

ROCHESTER PUBLIC UTILITIES  
BOARD MEETING MINUTES  
January 25, 2011

Members Present: Mr. Williams, Mr. Reichert, Mr. Stahl, Mr. Hanson and Mr. Browning  
Absent: None  
Also Present: Mr. Goslee, Deputy City Attorney

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

- 1a. Mr. Hanson moved to nominate Mr. Jerry Williams as Board President for the upcoming year. No further nominations were made.

Mr. Stahl moved to close the nominations, seconded by Mr. Hanson.

All voting "AYE"

Mr. Reichert seconded the motion to nominate Mr. William as President.

All voting "AYE"

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

- 1c. Mr. Williams made the following Board assignments and said these would be discussed at a future meeting in the spring.

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

2. Mr. Stahl moved to approve the minutes of the December 21, 2010 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.

4. The proposed geothermal optimization project was discussed. The project includes three components: the connection to the geo-lake plate system, replacement of gas-fired unit heaters in RPU's fleet garage and conversion of the perimeter heat system to geothermal hydronic heating. In 2009, the City of Rochester was approved for a federal Energy Efficiency and Conservation Block Grant. One of the approved activities was a cooperative effort with Rochester Public Works to install a geo-lake plate system. The last element of that activity is to connect the piping into the RPU Service Center HVAC

system. Mr. Cook, Manager Work Management and Integrated Services, explained how the Best Value Procurement (BVP) was used to evaluate the proposals received from four vendors. Mr. Goslee asked about the BVP process. Mr. Cook responded that RPU used MEP Associates and the Arizona State University Performance Based Studies Research Group in preparing the documents and proposal evaluation. He also said that Minnesota state statutes allow the BVP process and it has been used extensively by the state. Mr. Hanson moved to approve the agreement, seconded by Mr. Browning.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a contract agreement with Superior Mechanical, and that Mayor and the City Clerk execute the agreement for

#### Geothermal Optimization Project

The amount of the contract agreement to be FIVE HUNDRED THREE THOUSAND ONE HUNDRED SIXTY-FIVE AND 00/100 DOLLARS (\$503,165.00).

5. Ms. Parker, Director of Corporate Services, discussed RPU's current cash reserves with the Board. In accordance with the Board's Financial Liquidity Policy, RPU management recommended that the Board increase the days of reserves in the Working Capital Reserve from 45 to 60 for 2011 for both the electric and water utility. In addition to the change in operating days, management recommended designating the cash needed to replace coal this upcoming year for the electric utility; an increase in cash reserves for projects that were started in 2010 that will be completed in early 2011; and designating the funding for the future 4<sup>th</sup> Street Reservoir Replacement in the water utility. Mr. Koshire said that reserves will be reviewed again at the end of this year, as provided for in the policy, during the preparation of the budgets for 2012. Mr. Williams noted that these changes would not affect RPU's current budget. Mr. Williams asked for a motion from the Board to approve the cash reserve designations for 2011 as presented by RPU management. Mr. Hanson moved to approve the cash reserve designations, seconded by Mr. Stahl.

All voting "AYE"

6. The General Manager provided the following report to the Board:
  - a. The transfer of People's Cooperative customers went well. RPU had eight crews working on the project. Electrical power is purchased from People's, with the approval of the Southern Minnesota Municipal Power Agency (SMMPA), RPU's wholesale power supplier, until the customers are physically hooked up to RPU's electrical system.
  - b. Mr. Koshire informed the Board that the Sherco 3 unit would be following wind generation after SMMPA members were told that the unit would not be following

wind generation. SMMPA owns 41% of this 880 megawatt unit. This means that as wind generation increases and decreases throughout the day, Sherco 3 could ramp up and down quickly in order to maintain electric grid balance. The risk in doing so with this large unit may be in maintenance issues and/or reliability issues due to the change of operations.

- c. The Securities and Exchange Commission (SEC) is proposing new regulations that may impact volunteer board members under the definition of “municipal advisor” in the Dodd-Frank financial reform act. If passed, board members may need to register with the SEC regarding the financial matters they are involved in with their boards. The American Public Power Association is working on this issue at the federal level, and will be providing comments to the SEC on why this provision is unnecessary.
  - d. Ms. Parker, Director of Corporate Services, provided a financial review to Board.
7. The management reports were discussed.
- a. The results of RPU’s organizational scorecard for 2010 and the establishment of new scorecard goals for 2011 were discussed with the Board.
  - b. Mr. Williams asked if it was necessary to use an outside consultant for RPU’s customer focus groups. Ms. Hanson, Manager of Marketing and External Affairs, said it is better to use an outside resource for this from our customers’ perspective.

Mr. Stahl moved to approve the accounts payable, seconded by Mr. Reichert.

All voting “AYE”

8. Other Business:
- a. Mr. Williams welcomed Mr. Mark Browning to the Utility Board. Mr. Browning is in the Facilities Project Services area of the Mayo Clinic. He holds a degree in mechanical engineering and has seventeen years of experience in the public utility industry. His appointment was made by the Mayor and approved by the Council effective this month.
  - b. Mr. Williams distributed a resolution during the meeting regarding the General Manager’s request to discontinue his car allowance. Mr. Hanson moved to approve the resolution, seconded by Mr. Stahl.

All voting “AYE”

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, that the request of the Rochester Public Utilities General Manager to eliminate the annual automobile allowance previously provided to the General Manager is hereby approved. The elimination of the allowance is effective January 1, 2011.

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

All voting "AYE"

The meeting adjourned at 4:53 p.m.

Submitted by:

Kathleen Wilson  
Secretary

Approved by the Board:

Joseph Williams  
Board President

2/22/11  
Date