



MEETING AGENDA – NOVEMBER 12, 2019

COMMUNITY ROOM
4000 EAST RIVER ROAD NE
ROCHESTER, MN 55906

4:00 PM

Call to Order

1. **Approval of Agenda**
2. **Approval of Minutes**

1. Public Utility Board - Regular Meeting - Oct 29, 2019 4:00 PM

NEW BUSINESS

Open Comment Period

(This agenda section is for the purpose of allowing citizens to address the Utility Board. Comments are limited to 4 minutes, total comment period limited to 15 minutes. Any speakers not having the opportunity to be heard will be the first to present at the next Board meeting.)

3. Regular Agenda

1. 2020 Electric Utility Budget
Resolution: Approval of the 2020 Electric Utility Budget
2. 2020 Electric Utility Rate Adjustment
Resolution: Approval of the 2020 Electric Utility Rate Adjustment
3. 2020 Water Utility Budget
Resolution: Approval of the 2020 Water Utility Budget
4. 2020 Water Utility Rate Adjustment
Resolution: Approval of the 2020 Water Utility Rate Adjustment

4. Adjourn

The agenda and board packet for Utility Board meetings are available on-line at www.rpu.org and <http://rochestercitymn.igmp2.com/Citizens/Default.aspx>



MEETING MINUTES – OCTOBER 29, 2019

BOARD ROOM
4000 EAST RIVER ROAD NE
ROCHESTER, MN 55906

4:00 PM

Call to Order

Attendee Name	Title	Status	Arrived
Brett Gorden	Board Member	Present	
Tim Haskin	Board Member	Absent	
Melissa Graner Johnson	Board Vice President	Present	
Brian Morgan	Board President	Present	
Michael Wojcik	Board Member	Present	

1. Approval of Agenda

- Motion to:** approve the agenda as presented

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Melissa Graner Johnson, Board Vice President
SECONDER:	Brett Gorden, Board Member
AYES:	Brett Gorden, Melissa Graner Johnson, Brian Morgan, Michael Wojcik
ABSENT:	Tim Haskin

2. Safety Moment

General Manager Mark Kotschevar spoke regarding all the safety measures RPU takes to reduce its liability exposure to the public. This includes tree trimming, responding to Gopher State locating requests for underground digging and the marking of those facilities, inspections of energized conductors throughout the City, inspections of poles, the contractor safety program and school safety programs.

3. Approval of Minutes

- Public Utility Board - Regular Meeting - Sep 24, 2019 4:00 PM
- Motion to:** approve the minutes of September 24, 2019 as presented

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Michael Wojcik, Board Member
SECONDER:	Melissa Graner Johnson, Board Vice President
AYES:	Brett Gorden, Melissa Graner Johnson, Brian Morgan, Michael Wojcik
ABSENT:	Tim Haskin

4. Approval of Accounts Payable

Minutes Acceptance: Minutes of Oct 29, 2019 4:00 PM (Approval of Minutes)

1. AP Board Listing
2. **Motion to:** approve the AP board listing as presented

RESULT:	APPROVED [UNANIMOUS]
MOVER:	Michael Wojcik, Board Member
SECONDER:	Melissa Graner Johnson, Board Vice President
AYES:	Brett Gorden, Melissa Graner Johnson, Brian Morgan, Michael Wojcik
ABSENT:	Tim Haskin

NEW BUSINESS

Open Comment Period

(This agenda section is for the purpose of allowing citizens to address the Utility Board. Comments are limited to 4 minutes, total comment period limited to 15 minutes. Any speakers not having the opportunity to be heard will be the first to present at the next Board meeting.)

President Morgan opened the meeting for public comment. Two people came forward to speak.

Tom Williamson, of Rochester, spoke regarding infrastructure and climate. He has observed that the street lights are much brighter and asked if we can get a lower wattage. Additionally, he stated that more renewable energy sources mean less asthma and heart disease.

