

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
November 27, 2007

Members Present: Mr. Landwehr, Mr. Jibben, Mr. Stahl, Mr. Reichert
Absent: Mr. Hanson
Also Present: Mr. Adkins, City Attorney

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

1. Mr. Stahl moved to approve the minutes of the October 30, 2007 meeting, seconded by Mr. Jibben.

All voting "AYE"

2. Mr. Reichert 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. Mr. Norm Erickson, 1303 NE 5th Avenue, appeared before the Board to discuss the topic of energy. He distributed several articles on the subject. He said that shortages and price escalation of petroleum natural gas related products will soon manifest themselves, and that energy shortages and price increases will wreak havoc on economic expansion. He recommended that residential rates be progressive with the lowest usage paying the lowest rate.

- 4 a. Mr. Reichert moved to approve the purchase of residential electric meters for 2008, seconded by Mr. Stahl.

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 one year purchase order with Border States Electric for

Purchase of 4,500 Single Phase Residential Electric Meters in 2008

The amount of the contract agreement to be ONE-HUNDRED-EIGHTY-FOUR-THOUSAND-SEVEN-HUNDRED-TWENTY-FIVE AND 00/100 DOLLARS (\$184,725.00) and Border States Electric being lowest responsible bidder.

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- 4 b. Mr. Jibben moved to approve the purchase of one truck cab and chassis, seconded by Mr. Stahl.

All voting "AYE"

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

One 2008 International Model 4400 SBA 4 x 2 (MA035)
Single Axle Truck Cab and Chassis

The amount of the purchase order agreement to be FIFTY-NINE THOUSAND SEVEN HUNDRED NINETY-FIVE AND 00/100 DOLLARS (\$59,795.00) plus sales tax, and Astleford International being lowest responsible bidder

5. Ms. Parker, Director of Corporate Services, discussed the preliminary 2008 RPU budgets for the electric and water utilities with the Board. The budgets are based on electric and water sales forecasts, major maintenance, operating expenses and capital needs in each utility. The budgets reflect the continued growth in the community. The largest expenditure in the electric budget is the wholesale power purchased from the Southern Minnesota Municipal Power Agency (SMMPA). The budget reflects a 2.5% increase in the wholesale power costs for 2008, or \$7 million. Other major items in the budget include continued construction of the Emission Reduction Project (ERP) and continued work on the CapX transmission project

The Board discussed the budget assumptions with staff. Mr. Kotschevar, Manager of Maintenance and Construction, stated that the allocation budget method used this year at RPU had worked very well in his section because staff was able to funnel budgeted dollars to fill gaps where needed based on what is going on in the economy. He further stated that we were able to complete testing of all poles in the city.

Ms. Parker stated that the proposed budgets would allow RPU's reserve levels to reach 80% of the target established by the Board in 2008 and 100% of the reserve target in 2010. Mr. Reichert said that RPU needs to stay on track to meet its reserve targets because the market is unpredictable. Mr. Jibben said it was also good to build reserves up to be in a favorable position for future bonding issues.

The Board directed staff to give preliminary notice to the public of the intent to increase electric rates by 4% on or about January 1, 2008. This amounts to approximately \$3 for a residential customer and will be applied to the fixed customer charge. No increase is being requested for the water utility. The Board will be requested to approve the budgets and electric rate increase at their December 13 board meeting. Council approval will be requested on December 19.

- 6 Mr. Koshire, General Manager, provided the following report to the Board:
- a. A copy of Transforming the World was distributed to each Board member. The Mayor's office coordinated the production of this book to celebrate the City of

- b. Rochester's 150th anniversary.
- b. The City of Rochester's Director of Human Resources, Ms. Linda Hillenbrand, was introduced to the Board
- c. Staff is involved in the final testing phase of the new Customer Care System (CCS) which will be implemented during December.
- d. Mr. Koshire said RPU has been approached to participate in the Cascade Meadows environmental education project. At this time, the project is not fully defined Mr. Greg Munson, Executive Director at Quarry Hills, wants to make sure this would not be duplication of other area attractions. If RPU does get involved, it could present its energy program to the public.
- e. Mr. Koshire discussed the Rochester Public Works Department's proposal to the City Council for a "Fleet Maintenance Facility Planning and Consolidation Evaluation" performed by the City's consultant, Chatham Consulting. RPU staff participated in the study. The Council approved negotiating with the property owner for the proposed site. Contrary to the November 26 newspaper article, RPU has not agreed to participate in or utilize the proposed facility. However, RPU has identified some opportunities that could be evaluated such as vehicle fueling, vehicle washing, routing maintenance, etc. that could benefit RPU's vehicle fleet of 75 to 100 vehicles. At the present time, RPU has not made any commitments or capital commitments regarding the project. Also, the County is moving ahead with property acquisition for a south Rochester maintenance shop. Mr. Koshire said that RPU might want to keep a bucket truck on the south end of town to decrease the amount of crew response time during outages.

7 The management/financial reports were discussed

8 Mr. Jibben moved to adjourn the meeting, seconded by Mr. Stahl

All voting "AYE"

The meeting was adjourned at 5:35 p m

Submitted by:

Kathleen Wilson
Secretary

Approved by the Board:

R. K. Landwehr
Board President

12-13-07

Date