

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
October 26, 2010

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

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

1. Mr. Hanson moved to approve the minutes of the September 28, 2010 meeting, seconded by Mr. Landwehr.

All voting "AYE"

2. Mr. Williams opened the meeting for comments from the public. No one wished to be heard.
3. Mr. Jim Pardikes, Vice President of Transmission Strategy and Capital Planning, and Mr. Ron Kennedy, Manager from MCR Performance Solutions, LLC appeared before the Board to discuss the benefits of RPU placing its transmission assets in Midwest Independent System Operator (MISO) as a Transmission Owner. RPU hired MCR to assist in the evaluation of whether it made economic sense to join MISO as a Transmission Owner or remain a Market Participant (RPU's current status). MISO is a regional transmission organization comprised of utilities that are Transmission Owners. The Transmission Owners pay MISO a transmission rate depending on the pricing zone within the MISO region. The Transmission Owner is entitled to receive revenue for its transmission assets through the MISO transmission tariff rate formula. RPU has existing transmission assets that would qualify for cost recovery. Since RPU is currently a Market Participant in MISO, it is already incurring the same MISO costs and revenues as if it were a Transmission Owner.

The MCR analysis showed that becoming a Transmission Owner would save RPU \$24.7 million over the next 14 years as compared to remaining a Market Participant. If RPU became a Transmission Owner, it would have to negotiate a joint pricing zone agreement for the distribution of revenues to RPU. The next step would be to obtain approval from MISO to become a Transmission Owner. Other neighboring Transmission Owners would review RPU's request.

Mr. Koshire explained that the federal government has created regional Transmission Owners. The MISO tariff being discussed is actually a Federal Energy Regulatory Commission (FERC) filed tariff. Therefore, RPU should be able to have its transmission assets in MISO. Mr. Pardikes said there are six Regional Transmission Owners in the country, and twenty-five Transmission Owners in MISO. Mr. Koshire said RPU would like to review alternative pricing zones, the MISO application process, the status of FERC accounts at RPU, and report back to the Board in three months with short-term implementation plan. The Board took no action on this item.

4. Mr. Hanson moved to approve an agreement for installation of fiber communications services to nine water storage facility sites, seconded by Mr. Landwehr.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve the attached Site Agreement with Zayo Bandwidth LLC with 2011 rent of Two-Thousand-Three-Hundred and No/100 Dollars (\$2,300.00) per site, and to request that the Mayor and the City Clerk execute the Site Agreement for

Installing and Maintaining a Fiber Communications Service at
each of the following Municipal Water Storage Facility Sites:

Baihly Tower NW
Country Club Tower NW
Golden Hill Tower SW
John Adams Tower NW
North Park Tower NW
Northern Heights Standpipe NE
Rose Harbor Tower SE
Saint Marys Tower SW
Viola Tower Site NE

5. The Board reviewed the proposed Collective Bargaining Agreement for 2011 with the International Brotherhood of Electrical Workers (IBEW), Office/Clerical Group, Local 949. It is a one year agreement updated to reflect a one-percent general wage increase. Mr. Hanson moved to approve the Agreement, seconded by Mr. Stahl.

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 union labor agreement covering the period from January 1, 2011 through December 31, 2011 with the International Brotherhood of Electrical Workers (IBEW), Office/Clerical Group, Local 949, and the City of Rochester Public Utility Board, and that the Common Council authorize the Mayor and the City Clerk to execute the document.

6. The preliminary 2011 electric and water budgets were discussed. Mr. Koshire said the goal was to have a zero percent increase in 2011 through various cost containment strategies. Mr. Hanson said that no increase is a signal to our community and that we need to make this statement to our community. One of the forecast scenarios discussed was a potential 6% rate increase for 2012. However, it was the Board consensus to take a more conservative approach by doing smaller rate increases instead. Mr. Stahl said minimizing the amount of rate increases was okay provided it did not affect safety or reliability. Mr. Hanson commended RPU staff for doing outstanding work on the budget while continuing to improve the infrastructure. Mr. Landwehr said that the RPU electric

ratepayers received a 4% increase in 2008, a 4% in 2009, zero percent in 2010 and zero percent in 2011. The Board will be asked to approve the budgets at their November 9 meeting.

* Mr. Hanson and Mr. Landwehr left the meeting at this time.

7. The General Manager provided the following report to the Board:

- a. Mr. Kotschevar said that working with the City’s new Emergency Management Office through the recent severe weather and flooding incidents has been very positive.
- b. Mr. Williams asked if money was going to be used to design an education initiative for Smart Grid in 2011. Mr. Kotschevar said that RPU staff is working on this internally.
- c. Mr. Schlink informed the Board that a recent inspection of the Lake Zumbro dam revealed no structural defects. The Power House will be studied next year.

8. The management and financial reports were discussed.

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

All voting “AYE”

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

All voting “AYE”

The meeting adjourned at 6:00 p.m.

Submitted by:

Kathleen Wilson
Secretary

Approved by the Board:

Joseph Williams
Board President

11/9/10
Date