

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
September 30, 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. Hanson moved to approve the minutes of the August 26, 2008 meeting, seconded by Mr. Reichert.

All voting "AYE"

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

All voting "AYE"

* Mr. Stahl entered the meeting at this time.

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

- 4a. The quotations received for the 50th Avenue Northwest manhole and duct system were discussed. Mr. Koshire informed the Board that sealed bids were not required for items under \$100,000 due to recent changes in state law. Mr. Reichert moved to approve a purchase order agreement with Oldcastle Precast for the project, seconded by Mr. Williams.

All voting "AYE"

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

9 Manholes
50th Avenue NW Duct Extension

The amount of the purchase order agreement to be EIGHTY-FOUR THOUSAND THREE HUNDRED SIXTEEN AND 14/100 DOLLARS (\$84,316.14).

- 4b. The turbine work required on one of RPU's power turbines was discussed. Mr. Dunnette, Manager of Power Production, stated that the problem was discovered after RPU received a service bulletin from Pratt & Whitney Power Systems asking that the turbine

be inspected. He also said that Pratt & Whitney is providing an expedited repair at a very good price. Mr. Stahl moved to approve a purchase order agreement with Pratt & Whitney, seconded by Mr. Hanson.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a purchase order agreement with Pratt & Whitney Power Systems, Inc. for

Repair of GT2 Engine A – Bolt Replacement On Power Turbine

The amount of the purchase order agreement to be SIXTY-SIX THOUSAND FIVE HUNDRED AND 00/100 DOLLARS (\$66,500.00).

5. Mr. Benson, Communications Coordinator, described the activities planned for Public Power Week. They include volunteer work with the Rochester Area Habitat for Humanity to build a home for a local family. Mr. Williams suggested doing something in the downtown area to promote the benefits of public power and educate the public. Mr. Benson said he has been in contact with University of Minnesota-Rochester about using an existing site downtown for a display. Mr. Williams moved to approve a Public Power Week proclamation, seconded by Mr. Hanson.

All voting "AYE"

PROCLAMATION RECOGNIZING PUBLIC POWER WEEK,
OCTOBER 5-11, 2008

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 5-11 be designated the 22nd 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.

6. The annual update of the cost and rate schedules for RPU's Cogeneration and Small Power Production Rate Tariff were discussed with the Board. These updates are required by Minnesota law. Currently RPU has only one customer under this tariff. Mr. Hanson moved to approve the revisions, seconded by Mr. Williams.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, that the Common Council of the said City is requested to approve revised Schedules A through J of the RPU Cogeneration and Small Power Production Rate Tariff which are updated annually after each calendar year by RPU. This is required by Section III, paragraph A of the Rules Covering Cogeneration and Small Power Production Facilities (Minnesota Statutes Section 216B.164, Subdivision 9) which were previously approved by the Board/Council in June 2005.

7. Mr. Schlink, Director of Power Resources, informed the Board that Addendum No. 3 to the Participation Sales Agreement between the City of Rochester and the Minnesota Municipal Power Agency only required approval by the General Manager and that staff wanted to revisit item 3 of the agreement prior to executing it. This agreement is used to meet RPU's regulatory requirements for capacity and energy. Mr. Hanson moved to approve Addendum No. 3 subject to review of the terms and conditions by the City Attorney and approval by the General Manager, seconded by Mr. Reichert.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve Addendum No. 3 to the Participation Sales Agreement between the City of Rochester and the Minnesota Municipal Power Agency, and that the Mayor and City Clerk execute the agreement.

The term of the agreement to be November 1, 2008 through October 31, 2010.

- 8a.8b. Mr. Reichert moved to approve en bloc antenna agreements with American Messaging Services LLC for the Saint Marys Concrete Water Tower and with New Cingular Wireless for the Willow High Water Tower SW Site, seconded by Mr. Hanson.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve the attached Site Agreement with American Messaging Services LLC with 2008 rent of Ten-Thousand-Two-Hundred-Twenty-Six and No/100 Dollars (\$10,226.00) prorated based on equipment installation date, and to request that the Mayor and the City Clerk execute the Site Agreements for

Maintaining Antennas and Appurtenant Equipment
for a Wireless Paging Equipment Installation
at the Saint Marys Concrete Water Tower site

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve the attached Site Agreement with New Cingular Wireless PCS LLC with 2008 rent of Fourteen-Thousand-Two-Hundred-Eighteen and 77/100 Dollars (\$14,218.77) prorated based on equipment installation date, and to request that the Mayor and the City Clerk execute the Site Agreement for

Maintaining Antennas and Appurtenant Equipment for a
Wireless Communications Facility
at the Willow High Level Water Tower SW site.

9. Mr. Koshire, General Manager, provided the following report to the Board:
- a. Mr. Koshire informed the Board that a recent news article in the Post-Bulletin announced a 6% wholesale electric price increase by the Southern Minnesota Municipal Power Agency (SMMPA), RPU's wholesale power supplier. The price increase to SMMPA's 17 members takes effect January 1, 2009. Mr. Koshire stated that SMMPA has a desire to build reserves to fund a gas turbine in 2012 out of cash. SMMPA also has commercial paper for long-term capital needs and has requested the SMMPA board to re-authorize the commercial paper up to \$100 million with the intention of rolling these funds into a bond issue. If this does not occur, SMMPA may need to do a 12% wholesale increase in 2009. SMMPA is also discussing the extension of its power sales contract, which expires with its members in 2030, to 2050.
 - b. RPU staff is working on the 2009 budget and the potential use of long-term debt to keep the pressure off rates.
10. The management and financial reports were discussed. The Board discussed the use of

innovative technology such as hybrid vehicles with batteries to reduce dependence on oil and promote the environment. Mr. Jibben said he was pleased to see RPU staff in attendance at a National Groundwater Association conference which featured groundwater geothermal technology. Mr. Cook, RPU Manager of Work Management and Integrated Services, informed the Board that alternative fuels are reviewed in the context of our vehicle replacement schedule. RPU purchased hybrid vehicles in 2004 and 2008 and is looking at hybrid work trucks. Mr. Koshire reminded the Board that it also approved a plug-in hybrid electric vehicle resolution in January 2006 which supports the production and commercialization of these vehicles and commits RPU to purchase this technology as appropriate to promote and support renewable energy generating resources in the community.

- 11. Mr. Hanson moved to adjourn the meeting, seconded by Mr. Williams.

All voting "AYE"

The meeting was adjourned at 5:40 p.m.

Submitted by:

Kathleen Wilson
Secretary

Approved by the Board:

Jack Jibben
Board President
10/28/08
Date