

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
December 11, 2008

Members Present: Mr. Jibben, Mr. Reichert, Mr. Williams, Mr. Stahl, Mr. Hanson
Absent: None
Also Present: Mr. Adkins, City Attorney

Board President Jibben called the meeting to order at 4:03 PM.

1. Mr. Stahl moved to approve the minutes of the November 25, 2008 meeting, seconded by Mr. Reichert.

All voting "AYE"

2. Mr. Stahl moved to approve the accounts payable report, seconded by Mr. Hanson

All voting "AYE"

3. Mr. Jibben opened the meeting for comments from the public. No one wished to be heard. He introduced Ms. Sharon Gabrielson from Leadership Greater Rochester who was visiting the board meeting as part of her program.

4. & 5. The proposed 2009 RPU electric and water budgets were discussed. In November, staff reviewed the preliminary budgets with the finance committee and the Board. Mr. Koshire explained why the 6% increase by RPU's wholesale supplier, the Southern Minnesota Municipal Power Agency (SMMPA), necessitated a 4% electric revenue adjustment. After reviewing where RPU could defer and control costs, it was determined that an additional 1% increase was needed for infrastructure improvements, system reliability, maintaining cash reserves at appropriate levels, and providing adequate debt service coverage. This would bring the total electric revenue increase to 5%. No increase is planned for the water utility. Three new full-time positions were also included. When asked about the positions by Board member Hanson, Mr. Koshire said he felt RPU could make a business case for them.

Mr. Williams noted that both agenda item 4 "Approval of the 2009 Electric and Water Budgets" and agenda item 5 "2009 Electric Revenue Adjustment and Annual Clean Air Rider Update" are interrelated. In both of these items, the RPU budgets and rate making process are designed to "allow for providing reliable, quality service and maintaining financial position." However, Mr. Williams said that we do not want to compromise on the safety of employees or the safety of the infrastructure. He asked that staff add a safety statement into these types of matters in the future since safety is a cost of doing business. Mr. Koshire agreed and said that during the November meeting, as recorded in item #4 of the minutes, he had mentioned the importance of cable replacement and tree

trimming on the electrical system's reliability. Mr. Stahl asked about the customer charge. Mr. Jibben informed him that the customer charge is used to make sure that we are charging appropriately for infrastructure. Mr. Williams asked staff to explain the Clean Air Rider rate. Ms. Parker, Director of Corporate Services, replied that the rate was for the Silver Lake Plant Emissions Reduction Project. Mr. Koshire said that this Rider will go down eventually. Ms. Parker said that electric revenue adjustments are accomplished by increasing the customer charge or demand charge, and that the Clean Air Rider is not included in these calculations. Mr. Williams asked about the clarity of the resolution for agenda item 5. Mr. Adkins said that the resolution was clear and that there was no need to change it.

Mr. Hanson moved to approve en bloc resolutions for the 2009 budgets and the 2009 electric revenue adjustment and Clean Air Rider update, seconded by Mr. Williams.

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 2009 electric and water capital and operating budgets.

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve the following rate schedules effective January 1, 2009.

Residential Service (RES)	Large General Service (LGS)
Residential Service-Dual Fuel (RES-DF)	Large Industrial Service (LIS)
Residential-High Efficiency HVAC (RESELGEO)	Interruptible Service (INTR)
General Service (GS)	City Street Lighting (CSL)
General Service-High Efficiency (GS-HEF)	Traffic Signals (TS)
General Service Time-Of-Use (GS-TOU)	Highway Lighting (HL)
Medium General Service (MGS)	Security Lighting (SL)
Medium General Service-High Efficiency (MGS-HEF)	Civil Defense Sirens (CDS)
Medium General Service Time-Of-Use (MGS-TOU)	Clean Air Rider (CAR)

BE IT FURTHER 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 overall 5.0% electric revenue increase with changes to all customer classes and an annual update to the Clean Rider Rate effective January 1, 2009.

6. Mr. Darwin Olson and Mr. Lyle Papenfuss from the C. O. Brown Agency appeared before the Board to discuss insurance quotations for 2009. Ms. Parker, Director of Corporate Services, explained that the value of RPU's property had increased by 28% with the deductibles remaining the same. This resulted in premiums for all risk property insurance increasing by 15% in 2009. Mr. Olson said there was no premium increase for the League of Minnesota Insurance Trust for RPU's liability and auto insurance, and that RPU will be receiving a dividend from the League of approximately \$7,500. Mr. Papenfuss said that the AEGIS policy, which is used to provide blanket liability coverage, would be issuing a \$15,000 continuity credit to RPU. Mr. Papenfuss also said

that the terrorism endorsement was also declined because the cost was \$70,000 and the terrorism had to be a foreign act. Mr. Koshire stated that RPU has done documentation on security regulations needed for utilities and is in compliance.

