

ROCHESTER PUBLIC UTILITIES  
BOARD MEETING MINUTES  
November 30, 2010

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

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

1. Mr. Landwehr moved to approve the minutes of the November 9, 2010 meeting, seconded by Mr. Reichert.

All voting "AYE"

2. Mr. Williams opened the meeting for comments from the public. No one wished to be heard.
3. Mr. Schlink, Director of Power Resources, discussed the request for RPU to join the Midwest Independent System Operator (MISO) as a transmission owner.

\* Mr. Stahl entered the meeting at this time.

RPU is currently a member of MISO. At the October Board meeting, MCR Performance Solutions, LLC appeared before the Board to discuss the benefits of RPU placing its transmission assets in the Midwest Independent System Operator (MISO) as a transmission owner. RPU has the option of placing its transmission assets in MISO and earning a revenue stream based on the investment in transmission resources or remaining an independent market participant. A 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.

The economic comparative benefit evaluation calculated the costs of both options out to the year 2025, and showed a net present value savings of \$16.6 million by joining MISO as a transmission owner.

The process of becoming a transmission owner in MISO is expected to take 6 to 8 months. It will require legal review of the application contracts, assembling the required financial documents, filing the required Attachment O for revenue recovery, responding to questions from MISO and the other transmission owners, and working with MISO on establishing an integration calendar. Mr. Schlink said staff would like to make membership effective in June of 2011 which requires submission of key documents in April of 2011. He also said that becoming a transmission owner would give RPU a mechanism to use when CapX2020 comes into place. Mr. Koshire said that RPU is the only market participant in the region that is not a transmission owner in MISO. Mr. Stahl moved to approve MCR's economic evaluation and management's request to join MISO as a transmission owner, seconded by Mr. Landwehr.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve the following:

1. Accept the economic evaluation completed by MCR showing a net benefit to RPU from joining MISO as a transmission owner and direct staff to proceed with the process of joining MISO as a transmission owner.
2. Approve the expenditure of \$100,000 for the purpose of professional services to assist and support staff in these efforts.
4. The annual adjustment to the Clean Air Rider (CAR) tariff was discussed. Updating the CAR rate annually ensures that collections are sufficient to meet, without exceeding, the annual debt service cost for the Silver Lake Emissions Reduction Project, or other environmental projects the Board approves under this tariff. Ms. Parker, Director of Corporate Services, stated that the two drivers for changes to this tariff are interest income and debt service. The increase in the tariff amounts to 23¢ more per month for residential customers. Mr. Stahl moved to approve the annual update to the Clean Air Rider rate, 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 an annual update to the Clean Air Rider Rate effective January 1, 2011.

5. The General Manager provided the following report to the Board:
  - a. Mr. Koshire met with City officials and Chamber of Commerce representatives to discuss streamlining the process used for developers and contractors in the City.
  - b. The next Utility Board meeting will be Tuesday, December 21 at the RPU Service Center.
  - c. Mr. Rovang, Senior Civil Engineer, provided a presentation on the 50<sup>th</sup> Avenue NW hydropillar and RPU water system. Future water system infrastructure needs were discussed based on a November 2010 study prepared by Progressive Consulting Engineers, Inc. Replacement of the downtown water reservoir was discussed, but no action was taken on this item.
6. The management reports were discussed. Mr. Koshire noted that lost and unaccounted energy for the last twelve months was only 2.2% in the electric utility and 6.6% in the water utility, both of which are low for the industry and represent the efficiency of RPU's electric and water systems. Mr. Williams commended staff for exceeding their United Way campaign goal.

Mr. Stahl moved to approve the accounts payable, seconded by Mr. Landwehr.

All voting "AYE"

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

All voting "AYE"

The meeting adjourned at 5:10 p.m.

8. Following adjournment of the meeting, the Board and public were invited to tour the Cascade Meadow facility.

Submitted by:

Kathleen Wilson  
Secretary

Approved by the Board:

Greg Williams  
Board President

12/21/10  
Date