

ROCHESTER PUBLIC UTILITIES  
BOARD MEETING MINUTES  
March 28, 2006

Members Present: Mr. Landwehr, Mr. Jibben, Mr. Hanson, Mr. Utz  
Absent: Ms. Parker  
Also Present: Mr. Adkins, City Attorney

Board President Landwehr called the meeting to order at 4:00 p.m.

1. Mr. Hanson moved to approve the minutes of the February 28, 2006 meeting as amended, seconded by Mr. Utz.

All voting "AYE"

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

All voting "AYE"

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

4. Mr. Bill Angeman provided a presentation on the Lake Zumbro Restoration Committee Report dated November 16, 2005 to the Board. Mr. Dean Albertson is chair of the committee and was also present during the meeting. Lake Zumbro has the highest population relative to a recreational lake area outside of the metro area. The Lake was formed in 1919 when Rochester constructed a hydroelectric dam on the north end of the Lake. The Lake Zumbro Dam was added to the National Historic Register in 1991. Mr. Angeman also pointed out that RPU did a safety upgrade to the dam in 1998 and 1999.

The Committee is using an engineering firm to obtain core samples from the lake bed to determine the dredging required from the bed. The Committee is requesting funding assistance from RPU for the core sampling study. The goal is the removal of six feet or more from the lake bottom. Mr. Koshire, RPU General Manager, suggested that RPU share some of the costs of the core sampling study which would help determine the scope of the project. Staff will review the matter internally. The Board took no action on this subject.

\* Mr. Hanson left the meeting.

5. The 2006 coal supply was discussed. Due to a mine closing, RPU's current supplier is short of coal on RPU's 2006 coal order. Staff prepared specifications and reviewed alternate coal supplies.

\*\* Mr. Hanson returned to the meeting.

Mr. Schlink, Director of Power Resources, said that looking at a second supplier would open up RPU to coal supplies in other areas of the country. The Board asked about the bid tabulation comparison. Mr. Schlink informed them that the purchase of fuel was exempt from the Minnesota sealed bid requirements. When asked by City Attorney Adkins about the bid specifications, Mr. Williamson, RPU Senior Mechanical Engineer, stated that the bid specifications addressed BTU as a factor in awarding the bid. Also discussed was the issue of coal energy ratings being based on dry coal. Mr. Schlink said that all the variables involved in the purchase of coal were difficult to lay out in a spreadsheet. Mr. Utz moved to approve a coal supply agreement with River Trading Company, seconded by Mr. Hanson.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a Coal Supply Agreement with River Trading Company, and request the Mayor and the City Clerk to execute the agreement for

30,000 to 50,000 Tons of East Kentucky Blend Coal  
For Delivery by Rail in 2006 at a price of \$108.15 plus escalation

6a. Mr. Jibben refrained from the discussion and abstained from voting on agenda item 6.a. "Professional Services – Novaspect, Inc. – Mayo Steam Supply Project." Mr. Landwehr asked if there was still contingency money left. Mr. Schlink explained that there was, and that an agreement with Novaspect was necessary to go through a process of start up and commissioning of the new equipment and systems. Mr. Hanson moved to approve a purchase agreement with Novaspect, Inc., seconded by Mr. Utz.

3 Voting "AYE" (Mr. Landwehr, Mr. Hanson, Mr. Utz)  
1 "Abstain" (Mr. Jibben)  
Motion Carried

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

Professional Engineering Services for  
Start Up and Commissioning of the Steam Project Controls

The amount of the purchase order agreement to be ONE HUNDRED THIRTY-NINE THOUSAND SIXTY-SIX AND 17/100 DOLLARS (\$139,066.17).

6b. Mr. Schlink explained the chemical cleaning process required for the Silver Lake Plant Unit 4 boiler. It was last done in 1984. Mr. Hanson moved to approve a purchase agreement with The Babcock & Wilcox Company, seconded by Mr. Utz.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a purchase order agreement with The Babcock & Wilcox Company for

Professional Engineering Services for  
Chemical Cleaning of SLP Unit 4 Boiler

The amount of the purchase order agreement not to exceed TWO HUNDRED FIFTY-TWO THOUSAND TWO HUNDRED SEVENTY-NINE AND 80/100 DOLLARS (\$252,279.80) which is the estimated cost plus a \$40,000 contingency.

7. Mr. Randy Anderton, Senior Electrical Engineer, discussed the 2005 Engineering & Operations Report with the Board. The report is prepared annually to document the major accomplishments and performance statistics that reflect the work of RPU's electric department for the year. Growth continued in 2005 with the addition of 1,041 new customers. This brings the total electric customers to 45,586 in 2005.
8. Mr. Schlink discussed the Energy Sales Agreement for the Cascade Creek Gas Turbines with the Minnesota Municipal Power Agency (MMPA). MMPA has been providing Market Participant services for the Silver Lake Plant units in the Midwest Independent System Operator (MISO) market. These services have allowed RPU to sell energy into the wholesale market and to maximize the revenue from the Silver Lake Plant facilities. Beginning April 1, 2006 due to the Southern Minnesota Municipal Power Agency (SMMPA), RPU's wholesale energy supplier, becoming a member of MISO, RPU will be required to register its other generating units, the two Cascade Creek gas turbines, in MISO. MMPA staffs are experienced wholesale energy traders. The proposed agreement defines the terms of the marketing relationship. Mr. Hanson moved to approve the Agreement subject to review by the City Attorney, seconded by Mr. Utz.

