. Stiller said that the runner-up bidder, Eaton Electrical Incorporated, has proposed acceptable material and delivery schedule, and has been responsive to questions and requests for clarification. Ulteig Engineers (RPU's consulting engineer) has provided a letter recommending that the Eaton Electrical Group's bid be selected. Mr. Adkins said that under these circumstances and with the explanation given by Mr. Stiller and stated in the For Board Action form, the Board could reject the Dakota Supply Group bid.

Mr. Hanson moved to reject the bid submitted by Dakota Supply Group for failure to meet bid specifications, seconded by Mr. Stahl.

All voting "AYE"

Mr. Stahl moved to approve a purchase order with Eaton Electrical Incorporated as lowest responsible bidder, seconded by Mr. Reichert.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota to reject the bid submitted by Dakota Supply Group for failure to meet bid specifications.

BE IT FURTHER RESOLVED by the Public Utility Board that the Common Council of the said City is requested to approve a purchase order agreement with Eaton Electrical Incorporated for

Indoor Metalclad Switchgear

The amount of the purchase order to be THREE HUNDRED FIFTY THOUSAND FIVE HUNDRED THIRTY-FOUR AND 00/100 DOLLARS (\$350,534.00) and Eaton Electrical Incorporated being lowest responsible bidder.

5. Ms. Parker, Director of Corporate Services, provided an update on the agreements and finance team associated with the CapX 2020 project. CapX 2020 is a joint transmission planning effort among 11 utilities that own transmission lines in Minnesota and the surrounding region. This includes RPU. Planning studies show that the region will see significant electricity growth in the coming decade, and the proposed CapX 2020 high voltage transmission lines will help meet that growth. Ms. Parker informed the Board that the agreements will involve land as well as maintenance. Mr. Koshire said that municipalities will have ownership in bulk transmission as a result of the project which would be a first in Minnesota. He also said that Minnesota has asked utilities to build transmission for reliability purposes. An Administrative Law Judge has completed 18 hearings throughout the state so far. When completed, the Administrative Law Judge will issue recommendations on a Certificate of Need for the project. Mr. Koshire stated that Rochester's cost would be approximately \$35 million, but that prices may escalate. Ms. Parker said that a legal team, finance team, and an agreements team are all working on the project. Ms. Parker said that RPU's share of the project is 9%. She also said that RPU will need to determine if we need to bond for CapX2020. Mr. Adkins said that the Council needs to be involved in any resolutions involving the City of Rochester in these matters.
6. Financial results for the Utility were presented as of June 30, 2008. The data was presented in a graphic format. Ms. Parker, Director of Corporate Services informed the Board that RPU is at 85% of its cash reserve target. Both the percentage and amount of the cash target were previously approved by the Board. Mr. Koshire said RPU's financials are more influenced by weather than by the economy.

7. Mr. Koshire, General Manager, provided the following report to the Board:
 - a. RPU staff met with People's Cooperative Services to discuss reaching a potential settlement agreement covering various service territory issues, but no agreement was reached.
 - b. Mr. Walters, Director of Customer Relations, provided an update on the Hybrid Energy System Study (HESS) project. The goal of the project originally was to determine the efficiencies gained by combining a fuel cell with a geothermal heat pump and eventually selling the patented technology. He informed them that RPU and the University of Minnesota-Rochester did not receive the Department of Energy grant they had applied for. However, RPU has requested an appropriation from Senator Amy Klobuchar for a hydrogen vehicle. Mr. Jibben pointed out that making electricity this way left a gap and loses energy. Mr. Walters explained that while 65% of the heat is wasted in a hydrogen vehicle, the HESS system would make use of this. He distributed a document entitled "The Utility Grid of the 21st Century" to the Board which included the use of various technologies such as wind turbines, landfill combustion turbines, etc. He also distributed information he received from an American Public Power Association Customer Connections Conference he attended in October 2007 on "Electric Technology in a Carbon Constrained World." The information recommended a full portfolio of technologies be made available for reducing CO2 emissions over the coming decades.
 - c. Mr. Benson, Communications Coordinator, discussed the Cascade Meadows Energy Park which is being designed as a wetlands area and energy information center. Staffing for the facility will be handled through Cascade Meadows. The projected 2009 capital costs for exhibit design is \$834,000. Subsequent years are projected to cost \$180,000. The goal is to provide something to do for visitors, demonstrate renewables and demonstrate the future. Mr. Williams said this would be a great opportunity to educate youth. Mr. Benson said that 75% of the visitors will be students.
8. The management and financial reports were discussed.
9. Mr. Hanson moved to adjourn the meeting, seconded by Mr. Williams.

All voting "AYE"

The meeting was adjourned at 5:23 p.m.

Submitted by:

Kathleen Wilson
Secretary

Approved by the Board:

Board President

Date