

ROCHESTER PUBLIC UTILITIES
BOARD MEETING MINUTES
April 27, 2010

Members Present: Mr. Williams, Mr. Landwehr, Mr. Reichert, and Mr. Stahl
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 March 30, 2010 meeting, seconded by Mr. Reichert.

All voting "AYE"

2. Mr. Ed Iannuccilli was recognized by the Board for his 21 years of service to RPU. He started as a relay technician and finished as a utility technician. Prior to RPU, he worked at various other utilities across the country. Employees at RPU will miss his upbeat and positive attitude. Mr. Williams said that organizations thrive on good people with positive attitudes.
3. Mr. Williams opened the meeting for comments from the public. No one wished to be heard.
4. Mr. Tom Wente of Smith Schaffer and Associates was present to summarize the results of the 2009 financial audit for the Board. The auditor was able to issue a clean unqualified opinion based on their review. The 2009 RPU annual report includes their findings. Mr. Reichert, a member of the audit committee, said he had met with the auditor prior to the board meeting. He asked if RPU would consider adding some type of internal audit function. Mr. Koshire replied that having an internal audit function is a strategic issue at RPU that could combine financial controls as well as governmental and environmental compliance areas to achieve greater efficiencies and ensure compliance. Mr. Reichert moved to receive and accept the audit, seconded by Mr. Stahl.

All voting "AYE"

5. The bids for the Westside Substation relay and control panels were discussed. Mr. Reichert asked if the electrical devices could be upgraded to support smart relays. Mr. Stiller, Senior Electrical Engineer, said that the current relays RPU buys are very intelligent devices. Mr. Stahl moved to approve a purchase order agreement with Keystone Electrical Manufacturers, seconded by Mr. Landwehr.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a purchase order agreement with Keystone Electrical Manufacturing for

Relaying and Control Panels
Westside Substation

The amount of the purchase order agreement to be ONE HUNDRED SEVEN THOUSAND FOUR AND 21/100 DOLLARS (\$107,004.21) and Keystone Electrical Manufacturing being lowest responsible bidder.

6. Mr. Rovang, Senior Civil Engineer, discussed the 2009 Water Engineering and Operations Report with the Board. The report is prepared and provided to the Utility Board annually to document the accomplishments and work performed by the water department. Various projects were discussed including water main and well construction projects as well as antenna installations on water towers. Antenna installations exceeded \$550,000 in revenue in 2009. Also included in the accomplishments for the water utility is the four year water system study using computer modeling. Projected future water demand is an important planning component in the water utility.
7. Mr. Osweiler, Environmental Analyst, described RPU's involvement in groundwater studies with the U.S. Geological Survey (USGS) and Minnesota Geological Survey (MGS) for more than 20 years. These studies include the following:
 - Nitrate-Nitrogen Reduction in a Wetland along the Decorah Edge - Completed in 2007 (USGS)
 - 3-D mapping of Geologic Formations in Olmsted County – Completed in 2008 (MGS)
 - Groundwater Modeling MODFLOW Update – Current Study (USGS)
 - Surface Water & Groundwater Interaction between Well #27 and Silver Creek – Proposed Study (USGS)

Mr. Osweiler said that RPU will continue to participate in additional groundwater studies because:

- The studies greatly improve our understanding of how water moves through rocks
 - Allow us to make improvements to the Groundwater Model (MODFLOW)
 - Help protect our groundwater resource
 - Are used for long-term water supply planning and improvements to our Wellhead Protection Plan
 - Educate the general public.
8. Mr. Landwehr moved to approve the 2010 air emissions fee for the Silver Lake Plant, seconded by Mr. Reichert.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to authorize payment of the 2010 Silver Lake Plant air emission fee in the amount of \$127,651.05 to the Minnesota Pollution Control Agency.

9. The proposed Novaspect Agreement for Power Resources forecasting and reporting upgrade was discussed with the Board. Mr. Sutton, Manager of Portfolio Optimization, said RPU needs to centralize and standardize data gathering and reporting with as much process automation as possible. Mr. Adkins said he would like the opportunity to review the agreement. He noted that that Novaspect is not standing behind the software in this agreement and that the agreement mentions Illinois rather than Minnesota. Mr. Schlink, Director of Power Resources, said that RPU has a universal agreement with Novaspect that meets the City Attorney's requirements. Mr. Landwehr moved to approve a purchase order with Novaspect, Inc., contingent upon the City Attorney's review and approval of the terms and conditions of the agreement, seconded by Mr. Reichert.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a purchase order agreement with Novaspect, Inc. for

Power Resources Forecasting and Reporting Upgrade

The amount of the purchase order agreement to be \$114,994 for professional services plus a contingency of 10% for a total amount of ONE HUNDRED TWENTY-SIX THOUSAND FOUR HUNDRED NINETY-THREE DOLLARS AND 00/100 (\$126,493.00).

