

**ROCHESTER PUBLIC UTILITIES  
BOARD MEETING MINUTES  
November 10, 2009**

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

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

1. Mr. Reichert moved to approve the minutes of the October 27, 2009 meeting, seconded by Mr. Stahl.

All Voting "AYE"

2. Mr. Williams opened the meeting for comments from the public. No one wished to be heard.
3. Mr. Koshire explained that no adverse comments from the public had been received after another article about the 2010 budgets had been placed in the newspaper. The drivers are sales and customer counts. RPU is also receiving a 4% increase from its wholesale supplier, the Southern Minnesota Municipal Power Agency (SMMPA), but staff was able to reduce RPU electric reserves by 5% to accommodate the increase without having to raise rates. Mr. Landwehr said it was important to have a plan for getting reserves back up in future years for bonding purposes. He also said that water conservation rates will be put in place. It was not necessary to reduce the water utility reserves.

Mr. Reichert asked about a streetlight utility. Mr. Adkins said the Council is agreeing to the concept of a streetlight utility, but there are no plans to implement this until 2010 or possibly 2011. Mr. Koshire said this also requires an ordinance. Mr. Walters, Director of Customer Relations, said RPU's electric cost of service study will have streetlight data in it which should be helpful. It will take approximately six months to do the study.

Mr. Hanson said these efforts represented outstanding work on the part of RPU. Mr. Landwehr and Mr. Williams said it was very good work on the part of RPU employees who have dealt well with both furlough days and budget reductions. Mr. Landwehr moved to approve the budgets, 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 the 2010 electric and water capital and operating budgets.

4. The 2010 annual Clean Air Rider update was discussed. The tariff was created to recover

the cost of the annual debt service for the Emission Reduction Project at the Silver Lake Plant and other environmental projects the Board approves under this tariff. It was implemented in April 2007. The rider is adjusted annually based on anticipated sales and upcoming debt. The updated rider will cost the average residential customer 33¢ more per month. Mr. Landwehr moved to approve the update, 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 annual update to the Clean Air Rider Rate effective January 1, 2010.

5. Mr. Walters, Director of Customer Relations, and Mr. Mark Kotschevar, Director of Core Services, presented information on Smart Grid to the Board. Mr. Walters provided information on a future vision of smart grid which includes components such as utility communications, dynamic systems control, data management, distribution operations, renewables, the Internet, advanced metering, etc. Some of the technology has not been invented yet. The National Institute of Standards and Technology is monitoring this area, but there is no standardization of equipment among vendors yet.

What does smart grid mean to RPU and Rochester?

- a. It is two-way communication between the customer and RPU which will allow the customer to become an active participant in the energy market. With smart grid, the customer is able to respond to real-time pricing either by shifting load to a lower priced time period, releasing energy into the grid during high priced periods, or simply cutting energy use during high-priced periods.
- b. Smart grid would make the transmission/distribution system more efficient and reliable by knowing the location of outages without the customer calling in and using that information to automatically identify the location and source of the problem. This would allow for a reduction in operating and infrastructure cost per kWh served.

Mr. Kotschevar explained that RPU currently has two-way communications to its substations through its SCADA system which is used to monitor its system load. RPU's existing meters to its customers are capable of sending one-way usage information. He said we need a fixed network system to pick up the reads and get them back to a meter data management system in order to do many of the predictive features of smart grid.

Mr. Walters and Mr. Kotschevar summarized the presentation by saying that we need to determine RPU's smart grid vision. The next steps would be to benchmark current practice, identify gaps, prepare an economic and financial model to assess the components, and prioritize the components based on cost and customer demand. The findings will be reported back to the Board.

Mr. Williams said that RPU has unique key customers locally that he hopes will have a

seat at the table as smart grid is being developed. He asked staff to talk to the people and not just rely on our consultant for information. Mr. Koshire mentioned that RPU's Partners Program is voluntary. We need to find out if the customer wants RPU to have knowledge about the appliances in their homes. Mr. Stahl said it is important for the Board and staff to be reviewing this because in a few short years our agreement with the Southern Minnesota Municipal Power Agency will be ending. Mr. Reichert said we have unique residential customers too with lots of technology being used in the City. The Board took no further action on this item.

- 6. The General Manager provided the following report to the Board:
  - a. Mr. Koshire informed the Board that staff has visited the vendor regarding the condition of the GT2 generator. It suffered a bearing failure and a seal failed. Additional repairs could range from \$200,000 to \$600,000 with total repairs approaching \$1 million. RPU has insurance for this with a \$350,000 deductible.
  - b. The proposed Big Stone II project, a 600 MW, expansion of the existing 450 MW Big Stone generating facility, will not go through. This will not affect the CapX2020 transmission project which was not tied to a generating unit.
- 7. Mr. Reichert moved to adjourn the meeting, seconded by Mr. Stahl.

All voting "AYE"

The meeting was adjourned at 5:05 p.m.

Submitted by:

Katherine Wilson  
Secretary

Approved by the Board:

Jerry Williams  
Board President  
11/24/09  
Date