

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
September 25, 2007

Members Present: Mr. Landwehr, Mr. Jibben, Mr. Stahl, Mr. Reichert, 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. Jibben moved to approve the minutes of the August 28, 2007 meeting, seconded by Mr. Reichert.

All voting "AYE"

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

All voting "AYE"

- 3a. Mr. Landwehr opened the meeting for comments from the public. No one wished to be heard.

- 3b. Mr. Landwehr welcomed Mr. Roger Stahl to the Board. Mr. Stahl was appointed by the Mayor to the unexpired term of Mr. Utz which ends in January, 2010.

4. The bids for the current limiting reactors for the Emission Reduction Project were discussed. Mr. Landwehr asked why some of the bids were non-responsive. Mr. Schlink, Director of Power Production, explained that some of the bidders took exception to the space requirements available for the installation of the equipment. They were considered non-responsive as described in the letter of recommendation from Utility Engineering, RPU's engineers for the project. Mr. Hanson moved to approve a purchase agreement with Areva, seconded by Mr. Jibben.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota to approve a purchase order agreement with Areva for

Purchase of Two (2) Current Limiting Reactors
Emissions Reduction Project

The amount of the agreement to be \$51,470 as well as a contingency of \$5,000 and an estimated tax of \$3,603 for a total approved amount of \$60,073, and Areva being lowest responsible bidder.

- 5. A professional services agreement with Novaspect Inc. for software/hardware development for the Emissions Reduction Project was discussed with the Board. The addition of the multitude of emissions reduction equipment that must interface with the existing boiler and auxiliary equipment requires an integrated control system. Mr. Schlink informed the Board that RPU staff is waiting for the terms and conditions of the agreement which will be subject to review and approval by the City Attorney and General Manager. Mr. Reichert moved to approve the proposed agreement, 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 Novaspect, Inc. and request the Mayor and the City Clerk to execute the agreement for

Professional Services for Software Development, Logic Development, Documentation, Start-up and Incidental Hardware Supply for the Silver Lake Plant Emissions Reduction Project

The amount of the contract agreement to be FOUR HUNDRED THOUSAND 00/100 DOLLARS (\$400,000.00) contingent upon the approval of the RPU General Manager and the City Attorney.

- 6. Mr. Benson, Communications Coordinator, explained the activities that were planned to celebrate Public Power Week at RPU. Mr. Hanson moved to approve a resolution proclaiming October 7 through October 13 as Public Power Week, seconded by Mr. Jibben.

All voting "AYE"

PROCLAMATION RECOGNIZING PUBLIC POWER WEEK, OCTOBER 7-13, 2007

ROCHESTER PUBLIC UTILITIES HELPS OUR COMMUNITY IN POWERFUL WAYS

WHEREAS, we, the citizens of Rochester, Minnesota, place high value on local control over community services and therefore have chosen to operate a community-owned, locally controlled, not-for-profit electric utility and, as consumers and owners of our electric utility, have a direct say in utility operations and policies; and

WHEREAS, Rochester Public Utilities (RPU) provides our homes, businesses, farms, social service, and local government agencies with reliable, efficient, and cost-effective electricity employing sound business practices designed to ensure the best possible service at not-for-profit rates; and

WHEREAS, RPU is a valuable community asset that contributes substantially to the well-being of local citizens through energy efficiency, customer service, environmental protection, economic development, and safety awareness; and

WHEREAS, RPU is a dependable and trustworthy institution whose local operation provides many consumer protections and continues to make our community a better place in which to live and work, as well as contributes to protecting the global environment;

NOW, THEREFORE BE IT RESOLVED: that RPU will continue to work to bring lower-cost, safe, reliable electricity to community homes and businesses just as it has since 1894, the year when the utility was created to serve all the citizens of Rochester; and

BE IT FURTHER RESOLVED: that the week of October 7-13 be designated the 21st annual Public Power Week in order to honor RPU for its contributions to the community and to make its consumer-owners, policy makers, and employees more aware of its contributions to their well-being and how it makes their lives powerful; and

BE IT FURTHER RESOLVED: that our community joins hands with more than 2,000 other public power systems in the United States in this celebration of public power and recognition that RPU is good for consumers, business, the community, and the nation.

7. Mr. Koshire, General Manager, provided the following report to the Board:
 - a. RPU staff is working on the 2008 budget. An electric rate increase of 3% to 5% is anticipated for 2008 depending on the wholesale power cost increase RPU receives from the Southern Minnesota Municipal Power Agency (SMMPA). The preliminary budget will be presented to the Board at the November 27 board meeting. The Board will be asked to approve the budget at their December 13 meeting.
 - b. The first 345-kV transmission line to be built as part of the CapX2020 project (Capacity Expansion Plan by 2020) will come from Red Wing to Rochester and then to LaCrosse.
 - c. SMMPA is no longer an equity partner in the Big Stone II generation project.
 - d. In 2006, RPU completed a Readiness Audit by the North American Electric Reliability Corporation (NERC). In September of 2007, NERC conducted a two day compliance audit of RPU. RPU received high marks in both audits. Mr. Koshire said that out of 141 standards in the 2007 audit, RPU was found to be non-compliant in three administrative areas which are primarily paperwork issues.
8. The management/financial reports were discussed.
9. Mr. Stahl moved to adjourn the meeting, seconded by Mr. Reichert.

All voting "AYE"

The meeting was adjourned at 4:45 p.m.

An informal tour of the Silver Lake Power Plant followed the meeting.

Submitted by:

Kathleen Wilson

Secretary

Approved by the Board:

R. R. Sandwick

Board President

10 - 30 - 2007

Date