All voting "AYE"

BE II RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a Cascade Creek Gas Turbine Energy Sales Agreement between the City of Rochester and the Minnesota Municipal Power Agency, and that the Board requests the Mayor and City Clerk execute the Agreement.

9. Mr. Walters, Director of Customer Relations, proposed a two-year contract agreement with Morgan Marketing Partners. This would involve outsourcing all of the additional work needed to accomplish RPU's more aggressive conservation goals. Mr. Utz moved to approve the two-year contract, subject to review by the City Attorney, and with the 2007 expenditure subject to Common Council approval of the 2007 electric utility budget, 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 Morgan Marketing Partners (MMP), subject to review

by the City Attorney, and request the Mayor and the City Clerk to execute the agreement for

Consulting Services for Demand Side Management and Energy Conservation Sales

The amount of the contract agreement to be \$120,500 for 2006 and \$149,000 for 2007, with the 2007 expenditure subject to Common Council approval of the 2007 electric utility budget.

10. The 2006 electric rate adjustment was discussed. At the February Utility Board meeting, staff was directed to notice the public of an increase in electric rates due to the impact of a 16.9% increase in RPU's cost of purchased power from RPU's wholesale supplier, SMMPA. Mr. Koshire said that both the energy and customer charge would be adjusted for a total of 8.5%. The Board commended staff for reducing RPU's budget to help mitigate the amount of the increase. Mr. Jibben moved to approve a 8.5% electric rate increase to all customer classes effective and revised rate schedules reflecting this change effective April 4, 2006, seconded by Mr. Hanson.

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 an 8.5% increase electric rates effective April 4, 2006 to the following rate classes:

Residential Service (RES)	Large General Service (LGS)
Residential Service-Dual Fuel (RES-DF)	Large Industrial Service (LIS)
Residential-High Efficiency HVAC (RES-HEF)	Interruptible Service (INTR)
General Service (GS)	City Street Lighting (CSL)
General Service-High Efficiency	Traffic Signals (TS)
General Service Time-Of-Use (GS-TOU)	Highway Lighting (HL)
Medium General Service (MGS)	Security Lighting (SL)
Medium General Service-High Efficiency	Civil Defense Sirens (CDS)
Medium General Service Time-Of-Use (MGS-TOU)	

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve the following rate schedules effective April 4, 2006.

Residential Service (RES)	Large General Service (LGS)
Residential Service-Dual Fuel (RES-DF)	Large Industrial Service (LIS)
Residential-High Efficiency HVAC (RES-HEF)	Interruptible Service (INTR)
General Service (GS)	City Street Lighting (CSL)
General Service-High Efficiency	Traffic Signals (TS)
General Service Time-Of-Use (GS-TOU)	Highway Lighting (HL)
Medium General Service (MGS)	Security Lighting (SL)
Medium General Service-High Efficiency	Civil Defense Sirens (CDS)
Medium General Service Time-Of-Use (MGS-TOU)	

11. Mr. Koshire said staff was requesting a revision to the Purchased Power Adjustment Clause (PPAC) due to market volatility and RPU's need to make adjustments more

quickly in power supply costs. The method of calculation will be simpler and the clause will be renamed "Power Supply Adjustment." Mr. Hanson moved to approve the Power Supply Adjustment, 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 the revisions to the Purchased Power Adjustment Clause and method of calculation under the new title of "Power Supply Adjustment."

12. The General Manager provided the following report to the Board:
  - a. Work on the Cascade Creek 1 gas turbine continues. It will be mid-summer before it is back on.
  - b. RPU's audit committee has met. The audit results for 2005 will be presented at the April Board meeting.
  - c. Mr. Joe Hensel, Director of Field Services, said that the Planning Department has been working on an ordinance amendment with City and County staff officials for the Decorah Edge. Rochester Area Builders are making language suggestions for the ordinance. He proposed that RPU update the white paper it prepared two years ago for presentation to the RPU Board. The Board concurred and felt the white paper would help quantify the issues. Staff will proceed with the update.
13. The management/financial reports were discussed.
14. Other Business:

Introduced during the meeting was a change order to purchase order #10219 with Power Generation Services for the Silver Lake Plant's Unit 4 generator overhaul. The change order is required as a result of the inspection of the unit when it was disassembled and tested. The damage that was found exceeded the level of damage that was expected. To make up for the budget shortfall, staff also requested that the Board approve a transfer of \$251,635 from the 2006 approved project identified as the Air Quality Control System. Mr. Hanson moved to approve the change order, 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 change order to PO #10219 with Power Generation Services Inc. in the amount of \$368,194 to provide services and materials for additional work that is required to the SLP Unit 4 Turbine Generator Overhaul as defined in the attachments. The total revised purchase order agreement will be for \$751,635.

BE IT FURTHER RESOLVED that Board requests that the Common Council approve the transfer of \$251,635 from the Air Quality Control System line item in

the 2006 RPU budget to the Unit 4 turbine generator overhaul line item.

15. Mr. Utz moved to adjourn the meeting, seconded by Mr. Hanson

All voting "AYE"

The meeting was adjourned at 5:43 p m.

Submitted by:

Kathleen Wilson  
Secretary

Approved by the Board:

R. L. Sandweh  
Board President

4-25-06  
Date