

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
February 23, 2010

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

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

1. Mr. Stahl moved to approve the minutes of the January 26, 2010 meeting, seconded by Mr. Reichert.

All Voting "AYE"

2. Mr. Williams opened the meeting for comments from the public. Mr. Roger Larsen, Rochester Regional Science Fair Director, appeared before the Board to thank RPU for its sponsorship of this year's science fair. RPU explained conservation programs during the event. He also said the science fair has become the premier science fair in the state.
3. An annual recognition event sponsored in part by employee contributions was held in RPU's garage. The Board congratulated RPU employees for their hard work and efforts.

The Board also congratulated RPU on its receipt of the "Seven Wonders of Engineering Award" from the Minnesota Society of Professional Engineers and Minnesota Federation of Engineering, Science and Technology Societies. RPU received the award in partnership with Zachry Engineering Corporation for the RPU Silver Lake Power Plant Unit 4 Emissions Reduction Project.

4. Mr. Landwehr moved to approve the purchase of a truck cab and chassis to replace an existing unit, 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 2011 International Model 4400 SBA 4x2
Single Axle Truck Cab and Chassis

The amount of the purchase order agreement to be SIXTY EIGHT THOUSAND EIGHT HUNDRED THIRTY THREE AND 00/100 DOLLARS (\$68,833.00) plus sales tax priced by Astleford International Trucks (Contract #440949) available on State Contract Release T-647(5), and Astleford International Trucks being lowest responsible bidder.

5. Mr. Stahl moved to approve the annual maintenance agreement and support of the enterprise business software with SAP Public Services, seconded by Mr. Reichert.

All voting "AYE"

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

Annual Maintenance and Support of Enterprise Business Software for 2010

The amount of the purchase order agreement to be ONE HUNDRED AND SIX THOUSAND EIGHT HUNDRED EIGHTY FIVE AND 49/100 DOLLARS (\$106,885.49).

6. Mr. Koshire discussed the use of the American Customer Satisfaction Index (ACSI) as a customer metric for RPU's organizational scorecard. Telephone surveys of RPU's customers are done quarterly to measure overall satisfaction. Indices measured include perceived value, perceived quality, and customer expectations. Mr. Williams said he would support it, but asked staff to check with the firm to see if other utilities are using this service. Mr. Stahl moved to approve the annual subscription with ACSI, seconded by Mr. Reichert.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a purchase order agreement with ACSI LLC and request the Mayor and the City Clerk to execute the agreement for

American Customer Satisfaction Index (ACSI) Electric Utilities Subscription

The amount of the purchase order agreement to be FIFTY FIVE THOUSAND AND 00/100 DOLLARS (\$55,000.00).

7. a. Mr. Rovang, Senior Civil Engineer, discussed the first of two amendments to antenna agreements with Verizon Wireless with the Board. Both amendments were reviewed by the City Attorney. In the first amendment, Verizon Wireless requested to add a new utility easement and relocate some of its antennas. Mr. Landwehr moved to approve the amendment to the 2005 Master Site Agreement with Verizon, seconded by Mr. Reichert.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve the attached Sixth Amendment to the 2005 Verizon Master Site Agreement with Verizon Wireless LLC, and to request that the Mayor and the City Clerk execute the Amendment for

Addition of a new utility easement and relocation of antennas at the
Willow High Water Tower site SW.

- 7.b. Since Midwest Wireless was acquired by Verizon during 2009, Verizon requested to remove existing equipment and install upgraded equipment which requires amendments to the Midwest Wireless agreements. RPU now requires written documentation from a registered professional engineer licensed in the State of Minnesota verifying that the antennas and cables will not compromise the structural integrity of the water storage tanks to which they are to be attached. Mr. Landwehr moved to approve the amendments, seconded by Mr. Reichert.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve Amendments by Midwest Wireless Communications, LLC d/b/a Verizon Wireless to Midwest Wireless Site Agreements as follows:

- 1) Second Amendment to December 16, 2004, Midwest Wireless Apache Water Tower SW Site Agreement (for larger replacement antennas, change in number and size of cables, and relocation of ground equipment);
 - 2) Amendment to December 13, 2005, Midwest Wireless SE Water Tower Site Agreement (for larger replacement antennas, and relocation of ground equipment).
8. The Board discussed the final version of the water conservation rates that RPU is required to implement by Minnesota Statute 103G.291, subd 4. Discussions on this subject occurred at several prior meetings and also included media coverage on television and radio. Mr. Williams said the Board's resolution is encompassing with respect to rate tiers, education and a rebate program. He also said that the Board will review the results of the new rates at 12 month and 24 month intervals. He expressed the Board's gratitude to staff for the extra work and extra meetings needed to allow the Board time for review and to receive public input. Mr. Landwehr moved to approve the water conservation rates, seconded by Mr. Stahl.