Rick Morris, of the Rochester Sierra Club, presented two data points. The first is a case study of Denton, Texas, which has a plan to achieve 100 percent renewable energy supply by the end of 2020. The second is that modeling software is outdated and in 2020 the City should hire a firm using the latest modeling standards.

5. Public Hearing

1. Wellhead Protection Plan Part II - Public Hearing

A public hearing was held for the amendment of RPU's Wellhead Protection Plan (WHHP), which is required under the Federal Safe Drinking Water Act and Minnesota Rules 4720.5100-4720.5590 to be updated at least every ten years. Environmental and Regulatory Affairs Coordinator Todd Osweiler said that RPU's previous plan, part 1 and part 2, had been approved by the Minnesota Department of Health (MDH) in 2007. Part 1 of RPU's current wellhead protection plan, pertaining to wellhead protection area and drinking water supply management area delineations, well and aquifer vulnerability assessments, was approved by the MDH in 2017. Part 2, pertaining to potential contaminant source inventory associated issues/opportunities and management plan, will be submitted to the MDH for final approval and was being presented to the Board as an informational item. Following approval by the MDH, the Board will be asked to adopt the amended WHPP.

No comments were received from the public during the public hearing.

6. Regular Agenda

1. Risk Property, General Liability and Automotive Insurance Renewals for 2020

Materials Manager Andrew Bianco presented a request to the Board for approval of utility insurance renewals for 2020. The all risk property insurance policy as originally quoted to RPU had a change when the offer fell through due to market

conditions, said Mr. Bianco, therefore RPU will return to its previous deductible level while working on options to lower rates. This changed the annual premium amount from \$314,719 to \$518,215. There was no change to the originally quoted premiums for general liability and automotive insurance. The policy terms are effective from November 1, 2019 through October 31, 2020.

Board Member Michael Wojcik moved to approved the block of 3 resolutions of contract agreements for all risk property insurance, general liability insurance and automotive insurance for 2020, with the amended resolution for all risk property insurance. Vice President Johnson seconded the motion. Motion passed.

Resolution: All Risk Property Insurance

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a contract agreement with Wortham Insurance/ARGUS and authorize the Mayor and the City Clerk to execute the agreement for

ALL RISK PROPERTY INSURANCE

The insurance agreement to be for a twelve month policy period commencing November 1, 2019, and expiring October 31, 2020.

The amount of the contract agreement not to exceed FIVE HUNDRED EIGHTEEN THOUSAND TWO HUNDRED FIFTEEN DOLLARS AND 00/100 (\$518,215.00).

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 29th day of October, 2019.

RESULT:	COUNCIL APPROVAL [UNANIMOUS]
MOVER:	Michael Wojcik, Board Member
SECONDER:	Melissa Graner Johnson, Board Vice President
AYES:	Brett Gorden, Melissa Graner Johnson, Brian Morgan, Michael Wojcik
ABSENT:	Tim Haskin

Resolution: Excess General Liability Insurance

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a contract agreement with Associated Electric and Gas Insurance Services, Ltd. (AEGIS) and authorize the Mayor and the City Clerk to execute the agreement for

EXCESS GENERAL LIABILITY INSURANCE

The insurance agreement to be for a twelve month policy period commencing November 1, 2019, and expiring October 31, 2020.

The amount of the contract agreement not to exceed THREE HUNDRED TEN THOUSAND THREE HUNDRED NINETY-TWO AND 00/100 DOLLARS (\$310,392.00).

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 29th day of October, 2019.

RESULT:	COUNCIL APPROVAL [UNANIMOUS]
MOVER:	Michael Wojcik, Board Member
SECONDER:	Melissa Graner Johnson, Board Vice President
AYES:	Brett Gorden, Melissa Graner Johnson, Brian Morgan, Michael Wojcik
ABSENT:	Tim Haskin

Resolution: Commercial Automobile and General Liability Insurance

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a contract agreement with the League of Minnesota Cities Insurance Trust and authorize the Mayor and the City Clerk to execute the agreement for

COMMERCIAL AUTOMOBILE AND GENERAL LIABILITY INSURANCE

The insurance agreement to be for a twelve month period commencing November 1, 2019, and expiring October 31, 2020.

