

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
June 29, 2010

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

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

1. Mr. Reichert moved to approve the minutes of the May 25, 2010 meeting, seconded by Mr. Stahl.

All voting "AYE"

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

3. Mr. Reichert moved to approve repair and repainting of the SE Main Level Water Storage Tower, seconded by Mr. Stahl.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a contract agreement with Utility Service Company, Inc., and request the Mayor and the City Clerk to execute the agreement for

WATER STORAGE TANK REPAIR-REPAINTING
(500,000 gallon SE Main Level Tower #86)

The amount of the contract agreement to be ONE HUNDRED SIXTY-SIX THOUSAND AND 00/100 DOLLARS (\$166,000.00) and Utility Service Company, Inc. being the lowest responsible bidder.

4. Mr. Rovang, Senior Civil Engineer, discussed the first amendment changes to the 2002 Venture Systems antenna site agreement with the Board. Changes include a shift from annually renewable terms to successive five year terms, and a single one time rent increase amount based on the change in the preceding year's Consumer Price Index for All Urban Consumers (CPI-U). Mr. Adkins, City Attorney, reviewed the terms and conditions of the agreement and said that RPU must be prepared to make the same offer to other companies if requested. Ms. Parker, Director of Corporate Services, said she had reviewed the numbers, and the amounts for the five year term rather than a one year term seemed to be fair. Mr. Rovang said we use a five year term for our cellular phone agreements. Mr. Stahl asked if RPU could opt out of the agreement. Mr. Rovang replied that we could opt out after five years. Mr. Adkins said there is a notice requirement if we

wish to prevent an automatic renewal of the five year agreement.

Mr. Reichert moved to approve the Memorandum of Site Agreement and First Amendment to the 2002 Venture Systems Site Agreement, second by Mr. Stahl. Mr. Stahl stated that he wished to disclose for the record that he had previously represented both Venture Systems and Midwest Wireless when they originally signed their leases with RPU. Mr. Adkins asked him if he was currently representing either company. Mr. Stahl replied that he was not. Mr. Williams asked if there were any further comments. Hearing none, he called for the vote.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve the attached Memorandum of Site Agreement and First Amendment to the 2002 Venture Systems, Inc. Site Agreement for wireless internet installations at the Country Club High Level Water Tower and Willow High Level Water Tower, and to request that the Mayor and the City Clerk execute the Memorandum and First Amendment to

- 1) Change duration of rent periods;
 - 2) Change method of determining annual rent;
 - 3) Terminate right to install wireless internet installation at Willow High Level Water Tower.
5. Mr. Schlink, Director of Power Resources, discussed the proposed purchase agreement for coal from the Austin Utilities coal inventory with the Board. He said the Austin Utilities paid \$89 per ton for the coal originally, but that RPU negotiated the price down to \$43. Mr. Stahl moved to approve the agreement, seconded by Mr. Reichert.

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 following coal purchase from the Austin Utilities coal inventory, subject to the rights of first refusal,

The existing Austin Utilities NE Plant Coal Inventory
The price of the coal is \$43.00 per ton
Staff estimate for handling and transportation is \$10.00 per ton.

The amount of the purchase agreement not to exceed ONE MILLION FIVE HUNDED NINETY THOUSAND AND 00/100 DOLLARS (\$1,590,000.00).

6. Mr. Koshire said that the request to purchase a Novaspect Delta V Operations Simulator for the Silver Lake Plant had an aspect of safety to it because of the risk of bringing the units up and down at the plant for training purposes. Mr. Dunnette, Manager of Power Resources, said that the Simulator would be used to set up virtual casualty scenarios for the operating staff at the plant. Mr. Button, Measures and Controls Supervisor, said he

has visited Franklin Heating where the system is set up. RPU staff would create the new scenarios and collect data about RPU's systems which will give the plant operators the training they need. Mr. Stahl moved to approve 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 contract agreement with Emerson Novaspect and that the Board request the Mayor and the City Clerk to execute the agreement for a Delta V Operations simulator with terms and conditions governed by Novaspect proposal #014-RK-100510-0016547 rev 1a, Option 3.

The amount of the contract agreement to be ONE HUNDRED NINETY EIGHT THOUSAND SIX HUNDRED SIX AND 00/100 DOLLARS (\$198,606.00).