Mr. Stahl moved to approve en bloc three resolutions approving the insurance quotations for 2009, seconded by Mr. Hanson.

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 insurance agreement with AIG/Lloyd's of London for

ALL RISK PROPERTY INSURANCE

The insurance agreement to be for a twelve month policy period commencing December 31, 2008, and expiring December 31, 2009.

The amount of the twelve month premium effective December 31, 2008 to be THREE HUNDRED SEVENTY FIVE THOUSAND SIX HUNDRED FORTY THREE AND 00/100 DOLLARS (\$375,643.00).

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 insurance agreement with the League of Minnesota Cities Insurance Trust for

COMMERCIAL AUTOMOBILE AND GENERAL LIABILITY INSURANCE

The insurance agreement to be for a twelve month policy period commencing December 31, 2008, and expiring December 31, 2009.

The amount of the twelve month premium effective December 31, 2008 to be ONE HUNDRED THIRTY FOUR THOUSAND FOUR HUNDRED SIXTY NINE AND 00/100 DOLLARS (\$134,469.00).

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 insurance agreement with the Associated Electric and Gas Insurance Services, Ltd. (AEGIS) for

EXCESS GENERAL LIABILITY INSURANCE

The insurance agreement to be for a twelve month policy period commencing December 31, 2008, and expiring December 31, 2009.

The amount of the twelve month premium effective December 31, 2008 to be ONE HUNDRED FORTY FOUR THOUSAND SIX HUNDRED THIRTY SIX AND 00/100

DOLLARS (\$144,636.00).

7. Mr. Hanson moved to approve depositories for Utility monies, seconded by Mr. Stahl.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, that the following banks, authorized to do business in Minnesota, are the designated depositories for demand deposit accounts and temporary investment of funds of Rochester Public Utilities, City of Rochester, Minnesota, within the limits established by the City of Rochester, for the term commencing January 1, 2009 through the 31st day of December, 2009.

US Bank
Wells Fargo

The above depositories, and any added during the term by the City Finance Director, shall pay interest at such rate or rates, per annum, as may be mutually agreed upon by the Rochester Public Utilities and the respective depository at the time such deposits and investments are made.

The depository shall pay on demand all deposits subject to payment on demand, with accrued interest, and pay on demand all time deposits with accrued interest, at or after maturity.

8. Mr. Stahl moved to approve a resolution designating those employees of RPU authorized to conduct financial business for the Utility, seconded by Mr. Hanson.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, that the following person or persons are hereby authorized for and in behalf of the City of Rochester, D/B/A Rochester Public Utilities, to endorse or cause to be endorsed such documents regarding deposits, checks, drafts, investments or any other matter necessary for or pertaining to the financial operation of the Rochester Public Utilities.

Larry J. Koshire
Susan Parker
Bryan Blom
Tina Livingston
Judy Anderson

9. Mr. Koshire, General Manager, provided the following update to the Board:
- a. The Southern Minnesota Municipal Power Agency (SMMPA) Board approved commercial paper of up to \$1 million which should be okay until 2010. SMMPA


is RPU's wholesale power supplier. He also said that any projects of a long-term nature need to go to a member vote. There are 18 member cities in SMMPA. SMMPA is also offering a power sales contract extension to 2050 to each of its members. The members have until September, 2009 to decide. The current contract expires in 2030.

- b. Some of the RPU board members attended the American Public Power Association's Governance Workshop.
 - c. Mr. Schlink, Director of Power Resources, said the steam line was running at full load.
10. The management and financial reports were discussed. Mr. Reichert asked for a graph on RPU's system reliability with benchmarks. Mr. Kotschevar, Director of Core Services, said he would provide the graph. Mr. Reichert also suggested that the Board policy manual be updated at the next planning session.
11. Other Business:
Ms. Deb Pena was introduced as the new Business Services Supervisor.
12. Mr. Hanson moved to adjourn the meeting, seconded by Mr. Stahl.


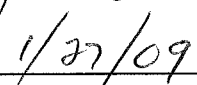
All voting "AYE"

The meeting was adjourned at 4:55 p.m.

Submitted by:


Secretary

Approved by the Board:


Board President

Date