

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
October 25, 2005

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

Board President Landwehr called the meeting to order at 4:03 p.m.

1. Mr. Hanson moved to approve the minutes of the September 27, 2005 meeting, seconded by Mr. Utz.

All voting "AYE"

2. Ms. Parker 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.

- 4a. A revised For Board Action and resolution requesting Council approval for the purchase of single phase electric meters for 2006 were distributed during the meeting. Mr. Hanson moved to approve a purchase order agreement with Border States, seconded by Mr. Utz.

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 a purchase order agreement with Border States for

Purchase of 4,500 Meters for 2006

The amount of the purchase order agreement to be TWO HUNDRED EIGHTEEN THOUSAND SEVEN HUNDRED AND 00/100 DOLLARS (\$218,700.00) and Border States being lowest responsible bidder.

- 4b. The bids received for the roof repair at the Silver Lake Plant were discussed. Mr. Adkins, City Attorney, asked RPU staff if Addendum 2 from Interstate Roofing & Waterproofing was received before or after the bid opening. Mr. Ledebuhr, RPU Materials Manager, stated he would check the bid opening records.

Mr. Hanson moved to approve a contract agreement with Interstate Roofing & Waterproofing, Inc. contingent upon showing the City Attorney that the Addendum was received prior to the bid opening, second by Mr. Utz.

Mr. Ledebuhr then informed Mr. Adkins that Addendum 2 was received via fax at 10:59 a.m. from Interstate Roofing prior to the bid opening which occurred at 2:00 p.m.

The Motion was amended by the consensus of the Board to remove the contingent language.

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 a contract agreement with Interstate Roofing & Waterproofing, Inc. and that the Common Council authorize the Mayor and the City Clerk to execute the agreement for

Partial Roofing of Silver Lake Plant

The amount of the contract agreement to be TWO HUNDRED SIXTEEN THOUSAND EIGHT HUNDRED AND 00/100 DOLLARS (\$216,800.00) and Interstate Roofing & Waterproofing, Inc. being lowest responsible bidder.

5a,b,c. Mr. Jibben stated that he would refrain from the discussion and abstain from voting on items 5.a., 5.b. and 5.c. which are change order requests for the steam project. Mr. Schlink, RPU Director of Power Resources, provided the Board with an overview of the steam project to date. Due to the significant delays in the project related to issuance of a permit to RPU, additional costs have been incurred. The change order requested for the Silver Lake Plant Modification – Valve Cut In is in the 2005 RPU budget as part of project contingency funds. Mr. Schlink also informed the Board that additional future change orders are also anticipated from Knutson Construction Services and Himec.

Mr. Hanson moved to approve en block the change orders specified for Wrigley Construction, Knutson Construction and Himec, seconded by Ms. Parker.

4 Voting "Aye" (Mr. Landwehr, Ms. Parker, Mr. Utz, Mr. Hanson)
1 Abstain (Mr. Jibben)

Motion Carried

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve Change Order 001 to the contract with Wrigley Mechanical, Inc. in the amount of \$68,603.27 which brings the total approved contract amount to \$238,503.27 for the Silver Lake Plant Modification – Valve Cut In.

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve Change Order 004 to the contract with Knutson Construction Services in the amount of \$316,386.00 which brings the total approved contract amount to \$6,397,341.00 for the General Construction RPU Steam Supply Project.

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve Change Order 003 to the contract with Himec Inc. in the amount of \$114,305.00

which brings the total approved contract amount to \$3,266,570.00 for the General Construction Silver Lake Plant Modifications Project.

6. Addendum No. 2 to the Participation Sales Agreement between the City of Rochester and the Minnesota Municipal Power Agency (MMPA) was discussed. Mr. Schlink stated that the Midwest Independent System Operator (MISO) system was implemented in 2005 which controls the sale and transmission of energy in a multi-state region which includes the majority of Minnesota. RPU staff has been researching the potential for participating in this market as the most effective way of maximizing returns on the infrastructure investment and a method of offsetting increases in power supply purchases. The Addendum defines the terms of the marketing relationship between MMPA and RPU as well as monitoring the market conditions and production costs. MMPA representatives are experienced wholesale energy traders and Market Participants in the MISO. Mr. Schlink further stated that there are basically two markets in MISO: Day Ahead MISO and the Real Time Market. At this time, these markets are located in various areas of the country with energy traders driving the markets. RPU would give the rights to the Day Ahead MISO market to MMPA because they have the marketing expertise. Mr. Utz asked about the efficiency of the system. Mr. Schlink informed him that RPU's units would be dispatched at the best efficiency points so it would be an improvement. Ms. Parker stated that she liked the fact that MMPA would share the costs with us. Mr. Jibben asked about RPU's rights under the contract in the event of an emergency. Mr. Schlink stated that RPU would buy electric power at market price if this occurred. Mr. Koshire also stated that once the interconnection is broken, we can use our native load.

Mr. Hanson moved to approve Addendum No. 2, seconded by Ms. Parker.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve Addendum No. 2 to the Participation Sales Agreement with the Minnesota Municipal Power Agency (MMPA) and to request the Mayor and the City Clerk to execute the Addendum.

- * Mr. Hanson left the meeting at this time.

7. Mr. Jibben stated that he would refrain from the discussion and abstain from voting for Agenda #7 "Steam Sales Agreement between the City of Rochester and the Franklin Heating Station." Mr. Schlink informed the Board that Addendum No. 1 to the agreement consisted of "housekeeping changes" to 20 year agreement. Mr. Utz moved to approve Addendum No. 1, seconded by Ms. Parker.

3 voting "Aye" (Mr. Landwehr, Ms. Parker, Mr. Utz)
1 "Abstain" (Mr. Jibben)

Motion Carried

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve Addendum No. 1 to the Steam Sales Agreement between the City of Rochester and

the Franklin Heating Station and to request the Mayor and the City Clerk to execute the Addendum.

- 8. The General Manager provided the following report to the Board:
 - a. The winter must run provision with MMPA for the Silver Lake Plant has expired. RPU staff is discussing this matter with the DNR.
 - b. The December 15 Board meeting will be held at the Silver Lake Plant. There will also be a steam project dedication prior at 2:00 p.m. at the plant on that date.
 - c. The Southern Minnesota Municipal Power Agency (SMMPA) is considering joining MISO.
 - d. The RPU Finance Committee will be meeting to discuss RPU's preliminary 2006 budget.
 - e. Mr. Lorber, Director of Core Services, discussed broadband over power lines (BPL). RPU was in talks with Access Broadband, but staff wants to look at other vendors and review the market. Mr. Adkins stated that BPL does not require a franchise because it involves leasing RPU's lines. The Board directed staff to continue to move forward with the review of BPL and the market. Mr. Adkins said he would brief the City Council on this on November 7.
 - f. Mr. Lorber discussed service territory issues. 1974 state legislation established assigned service areas, but allowed municipals to acquire service rights to annexed areas. In 1990 the City Council passed a resolution stating that the City would serve new annexations. RPU staff has been meeting with Peoples' Cooperative Services to discuss the status of post 2000 annexations with no resolution. There are a total of 104 annexations involving 4,286 acres.
 - g. Mr. Koshire stated that there was a surprise State/Federal PCB compliance inspection which went very well.
- 9. The management/financial reports were discussed.
- 10. Mr. Utz moved to adjourn the meeting, seconded by Mr. Jibben.

All voting "AYE"

The meeting was adjourned at 5:35 p.m.

Submitted by:

Katherine Wilson
Secretary

Approved by the Board:

R. R. [Signature]
Board President

11-29-05
Date