

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
January 26, 2010

Members Present: Mr. Williams, Mr. Landwehr, Mr. Reichert, Mr. Hanson, Mr. Stahl
Absent: None
Also Present: Mr. Adkins, City Attorney

Board President Williams called the meeting to order at 4:00 PM.

- 1a. Mr. Landwehr moved to nominate Mr. Jerry Williams as Board President for the upcoming year, seconded by Mr. Stahl.

All voting "AYE"

- 1b. Mr. Williams appointed Ms. Kathy Wilson as Board Secretary.

- 1c. Mr. Williams reviewed the Board assignments and asked members to contact him if they wished to make any changes. The current assignments are:

- Legal and Policy – Mr. Stahl
- Strategic Planning and Communications – Mr. Landwehr
- Finance, Accounting and Audit – Mr. Reichert
- Operations and Administration – Mr. Williams
- Council Liaison – Mr. Hanson

2. Mr. Hanson moved to approve the minutes of the December 17, 2009 meeting, seconded by Mr. Reichert.

All Voting "AYE"

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

- 4a. The bids received for the Westside Substation steel structures were reviewed. Mr. Stahl moved to approve a purchase order agreement with Galvanizers, Inc., seconded by Mr. Landwehr.

All voting "AYE"

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

Westside Substation Steel Structures

The amount of the purchase order to be ONE HUNDRED FOUR THOUSAND EIGHT HUNDRED FORTY-SIX AND 65/100 DOLLARS (\$104,846.65) and Galvanizers, Inc. being lowest responsible bidder.

- 4b. Mr. Olofson, Manager of Maintenance and Construction, discussed the proposed two-year tree trimming contract with the Board. An online bidding process was used for bid submittal and review. A more efficient method of tree trimming will be explored using an elevator aerial lift with an increased reach of 15 feet. RPU staff will evaluate the efficiencies, and will have the discretion to use the most efficient truck. Mr. Landwehr moved to approve a contract agreement with Asplundh Tree Expert 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 contract agreement with Asplundh Tree Expert Company and request the Mayor and the City Clerk to execute the agreement (subject to the approval of the 2011 RPU budget by the Board and Council) for,

2010 - 2011 Hourly Contract Tree Trimming

The amount of the contract agreement to be SIX HUNDRED FORTY FIVE THOUSAND AND TWELVE AND 40/100 DOLLARS (\$645,012.40) and Asplundh Tree Expert Company being lowest responsible bidder.

5. Mr. Williams said staff has taken time for due diligence with respect to discussions of water conservation rates which are required by state law. He asked that the Board come to a consensus without taking formal vote so that staff may notice the public of the Board's intent to take action at its February 23, 2010 meeting. Mr. Hensel, Director of Core Services, said that his contact at the Minnesota Department of Natural Resources (DNR) has informed him that the DNR is aware of RPU's water supply plan and many of its components. A regional hydrologist has reviewed RPU's report. The plan still needs water conservation rates, rebates and education added to it in order to be approved by the DNR. Once approved, the plan will be good for 10 years.

Ms. Parker, Director of Corporate Services, said that a two tier versus three tier water conservation rate for residential customers has been discussed with the three tier being slightly higher for irrigation. Ms. Hanson, Manager of Marketing, distributed a draft of the 2010 water rebates, and Mr. Benson, Communications Coordinator, explained the media campaign that will be used from February to April to let customers know how this will affect them. This information will also be on the RPU web site (www.rpu.org)

Mr. Williams said that he prefers the three tier rate structure because it offers people the ability to move from one tier to the next. He said he was glad that RPU has a rebate program. He also said that RPU has some of the lowest water rates in the region. He has reviewed water rates throughout the country. Three, four, and five tiers seem to be the

standard. The American Water Works Association says that three to five tiers are typical. He recommended we review the rate structure selected at the February meeting in six months. Mr. Reichert said that one year from now the cost of service study will be done. Mr. Koshire advised the Board that it could make a motion to direct staff to advertise that the Board will take action on a specific tier water conservation rate at the February meeting in order to notify the public.

Mr. Hanson asked about the DNR. Mr. Hensel said that the DNR would be glad to hear that the City is complying with the state statute and consistent with the spirit of the law. Mr. Landwehr asked how RPU would fund the education/rebate component. Ms. Hanson said it would be funded out of the budget.