The amount of the contract agreement not to exceed ONE HUNDRED FORTY THOUSAND EIGHT HUNDRED FORTY FOUR AND 00/100 DOLLARS (\$140,844.00).

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 29th day of October, 2019.

RESULT:	COUNCIL APPROVAL [UNANIMOUS]
MOVER:	Michael Wojcik, Board Member
SECONDER:	Melissa Graner Johnson, Board Vice President
AYES:	Brett Gorden, Melissa Graner Johnson, Brian Morgan, Michael Wojcik
ABSENT:	Tim Haskin

2. Land Purchase - 1325 Marion Road SE

Buyer Mona Hoeft presented a request to the Board for approval of a land purchase agreement for two of four parcels at 1325 Marion Road SE for the construction of a new RPU electric substation in SE Rochester. The total purchase price of the two parcels is \$158,311 with a closing date of November 5, 2019. The purchase agreement will require City Council approval on November 4, 2019. RPU is continuing negotiations for the purchase of the remaining two parcels.

Resolution: Land Purchase - 1325 Marion Road SE

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a resolution authorizing the purchase agreement for 1325 Marion Road SE and authorize the agreement to move forward for approval of the City Council.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 29th day of October, 2019.

RESULT:	COUNCIL APPROVAL [UNANIMOUS]
MOVER:	Melissa Graner Johnson, Board Vice President
SECONDER:	Michael Wojcik, Board Member
AYES:	Brett Gorden, Melissa Graner Johnson, Brian Morgan, Michael Wojcik
ABSENT:	Tim Haskin

3. Approval of the Electric Service Availability Policy

The Board's Electric Service Availability Policy was reviewed and revised by staff with minor changes and presented to the Board for approval. General Manager Mark Kotschevar said the policy was sent to the Board's operations committee for review and comment and was now ready for Board approval.

Resolution: Electric Service Availability

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

Electric Service Availability Policy

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 29th day of October, 2019.

RESULT:	COUNCIL APPROVAL [UNANIMOUS]
MOVER:	Brett Gorden, Board Member
SECONDER:	Michael Wojcik, Board Member
AYES:	Brett Gorden, Melissa Graner Johnson, Brian Morgan, Michael Wojcik
ABSENT:	Tim Haskin

4. Preliminary 2020 Water and Electric Utility Budgets

Director of Corporate Services Peter Hogan presented RPU's preliminary 2020 water and electric utility budgets to the Board, requesting approval to provide public notice of proposed rate adjustments. The budgets were previously presented to the Board's finance committee on October 17, 2019.

For the electric utility, a zero percent overall rate increase is proposed, with the residential customer charge decreasing from \$19.50 per month to \$18.30 per month and with a 1.7 percent increase to the energy charge in order to remain revenue neutral. The 2020 electric budget includes the costs of replacing aging infrastructure and the construction of a new electric substation.

For the water utility, a 3.5 percent general rate increase is proposed, resulting in a 47 cents per month increase on the average residential customer bill, due to expected growth in customers of 1.0 percent and growth in total consumption of 2.85 percent in 2020. There will also be a 28 cents per month increase in the state's mandated water testing fee that will be passed on to the customer, said Mr. Hogan. Water projects included in the 2020 budget include water main replacements, City-planned street reconstruction, Destination Medical Center development affecting water infrastructure, distribution system expansion and continued water conservation programs and education. Additionally, there is a proposed increase of \$0.00180 per kilowatt hour to the clean air rider rate.

Resolution: Notice of Proposed Rate Change in 2020

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota,

to authorize staff to give preliminary notice to the public of the proposed 3.5% increase to the general water rates and a \$0.28 per month increase in the state mandated water testing fee for 2020 and

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to authorize staff to give preliminary notice to the public of the proposed 0.0% overall adjustment to the general electric revenue requirement for 2020 with adjustments to the residential customer charge, energy charges and the clean air rider.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 29th day of October, 2019.

