

ROCHESTER PUBLIC UTILITIES  
BOARD MEETING MINUTES  
September 28, 2004

Members Present: Mr. Hunziker, Mr. Landwehr, Ms. Parker, Mr. Jibben, Mr. Utz  
Absent: None  
Also Present: Mr. Adkins, City Attorney

Board President Landwehr called the meeting to order at 4:05 p.m.

1. Mr. Hunziker moved to approve the minutes of the August 31, 2004 meeting, seconded by Ms. Parker.

All voting "AYE"

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

All voting "AYE"

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

4. Mr. Hensel, Director of Field Services, provided the Board with an update on RPU's Wellhead Protection Program (WHP). RPU officially initiated WHP planning in 2001. RPU has completed Part 1 of this program and submitted a report to the Minnesota Department of Health. The report is available on RPU's Web site ([www.rpu.org](http://www.rpu.org)). This report must now be submitted to local units of government and a public information meeting must be held. When Part 2 is completed, it will be presented to the Board. Mr. Hunziker moved to place on file the report entitled, "Rochester Public Utilities Wellhead Protection Plan Part I," seconded by Mr. Utz.

All voting "AYE"

5. Mr. Perry Jones, United States Geological Service (USGS), informed the Board that the purpose of the Rochester area groundwater investigation study was to evaluate causes of nitrate-nitrogen loss or removal from waters flowing along the Decorah Edge and to evaluate the effects of changing land use on water quality along the Decorah Edge. Mr. Perry said that USGS still has a great deal of data to review from the groundwater sampling and testing conducted to date. Samples are being taken from monitoring wells as well as soil. Future work will include additional testing and publishing a journal article in 2006.
6. Mr. Koshire, General Manager, said staff has been discussing the use of the Minnesota Municipal Utilities Association's (MMUA) bond pool for a small financing to support the RPU capital program and preliminary 2005 budget. (The 2005 budget will be presented to the Board at the November meeting for review.) A bond sale in the range of \$5 million

would keep reserves within Board policy levels along with a small rate increase that was projected in the 2004 budget. Documents on the potential bond sale are not yet available. Staff is also studying the current cash reserve levels set by the Board to ensure the ability of the Utility to meet future revenue requirements. Mr. Koshire said that RPU also needs to look at a site for the next peaking generation unit.

Board member Jibben, who is employed by the Mayo Clinic, stated that he would abstain from the financing discussion because of the RPU/Mayo Clinic steam project. Mr. Hunziker expressed concern about the impact of variable rate financing. Ms. Parker stated that the County had good success with variable rate financing. Mr. Utz suggested that staff continue to explore financing options. Mr. Landwehr said that it was the consensus of a majority of the Board for staff to proceed.

7. Mr. Schlink, Director of Power Resources, provided a status report on the RPU steam supply project. Mr. Jibben abstained from the discussion. Mr. Schlink said the steam project consisted of three parts: the Silver Lake Plant modifications for steam; construction of the steam line; and the Prospect Plant modifications (which will be done by the Mayo Clinic). Construction and commissioning phases of the project will commence this fall with commercial operation of the steam supply system scheduled for fall of 2005.
- 3.a,b,c Mr. Jibben abstained from the discussion of the change orders associated with the steam project. Mr. Mark Henthorn, Stanley Consultants, informed the Board that the escalation of material costs including steel, lumber, etc. and labor costs were contributing to the increased costs of the project. Mr. Schlink stated that there was a \$1.3 million increase in costs due to the appeal process. The steam rate will be established on the final costs of the project. Mr. Koshire said the sooner we produce steam, the sooner the customer will benefit. Mr. Utz moved to approve en bloc three change orders for the steam project, seconded by Ms. Parker.

4 Voting "AYE"  
1 Abstain (Mr. Jibben)  
Motion Carried

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve Change Order No. 001 to the General Construction RPU Steam Supply Project Contract 02-28-C between Rochester Public Utilities and Knutson Construction Services in the amount of \$1,305,950. This brings the total amount of the contract to \$5,890,439.

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve Change Order No. 001 to the General Construction RPU Steam Supply Project Contract 03-23-E between Rochester Public Utilities and Himec Inc. in the amount of \$399,420. This brings the total amount of the contract to \$3,086,420.

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to

approve Change Order No. 7 for Stanley Consultant Inc. to provide professional services to the RPU Steam Project in the amount of \$142,200. This brings the total amount of the contract to \$1,337,880.

9. Ms. Parker moved to approve a resolution proclaiming Oct 3-9 as Public Power Week, seconded by Mr. Utz.

All voting "AYE"

*Proclamation recognizing Public Power Week, October 3-9,  
and how RPU powers our lives throughout the year*

WHEREAS, we, the citizens of Rochester, MN, 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, 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 work and live;

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 Mayor and Common Council of the said City are requested to designate the week of October 3-9 as the 18<sup>th</sup> 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 that through local, community-ownership ensure cost-cutting service for electricity customers.

- 10. A new agenda item was introduced during the meeting with the title, "Mutual Confidentiality Agreement with Current Technologies" with Access Broadband, Current Technologies, Current Communications Services, Hiawatha Broadband Communications and the City of Rochester, certain confidential, proprietary and trade secret information with respect to broadband over power line (BPL). Mr. Lorber, Director of Core Services, stated that approval of the agreement would be contingent upon the City Attorney approving the addition of appropriate language to address the applicability of Minnesota data practices law and that Current Technologies still needed to agree to the City Attorney's changes. Mr. Hunziker moved to approve the agreement as amended subject to review of the final document by the City Attorney, seconded by Mr. Utz.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, that the Board approves, contingent upon acceptance by the Rochester City Attorney of revisions required by the other signatories, a contract agreement with Access Broadband, Current Technologies, Current Communications Services, and Hiawatha Broadband Communications, and that the Mayor and the City Clerk are authorized to execute the agreement for

Confidentiality Agreement

- 11. The General Manager provided the following report to the Board:
  - a. The Minnesota Pollution Control Agency did an inspection at the Silver Lake Plant and Cascade Creek combustion turbine sites which went very well.
  - b. The month of August was a cool one and this is reflected in the financial statements.
- 12. The management/financial reports were discussed.
- 13. Mr. Utz moved to adjourn the meeting, seconded by Mr. Hunziker.

All voting "AYE"

The meeting was adjourned at 5:50 p.m.

Submitted by:

Kathleen Wilson  
Secretary

Approved by the Board:

R. Hunziker  
Board President

10-26-04  
Date