

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
September 29, 2009

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

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

1. Mr. Hanson moved to approve the minutes of the August 25, 2009 and September 15, 2009 meetings, seconded by Mr. Landwehr.

All Voting "AYE"

2. Mr. Williams opened the meeting for comments from the public. Ms. Joyce Ann Boyum, 2840 Kenosha Drive North, requested to be heard regarding the extra charge for the use of her external hose. She asked that someone from RPU contact her for further details. Mr. Koshire, General Manager, said he would have one of the water operators get in touch with her.
3. The bids for the construction of municipal well #40 were discussed. A revised resolution containing the correct well number was distributed. Construction of the well is necessary to provide for water demand in the southern part of the City. Mr. Hanson moved to approve a contract agreement with E.H. Renner & Son, 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 contract agreement with E.H. Renner & Sons, Inc., and authorize the Mayor and the City Clerk to execute the agreement for

Construction of Municipal Well #40

The amount of the contract agreement to be TWO-HUNDRED-FORTY-EIGHT-THOUSAND-THREE-HUNDRED-TWENTY AND 00/100 DOLLARS (\$248,320.00) and E.H. Renner & Sons, Inc. being lowest responsible bidder.

4. Mr. Naeem Qureshi, P.E., and Ms. Jeny Shah, E.I.T., Progressive Consulting Engineers, Inc., presented the results of the water rate study and water conservation to the Board. They said the average person uses about 100 gallons of water in a day. Over 40% of the potable water in an average home is used for irrigating landscape. Water conservation is important because it saves water, wastewater and energy.

The Minnesota Department of Natural Resources' regulations state that every utility larger than 1,000 must have water conservation rates in place. The various types of water conservation rates were explained to the Board. They included inclining (increasing) block rates, seasonal rates, time of use rates, individualized goal rate (water budget rate), and excess use rates. In 2008, RPU had 33,053 water customers with a projected annual growth of 1%. Water system expenses continue to increase and the water system is continually upgraded. Mr. Williams said we need to change consumer behavior.

Mr. Rovang, Senior Civil Engineer, said staff could provide the Board with various customer examples including golf courses, residential customers and large customers so that the Board can use this data to determine which rate(s) would be effective. Mr. Williams said the Board did not want to hurry this process. Mr. Hanson said that we have told customers that we won't raise rates so we need to choose the options carefully. Mr. Koshire stated that RPU needs to have water conservation rates in place by January 2010. Additional information will be brought to the Board at their October 27 meeting on this topic so that the Board can choose a rate that they could approve at their November meeting and request Council approval. The October 27 meeting is also intended for public comment. Mr. Koshire stated that no revenue increase is planned for water rates in 2010. He further stated that a water conservation rate will not raise customer cost, but will incent customers to conserve.

Mr. Qureshi also provided information on a toilet replacement program offered through rebates with a 3.5 year payback. He suggested that RPU provide a free household water audit kit to help education the public about conservation.

The Board requested staff to provide options for inclining block rates, seasonal rates and time of use water conservation rates at the next board meeting along with the impact to the various customer classes affected by these rates. Mr. Williams said we need to change behaviors in a fair way. He also said we need to create an education infrastructure to roll this out to elevate the level of consciousness. Mr. Hanson suggested doing a Council presentation to educate the public more.

Mr. Williams asked for comments from the public on the proposed water conservation cost of service and rate study.

Mr. Ray Schmitz said RPU does a good job with monitoring the aquifer. The aquifer may not be an unlimited resource and it may impact the recharge of the aquifer. The loss of wetlands impacts the recharge of the aquifer. He believed that the items discussed at the board meeting today are very encouraging and that such discussions should be occurring at the state and regional level. Mr. Schmitz also suggested that RPU consider front-end loading for some of the proposed incentive programs that some people can't afford by paying for the incentives without allowing the customer's bill to go down. The customer would in fact pay RPU back for the incentives through their bill. Overall, Mr. Schmitz felt that this was a great step forward.