RESULT:	COUNCIL APPROVAL [UNANIMOUS]
MOVER:	Michael Wojcik, Board Member
SECONDER:	Melissa Graner Johnson, Board Vice President
AYES:	Brett Gorden, Melissa Graner Johnson, Brian Morgan, Michael Wojcik
ABSENT:	Tim Haskin

7. Board Liaison Reports

President Morgan and Vice President Johnson met with the Board's finance committee on October 17, 2019 to review the preliminary RPU 2020 water and electric utility budgets.

8. General Managers Report

General Manager Mark Kotschevar shared that he attended the Southern Minnesota Municipal Power Agency's (SMMPA) annual meeting on October 10, 2019.

Director of Corporate Affairs Peter Hogan reported on the implementation of RPU's new customer care and billing system, Cayenta. The mock go-live phase occurred two weekends ago. The team is currently working on 15 open items, he said, but none that will delay the current schedule. The planned go-live date is November 12, 2019.

Director of Power Resources Jeremy Sutton is currently negotiating with vendors for RPU's proposed solar garden program and plans to come before the Board with the results of the request for proposal for the project at a future date.

9. Division Reports & Metrics

In discussion of RPU's division reports and metrics for September 2019, President Morgan commended the utility for four months of no recordable injuries.

10. Other Business

In other business, Board Member Michael Wojcik referenced a recommendation made by the League of Minnesota Cities asking boards and committees to provide answers to citizens at the next meeting following an open comment period. General Manager Mark Kotschevar replied that the Board could decide to do that.

Mr. Wojcik inquired about the drafting of a new Board policy that he requested providing guidelines for Undergrounding of electric utility infrastructure. Mr. Kotschevar said staff is working on the policy.

11. Adjourn

Regular Meeting

Tuesday, October 29, 2019

4:00 PM

The agenda and board packet for Utility Board meetings are available on-line at www.rpu.org and <http://rochestercitymn.ig2.com/Citizens/Default.aspx>

Submitted by:

Secretary

Approved by the Board

Board President_____
Date

Minutes Acceptance: Minutes of Oct 29, 2019 4:00 PM (Approval of Minutes)

FOR BOARD ACTION

Agenda Item # (ID # 11266)

Meeting Date: 11/12/2019

SUBJECT: 2020 Electric Utility Budget

PREPARED BY: Peter Hogan

ITEM DESCRIPTION:

The preliminary 2020 electric utility budget was reviewed with the finance and audit committee on October 17, 2019 and the full Board on October 29, 2019. The budget as presented reflects a reduction of approximately \$1,671 million in operating and capital expenses from staff's original submissions in order to meet the 2017 cost of service study recommendations.

The significant drivers for the 2020 budget are:

- Proposed overall electric rate adjustment of zero percent
- No significant growth in KWH sales, but continued growth in service points
- Our SMMPA wholesale cost for 2020 will be unchanged. The 2019 reduction of 4% which will continue to flow through our power cost adjustment in 2020.
- Additional investments to address aging distribution infrastructure
- South East substation to handle load growth in the downtown and southern side of the City
- Utilize savings from the Westside Energy Station and Hydro project to fund new substation instead of borrowing funds in 2020
- Continued funding for our energy conservation programs
- Addition of 3 FTE's - Lead Line Worker, IT System Administrator and replacement of a contract position
- Movement towards the financial targets set based on the adoption of the utility method of rate setting in 2014:
 - o Alignment of variable and fixed costs with corresponding variable and fixed revenues reduces cross subsidies and improves financial sustainability
 - o Change in Net Assets goal for 2020: \$14,700,000; Budget \$11,688,000
 - o Debt Service Coverage Ratio, excluding payment in lieu of taxes (PILOT), of 3.0 times or greater; Budget projects 2.9 times in 2020
 - o Minimum cash reserves goal for 2020: \$57,408,000; Budget \$79,892,000

Summary financial sheets are attached reflecting the recommended budget. Staff will be available to answer questions.