All voting "AYE"

WHEREAS, Minnesota law, as found in Minnesota Statutes, Section 103G.291, subd. 4, requires public water suppliers serving more than 1,000 people adopt a water rate schedule that encourages water conservation; and,

WHEREAS, the City of Rochester is a public water supplier that serves more than 1,000 people and, as such, is strictly required by Minnesota law to adopt a water rate schedule that encourages water conservation; and,

WHEREAS, the Public Utility Board's water rate consultant, Progressive Consulting Engineers, Inc., prepared a study, dated October, 2009, identifying different forms of water conservation rates to comply with the state statute; and,

WHEREAS, the Public Utility Board published in the local newspaper a notice to the public on water conservation rates and, on September 26, 2009, placed a notice on the RPU website for a September 29, 2009, public meeting on the subject; and,

WHEREAS, on September 29, 2009, and October 27, 2009, presentations were made on the scope of the water conservation rates, impact on various customers and expected revenue to the water utility; and,

WHEREAS, on October 27, 2009, the Public Utility Board decided to continue discussion and accept the rate consultant's cost of service study for information only; and,

WHEREAS, the Public Utility Board requested staff to provide additional steps for the inclining block rates for Board review at the December 17, 2009 meeting; and,

WHEREAS, the Public Utility Board continued review and receipt of public input at the January 26, 2010 board meeting.

WHEREAS, the Utility Board also believes that funding, developing and implementing a comprehensive educational program is critical to creating an ethic of water efficiency; and,

WHEREAS, the Utility Board also believes that funding, developing and implementing a sustainable set of coordinated incentive/rebate programs is critical to this conservation effort; and,

WHEREAS, the Utility Board supports a review of the effectiveness of this conservation effort at twelve and twenty-four months from the date of its implementation;

NOW, THEREFORE, BE IT RESOLVED by the Public Utility Board of the City of Rochester, that the Board approves a water conservation rate tariff in accordance with the attached rate schedule WTR-C;

BE IT FURTHER RESOLVED that comprehensive education and incentive/rebate programs are put into place and that a future review of the conservation effectiveness is conducted; and,

BE IT FURTHER RESOLVED that the Common Council of the said City is requested approve a water conservation rate tariff and the attached water rate schedule WTR-C.

9. Mr. Jeremy Sutton, Manager of Portfolio Optimization, presented a draft of RPU's Carbon Offset Program which is designed to use RPU's renewable energy credits and would replace the Wind Power Program which ended in December, 2009. The State of Minnesota requires utilities to generate or procure at least one percent of total retail electric sales of renewable energy that is to be provided to their customers. This amount increases by one percent each year until 2025. While RPU is not required by statute to comply with this requirement, each June RPU retires the number of renewable energy credits (RECs) equal to the renewable energy obligation from the previous year. An REC is a trackable serialized credit that is attached to a megawatt of energy from a qualifying resource such as the Lake Zumbro hydro or the Olmsted Waste to Energy Facility. Excess RECs can be sold in the open market or retired.

RPU proposes to offer RECs as carbon offsets to RPU customers directly. Four levels of participation are being offered for households and businesses: Silver 25%, Gold 50%, Platinum 75% and Diamond 100%. Customers will receive a certificate that clearly states their participation level, the date periods, and lists the serial numbers for the corresponding retired RECs. This represents a value-added offering to customers who wish to continue to buy green. It also educates RPU customers on the value of renewable resources.

Mr. Koshire stated that no Board action would be required because this offering would be part of RPU's Demand Side Management/Conservation Improvement Program. The plan will be brought back to the Board once it is finalized. Mr. Williams said businesses could use this plan as a marketing tool.

10. The General Manager provided the following report to the Board:
- a. The Fitch Rating Agency is currently reviewing RPU's bond rating.
 - b. Mr. Kotschevar, Director of Core Services, provided the Board with the preliminary results of an on-site audit conducted by the Federal Energy Regulatory Commission (FERC) at RPU in January. RPU staff is still reviewing the findings with FERC.
11. The management and financial reports were discussed.

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

All voting "AYE"

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

All voting "AYE"

The meeting was adjourned at 5:20 p.m.

Submitted by:

Kathleen Wilson

Secretary

Approved by the Board:

James Williams

Board President

3/30/10

Date