Ms. Joyce Ann Boyum said she had lived on a farm for most of her life and was always very conservative with her use of water. She received a lower bill because she learned to conserve. She is now a resident of the City, but still feels everyone can get by with less.

This item will be brought to the October 27 board meeting for further analysis and discussion.

5. Ms. Parker, Director of Corporate Services, informed the Board that RPU was in the process of conducting an electric cost of service and rate study. The study will provide the Board and staff with appropriate approaches to meeting revenue requirements based on the cost of providing those services. Other methodologies can be explored during the study. Staff is reviewing the responses received from the Request for Proposal, and a firm will be selected in October. The study will take about six months to complete. Mr. Koshire said that any adjustments made to the electric rates will be revenue neutral. Mr. Landwehr asked if we were at cost based rates yet. Mr. Koshire said the Board had previously approved going from a market based rate strategy to cost based rates for RPU.

Ms. Parker also distributed the results of a cost of service study done by R. W. Beck in 2002 on street light services in Rochester. Mr. Hanson said that currently street lights are charged to property taxes. The Council is trying to make this fairer to ~~all property owners~~ by having RPU bill all customers for this service.

This item will be brought back to the Board at their October 27 meeting. Mr. Williams also asked staff and Board to review the Board policy on rates to see they would like to make any changes.

6. Mr. Benson, Communications Coordinator, described the variety of activities scheduled to celebrate Public Power Week. Mr. Landwehr moved to approve a resolution designating the week of October 4 – 10, 2009 as Public Power Week in Rochester, seconded by Mr. Hanson.

All voting "AYE"

PROCLAMATION RECOGNIZING PUBLIC POWER WEEK, OCTOBER 4-10, 2009

**ROCHESTER PUBLIC UTILITIES HELPS OUR COMMUNITY IN POWERFUL
WAYS**

WHEREAS, we, the citizens of Rochester, Minnesota, place high value on local control over community services and therefore have chosen to operate a community-owned, locally controlled, not-for-profit electric utility and, as consumers and owners of our electric utility, have a direct say in utility operations and policies; and

WHEREAS, Rochester Public Utilities (RPU) provides our homes, businesses, farms, social service, and local government agencies with reliable, efficient, and cost-effective

electricity employing sound business practices designed to ensure the best possible service at not-for-profit rates; and

WHEREAS, RPU is a valuable community asset that contributes substantially to the well-being of local citizens through energy efficiency, customer service, environmental protection, economic development, and safety awareness; and

WHEREAS, RPU is a dependable and trustworthy institution whose local operation provides many consumer protections and continues to make our community a better place in which to live and work, as well as contributes to protecting the global environment;

NOW, THEREFORE BE IT RESOLVED: that RPU will continue to work to bring lower-cost, safe, reliable electricity to community homes and businesses just as it has since 1894, the year when the utility was created to serve all the citizens of Rochester; and

BE IT FURTHER RESOLVED: that the week of October 4-10 be designated the 23rd annual Public Power Week in order to honor RPU for its contributions to the community and to make its consumer-owners, policy makers, and employees more aware of its contributions to their well-being and how it makes their lives powerful; and

BE IT FURTHER RESOLVED: that our community joins hands with more than 2,000 other public power systems in the United States in this celebration of public power and recognition that RPU is good for consumers, business, the community, and the nation.

7. The management and financial reports were discussed.

The payables were discussed. Mr. Landwehr stated for the record that for line items 27 and 64 in the payables report, he worked for Weis Builders at the time of the rebates mentioned in the report, but did not have direct involvement in the rebate application. Mr. Adkins said that Mr. Landwehr's employment with Weis at the time did not constitute a conflict of interest and that Mr. Landwehr could participate in the vote. Mr. Landwehr moved to approve the accounts payable report, seconded by Mr. Hanson.

All voting "AYE"

8. Mr. Landwehr moved to adjourn the meeting, seconded by Mr. Hanson.

All voting "AYE"

The meeting was adjourned at 5:35 p.m.

Submitted by:

Patricia Wilson
Secretary

Approved by the Board:

Joseph Williams
Board President

10/10/09
Date