10. The annual update to the cost and rate schedules for RPU's Cogeneration & Small Power Production Rate (SPP) Tariff was reviewed by the Board. Mr. Williams asked if this is considered RPU's energy charge. Mr. Koshire said the SPP tariff only applies to residential customers, and that RPU is required by Minnesota Statute regulations to have this particular tariff. Mr. Reichert moved to approve the Revised Schedule C of the SPP Rate Tariff, 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 revised Schedule C of the RPU Cogeneration and Small Power Production (SPP) Rate Tariff which are updated annually after each calendar year by RPU. This is required by Section III, paragraph A of the Rules Covering Cogeneration and Small Power Production Facilities (Minnesota Statutes Section 216B.164, Subdivision 9) which were previously approved by the Board/Council in June 2005.

11. Mr. Benson, Communications Coordinator, presented some of the design layouts for the exhibit development for the RPU Education Center at Cascade Meadow Wetlands and

Environmental Science Center to the Board. RPU plans to lease 2,000 square feet of educational exhibit space. Phase one of the exhibit (which will open in September 2010) consists of four main educational concepts:

- Energy Sources
- What's in a (Kilo) Watt?
- Powering Up!
- Small Steps, Big Changes.

Mr. Benson said local vendors are donating appliances for the exhibits. The majority of the costs are in the construction and design of the exhibits. Additional phases will be budgeted for the project based on consumer interest. Mr. Stahl moved to approve a fabrication services agreement with Kidzibits, seconded by Mr. Reichert.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a Fabrication Services Agreement from Kidzibits, and to request that the Mayor and the City Clerk execute the Agreement for

Exhibit Development for RPU Education Center at
Cascade Meadow Wetlands and Environment Science Center

The amount of the Agreement to be ONE HUNDRED THIRTY-NINE THOUSAND SIX HUNDRED AND 00/100 DOLLARS (\$139,600.00).

12. Mr. Reichert moved to approve the purchase of Storage Area Network (SAN) modules to support the performance needs of RPU's production systems, seconded by Mr. Stahl.

All voting "AYE"

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a purchase order agreement with SOVRAN through State Contract Number 441939 for

Three 10 gig SAN Storage Modules and
Three SAS Drives

The amount of the purchase order agreement to be ONE HUNDRED FIFTY-FIVE THOUSAND TWO HUNDRED FIFTY AND 00/100 DOLLARS (\$155,250.00).

13. The General Manager provided the following report to the Board:
 - a. RPU will celebrate Arbor Day on April 30. Over three thousand trees will be given away during the event during the free lunch. Local elementary schools will be attending the event.

- b. Mr. Koshire said that the Southern Minnesota Municipal Power Agency (SMMPA) is looking at making some radical changes in its rates due to market conditions. Some of these changes will go into the energy charge. The premises for some of this ratemaking are still being discussed. SMMPA is also reviewing the "Buy America" 30 year bonds in the \$30 million to \$50 million range. Potentially these bonds would go beyond RPU's 2030 power sales contract term. Mr. Williams noted that the management report in the SMMPA 2009 Annual Report states, *"The Members who chose to extend their contract believe that joint action through SMMPA remains their best hedge against future uncertainty. With the contract extensions in hand, we can plan and finance resources needed beyond 2030, and we can consider options for surplus energy from the Sherco 3 generating station beyond 2030."* Since the Utility Board and Common Council chose not to extend the Power Sales Agreement with SMMPA beyond 2030, RPU will need to address these issues as they arise in the future.
- c. Mr. Hensel, Director of Field Services, informed the Board one easement is done for the Westside substation. He said that Board policy requires an appraisal of the land and approval of the dollars by the Board. He asked that the Board concur with continued negotiations by staff for the property in question. Mr. Landwehr moved to authorize the General Manager and staff to continue negotiations with the landlord, seconded by Mr. Reichert.

All voting "AYE"

- d. Mr. Adkins announced that there would be a closed meeting with the Utility Board and Common Council on Monday, May 10, to discuss the pending litigation between the City of Rochester, Minnesota and the Southern Minnesota Municipal Power Agency.
14. The management and financial reports were discussed.
- The payables were reviewed. Mr. Landwehr moved to approve the accounts payable report, seconded by Mr. Stahl.

All voting "AYE"

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

All voting "AYE"

The meeting adjourned at 6:10 p.m.

Submitted by:

Kathleen Wilson
Secretary

Approved by the Board:

Jerry Williams
Board President
5/25/10
Date