Mr. Stahl and Mr. Reichert both said they preferred more than two tiers. Mr. Landwehr said he did not see a lot of gain between the two tier or three tier, but that we need to get something in place in order to review it. Ms. Hanson said the first year will be a learning year. Mr. Williams said that a 12 month cycle of review will allow us to look back. He also said that staff needs to come back to the Board if more money is needed in 2010. Ms. Parker said that RPU's forecasting process includes re-forecasting in July.

Mr. Reichert moved to direct staff to advertise for the Board to consider a three tier water conservation rate structure in the paper of record at the February board meeting, and that education would be included, with the intent to reconsider in one year.

Motion Failed to Pass Due to Lack of a Second

Mr. Reichert moved to direct staff to notify the public that a three tier water conservation residential and irrigation rate structure would be considered at the February 23, 2010 board meeting, seconded by Mr. Stahl.

All voting "AYE"

Mr. Koshire said that the resolution for the February meeting will reflect the public review of this subject by the Board since the topic was first introduced in 2009.

6. Mr. Hanson moved to approve the 2009 water use fees, seconded by Mr. Landwehr.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to authorize payment of water use fees in the amount of \$83,431.38 for 2009, payable to State of Minnesota, DNR-Waters for municipal water system (ground water) Permit #795076 and SLP once-through cooling system (surface water) Permit #935065.

7. Mr. Walters, Director of Customer Relations, described the proposed study of Smart Grid that would be undertaken by Burns & McDonnell for RPU. If approved, the consultant, Mr. Kiah Harris, would visit a future board meeting to discuss the study with the Board.

Mr. Reichert said he hoped that the study would provide a Smart Grid Roadmap so that RPU can determine its next steps. Mr. Koshire replied that the study would provide RPU with an economic analysis as well as ranking of each Smart Grid component so that staff could discuss budgeting with the Board. Mr. Landwehr moved to approve the proposal with Burns & McDonnell, 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 Burns & McDonnell for

Smart Grid Roadmap Engineering Analysis

The amount of the purchase order agreement to be SIXTY-FIVE THOUSAND AND 00/100 DOLLARS (\$65,000.00).

8. Mr. Landwehr moved to approve November 9, 2010 as an additional board meeting for budget review, seconded by Mr. Stahl.

All voting "AYE"

The meeting date will be posted to the RPU web site (www.rpu.org).

9. The General Manager provided the following report to the Board:
 - a. Ms. Hanson said that there were eight recipients of the Environmental Achievement Awards with approximately 75 people attending the event.
 - b. The Employee Recognition Breakfast will be held at the Service Center on Thursday, February 11.
 - c. Mr. Cook, Manager of Work Management, informed the Board that RPU was not able to reach an agreement with the state on a deadline extension for ordering the hybrid electric bucket truck and would not be receiving the grant.
 - d. An update on the CapX2020 project was provided to the Board. A number of public meetings are being planned. An Administrative Law Judge will oversee the process for the final route which will be submitted to the Public Utilities Commission. The Commission determines the final route and design of the transmission line.
 - e. Ms. Parker provided the RPU organizational scorecard goals for 2010 to the Board. The scorecard consists of five goals which are measured quarterly: Employee (Safety), Financial, Operational (Reliability), Customer, and Stewardship (Environmental). Mr. Williams complimented staff on the choice of goals as well as the measurements used to attain the goals.
10. The management and financial reports were discussed.

The payables were reviewed. Mr. Stahl moved to approve the accounts payable report, seconded by Mr. Hanson.

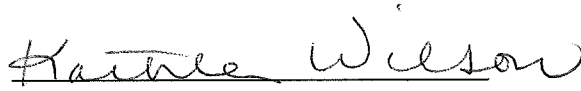
All voting "AYE"

11. Mr. Stahl moved to adjourn the meeting, seconded by Mr. Reichert.

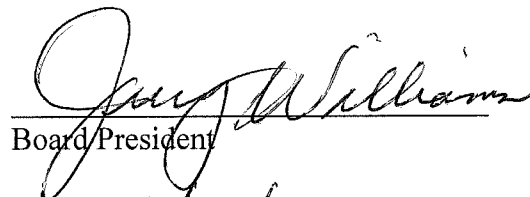
All voting "AYE"

The meeting was adjourned at 5:30 p.m.

Submitted by:


Secretary

Approved by the Board:


Board/President
2/23/10
Date