7. Ms. Gimberline, Residential Account Representative, provided an update on the Home Energy Report Program. This is a two year pilot that sends out personalized energy reports to 25,000 randomly selected residential RPU customers. These reports use behavioral science and direct marketing techniques to engage residential customers and encourage them to reduce their energy consumption. Anticipated savings in kWh after the first year is 3,800,000. A sample of the report was distributed during the meeting. Each report comes with personalized tips. Customers will receive five to seven reports per year. In addition, an online "Energy Insider" tool is available for customers which complements the Home Energy Report. It provides more detailed usage data and information on what a customer can do to be more energy efficient. Mr. Williams asked how customers could receive the report if they are not in the pilot group. Ms. Gimberline said customers can be placed on a waiting list by contacting RPU.
8. Ms. Parker, Director of Corporate Services, informed the Board that the City Council adopted Ordinance 3964 creating and enacting Chapter 77B of the Rochester Code of Ordinances establishing a Community Lighting Utility. She presented the proposed implementation schedule for the new rates which will be implemented September 1, 2010. The monthly rate for residential customers will be \$1.82. Mr. Williams asked about the other customer classes. Mr. Koshire said that customer classifications are based on usage. Mr. Adkins informed the Board that the effective date of the ordinance is September 1, 2010, but the Council could take action before that. Mr. Koshire also said that RPU does not want to collect more money than the cost of providing service. Mr. Reichert asked if the revenue generated is what we are charging the City currently. Mr. Williams asked if the Council is setting the fee. Mr. Adkins said the Board sets the rates and the Council approves or disapproves the rates. Mr. Koshire said that the action requested from the Board at this meeting is to authorize staff to give preliminary notice to the public of the intent to implement the fees. Mr. Williams asked if fees and rates were the same thing. Mr. Koshire replied they are.

Mr. Stahl moved to authorize staff to give preliminary notice to the public of the intent to implement community lighting fees effective on or about September 1, 2010, as directed

by the City Council, seconded by Mr. Reichert.

All voting "AYE"

9. Mr. Koshire discussed RPU's underground electric line policy with the Board. He said RPU's policy for placement of underground electric lines has been in place for decades and reviewed by the Board periodically. The Electric Service Rules and Regulations are posted on RPU's web site and used by staff, developers and other electric customers as the standards for all electric service provided to RPU customers. Section 900 describes the rules for underground service for residential customers. Mr. Anderton, Manager of Engineering, stated that electric lines in new subdivisions are placed underground as well as electric lines for new commercial facilities. He also said that 63% of RPU's distribution system is underground. Mr. Williams asked what would happen to the cable company and other providers with services on RPU's poles if RPU buries its electric lines. Mr. Koshire said that the pole attachment agreements RPU has with these vendors would allow them to stay on the pole. RPU also has joint trenching agreements for underground areas. Mr. Koshire said RPU could also bury electric lines at the customer's request, but the customer would pay for this.

Mr. Koshire said the City Council referred a request to the Consolidated Planning Department to require underground services for new and re-done areas within the city. The Planning staff has contacted RPU to discuss the matter. Mr. Williams asked if the cable and telephone providers need to be at the table during these discussions. Mr. Adkins said the motion the Council made was restricted to land use. The zoning ordinance would need to be changed to do this. Mr. Adkins further stated that the Council did not direct the Utility Board to do anything about new development or re-development. Mr. Williams said the issue comes down to who will pay for it. The Board took no action on this item.

10. Distributed during the meeting was a request to renew a firm natural gas reservation contract. Mr. Schlink said RPU has various contracts for gas, and that this particular one guarantees delivery to the Silver Lake Plant. Mr. Reichert moved to approve the contract, seconded by Mr. Stahl.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a Firm Gas Reservation Transaction with Constellation NewEnergy – Gas Division LLC, and request the Mayor and the City Clerk to execute the agreement.

11. The General Manager provided the following report to the Board:
 - a. Mr. Koshire and Mr. Williams attended the American Public Power Association's national conference. There was considerable information on smart grid and environmental regulations presented at the conference.

- b. Staff and City Attorney Adkins are reviewing a draft resolution regarding future generation capacity and bonding that may be requested by the Southern Minnesota Municipal Power Agency (SMMPA). RPU, with the City of Rochester's concurrence, needs to set expectations for the 20 remaining years of the SMMPA contract. Mr. Adkins said he looked at what would benefit Rochester and tried to show this in the resolution. This item will be considered at the July 27 board meeting.
- 12. The management and financial reports were discussed. Mr. Koshire said that the severe storms that hit the Rochester area caused RPU to request mutual aid from other utilities for the first time.

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

All voting "AYE"

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

All voting "AYE"

The meeting adjourned at 5:20 p.m.

Submitted by:

Kathleen Wilson
Secretary

Approved by the Board:

Joseph Williams
Board President

July 27, 2010
Date