

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
March 30, 2010

Members Present: Mr. Williams, Mr. Landwehr, Mr. Reichert, Mr. Stahl, and Mr. Hanson
Absent: None
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 February 23, 2010 meeting, seconded by Mr. Reichert.

All voting "AYE"

2. Mr. Williams opened the meeting for comments from the public. Mr. Ray Schmitz appeared before the Board to distribute and discuss information on energy efficiency loan provisions in HF 3109 (SF 2720) "Voluntary Energy Improvements Financing Program for Local Governments." He said that the bill was passed and awaiting the Governor's signature. A local government may establish a program to finance energy improvements to enable owners of qualifying real property to pay for cost-effective energy improvements. Other states have provided funding to homeowners for energy upgrades. Mr. Schmitz informed the Board that if the Governor signs the bills, city and county governments could provide energy upgrades to homeowners which the homeowners could pay back over a long-term period with low interest. Mr. Adkins, City Attorney, said the City Council would need to approve this. Mr. Schmitz said that RPU could sponsor this and ask for Council approval. Mr. Williams asked how much the homeowners could borrow. Mr. Schmitz said he was not sure, but the homeowners would need a certified energy audit to qualify for the funds. Mr. Williams asked if this proposed bill had been changed. Mr. Schmitz said that he got the latest engrossment on the House web site and that it was passed and awaiting the Governor's signature. The Board took no action on this item.

3. Mr. Hanson moved to approve bids for the Westside Substation metal building and foundation, 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 Knutson Construction Services for:

Foundation and Engineered Metal Building
Westside Substation

The amount of the purchase order agreement to be ONE HUNDRED EIGHTY FOUR THOUSAND NINE HUNDRED FIFTY AND 00/100 DOLLARS (\$184,950.00) and Knutson Construction Services being lowest responsible bidder.

- 4. Mr. Cook, Manager, Work Management and Integrated Services, discussed the bids received for a truck body with the Board. The chassis was approved last month by the Board. The total price of the unit is within budget estimates. Mr. Hanson moved to approve the purchase, 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 Altec Industries Inc. for

One 2010 Altec 206 Model AM55E Aerial Device, Utility Body, and Installation

The amount of the purchase order agreement to be ONE HUNDRED TWELVE THOUSAND ONE HUNDRED TWENTY SEVEN AND 00/100 DOLLARS (\$112,127.00) plus sales tax bid by Altec Industries Inc. and Altec Industries Inc. being lowest responsible bidder.

- 5. An amendment to the contract with HCL/Axon Solutions, Inc. was discussed. Ms. Parker, Director of Corporate Services, explained that RPU was seeking better pricing and/or a consortium for ongoing support of its SAP applications including the Customer Care System. RPU was able to renegotiate the rates of the current Axon contract at considerable savings and extend those rates into the future. Mr. Adkins asked about an escape clause. She informed him that there was a 60 day notice required. Mr. Williams asked if we would still be able to renegotiate with Axon in 2013. Ms. Parker told him that we could. Mr. Hanson moved to approve the amendment, seconded by Mr. Landwehr.

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 contract amendment with HCL Axon Solutions Inc., and that the Common Council authorize the Mayor and the City Clerk to execute the agreement for

Amendment to the Master Services Agreement for Ongoing Support of the SAP system for a Seven Year Period subject to the approval of future budgets by the Board and Council for the future portion of the agreement costs

The amount of the contract amendment to be THREE MILLION ONE HUNDRED EIGHTY SIX THOUSAND SEVEN HUNDRED NINETY SEVEN AND 00/100 DOLLARS (\$3,186,797.00) for a seven year period.

6. Mr. Koshire discussed the proposed addendum to the Participation Sales Agreement between the City of Rochester and the Minnesota Municipal Power Agency (MMPA). The purpose of the addendum is to purchase back capacity to cover RPU's requirement under the new formula used for calculating capacity by the Midwest Independent System Operator (MISO). Mr. Hanson moved to approve Addendum No. 5 to the agreement, seconded by Mr. Landwehr.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve Addendum No. 5 to the Participation Sales Agreement with the Minnesota Municipal Power Agency (MMPA) and to request the Mayor and the City Clerk to execute the Addendum.

7. Mr. Anderton, Manager of Engineering, presented the 2009 Electric Engineering and Operations Report to the Board. The report is prepared annually to document major accomplishments and performance statistics that reflect the work of the electric department. Mr. Koshire said this is also being reported to the Utility Board as a governing body. Mr. Williams noted that 2009 was a cool year and asked about the impact this had on conservation. Mr. Koshire said that the residential customer would be a most representative measure of conservation and that RPU could weather normalize this to determine the impact. Mr. Kotschevar, Director of Core Services, said the number of people per household is also dropping. Mr. Williams asked staff to develop theories to see if our customers are conserving. Ms. Hanson, Manager of Marketing and External Affairs, said that staff needs more robust customer data including load profile to do this.
8. Ms. Parker, Director of Corporate Services, and Mr. Kotschevar, Director of Core Services, discussed three proposed vision statements for RPU's Smart Grid initiative. Staff met internally with a consultant to draft the statements. The final vision statement will be used to guide future decisions regarding implementation of the various components of Smart Grid. Three examples were provided to the Board for review. Mr. Koshire said that each example included statements about what the customer wants and what RPU can afford. Ms. Parker said that a gap analysis is also being performed by RPU's consultant, Burns & McDonnell. They will figure out the capabilities of RPU's system. After this business analysis is completed, RPU staff will go out to the community to gather input. Ms. Parker said that the public will be surprised at how far along RPU is with its transition to Smart Grid.

Mr. Williams said the three examples of vision statements looked more like mission statements. He asked staff to create a vision statement that would be more concise and more memorable for this project. He also recommended the book entitled Smart Grid Essentials written by RPU's consultant, Mr. Kiah Harris, Burns & McDonnell. He quoted the following excerpt from page 37 of the book: *"As a first step, each utility should establish its vision for the smart grid it wants to develop. Starting from the customer on back to power supply, identify the expected benefits of the installation and*

data obtained.” Mr. Williams further stated that we will want to identify what our customers want from Smart Grid. Mr. Williams said he would like to see what IBM or the Mayo Clinic want from Smart Grid based on what they know. He suggested having them partner with us on developing our vision statement and then get technical input from staff. He said the gap analysis was a great idea. The American Public Power Association (APPA) recommends pilot programs prior to full implementation. Mr. Williams attended a full day workshop on this topic. He recommended that Mr. Reichert be involved in RPU’s Smart Grid project as the most knowledgeable board member. Mr. Reichert accepted the assignment. Mr. Williams said this would be a great opportunity for RPU to partner with the community and that there would be costs involved to do this.

9. The General Manager provided the following report to the Board:
 - a. The Fitch Rating Agency reaffirmed RPU’s “AA-” for its electric revenue bonds. RPU is in the top 25% of all utilities in the country.
 - b. Fourteen RPU employees volunteered to represent RPU at the Rochester Area Builders show.
 - c. Mr. Hensel, Director of Field Services, said funding for the geothermal project at Foster Arends has been received. RPU is working with Public Works on this project.
 - d. Mr. Williams, Mr. Koshire and Mr. Hensel attended the Minnesota Municipal Utilities Association’s legislative conference.
 - e. The Board received the 2010 Conserve and Save water conservation rebate brochure which will be distributed on April 1. Mr. Williams said he has received some very positive comments from the public during his service club presentations on water conservation.
 - f. Mr. Hensel presented the United Way award the City of Rochester received for having a top campaign. He co-chaired the City’s campaign with Mr. Loehr, Public Works Department. He also said that RPU’s results were 7% over last year’s results.
 - g. A press release regarding RPU’s receipt of the Reliable Public Power Provider (RP₃TM) award was distributed to the Board. The award is sponsored by the American Public Power Association (APPA). This is RPU’s third time to receive the award. RPU was only one of two utilities to achieve the diamond rating (the highest level in the RP₃TM recognition). The RP₃TM recognizes public power utilities that demonstrate proficiency in four key disciplines: reliability, safety, workforce development and system improvement. APPA is the national organization representing more than 2,000 not-for-profit, community and state-owned electric utilities.
10. The management and financial reports were discussed.

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

All voting “AYE”

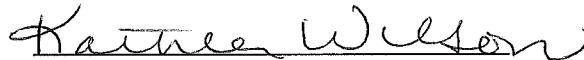
- 11. Mr. Hanson moved to adjourn the meeting, seconded by Mr. Reichert.

All voting "AYE"

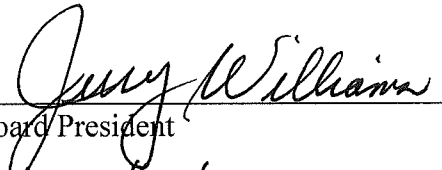
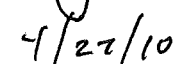
The meeting adjourned at 5:25 p.m.

Mr. Adkins, City Attorney announced that the meeting would be closed to receive a communication from, and to have a discussion with, the City Attorney regarding the status of, and the litigation strategy for, the pending litigation identified as City of Rochester, Minnesota v. Southern Minnesota Municipal Power Agency, Olmsted County District Court, Case No. 55-C3-05-002712. The closed meeting occurred pursuant to Minnesota Statutes, Section 13D.05, subd. 3(b).

Submitted by:


Secretary

Approved by the Board:


Board President

Date