FOR BOARD ACTION

Agenda Item # (ID # 11266)

Meeting Date: 11/12/2019

UTILITY BOARD ACTION REQUESTED:

Management recommends that the Board approve and request City Council approval of the 2020 RPU electric utility capital, including multi year projects, and operating budget.

ROCHESTER PUBLIC UTILITIES

2020

ELECTRIC UTILITY

OPERATING BUDGET

Attachment: Board Packet Elc (11266 : 2020 Electric Utility Budget)

**ROCHESTER PUBLIC UTILITIES
ELECTRIC UTILITY
2020 OPERATING BUDGET**

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Forecast by Year 2019 through 2024	2
Condensed Income Statement	3
Revenue Sources & Expense Categories	4
Operating Expenditures Graph	5
Production & Sales Statistics Forecast	6

**ROCHESTER PUBLIC UTILITIES
ELECTRIC UTILITY
2020 OPERATING BUDGET**

BASIC ASSUMPTIONS

- Cost center budgets and non-bonded projects set at level used in cost-of-service study
- Other than specifically identified projects, no assumptions have been made with regards to DMC
- Interest Earnings Rate: 1.80%
- Average Salary Expense Change: 3.2%
(excluding headcount additions) (consists of COLA, merit and promotion increases)
- Anticipated Bonding none
- Change in Full-time Equivalents: 3
- SMMPA Wholesale Power Cost: 0.0% increase
- SMMPA CROD Level: 216 MW
- Minimum Cash Reserve Requirement: Current policy amount \$57,408,200

RETAIL REVENUES / SALES

- Revenue Adjustment: 0.0% proposed
- Electric KWH Sales Forecast: 0.9 % Increase from 2019 Year End Projected Sales
- Total Electric Utility Customers: 1.8% Increase over Year End 2019 Projected Customers
- Forecast Assumes Normal Weather : 523 Cooling Degree Days

WHOLESALE FUEL COSTS

- Estimated Cost of Fuel 2020 \$3.45 / mcf
- Budgeted Cost of Fuel 2019 F2 \$3.54 / mcf

OTHER ITEMS

- In Lieu of Tax forecast increasing \$80,100 to a total of \$8,825,228.

**ROCHESTER PUBLIC UTILITIES
ELECTRIC UTILITY
Management Reporting P&L**

	Historical Data							
	2017	2018	2019 F2	2020	2021	2022	2023	2024
in 000's								
	RPU Rate Increase	3.7%	1.5%	1.9%	0.0%	2.5%	2.5%	2.5%
Revenue								
Retail Electric	\$146,779	\$151,914	\$150,685	\$152,891	\$157,012	\$160,948	\$164,952	\$170,165
Wholesale Electric	\$1,822	\$4,736	\$3,305	\$4,491	\$4,491	\$4,491	\$4,491	\$4,491
Wholesale Steam	\$4,419	\$4,322	\$3,664	\$4,548	\$5,427	\$5,427	\$5,427	\$4,662
Transmission	\$4,496	\$5,245	\$5,629	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Other Services & Fees	\$3,264	\$3,079	\$2,066	\$3,365	\$3,407	\$3,449	\$3,491	\$3,534
Total Revenue	\$160,780	\$169,295	\$165,349	\$170,295	\$175,338	\$179,315	\$183,362	\$187,851
Cost of Revenue	SMMPA Rate Increase (Decrease)	2.0%	0.0%	(4.0%)	0.0%	0.0%	0.0%	0.0%
Power Supply	\$93,062	\$94,984	\$90,600	\$91,663	\$91,796	\$91,675	\$91,498	\$91,641
Generation Fuel	\$3,413	\$5,497	\$4,411	\$5,153	\$5,613	\$5,613	\$5,613	\$5,212
Total Cost of Revenue	\$96,475	\$100,481	\$95,011	\$96,816	\$97,409	\$97,288	\$97,111	\$96,854
Gross Margin								
Retail Electric	\$53,717	\$56,930	\$60,085	\$61,228	\$65,216	\$69,272	\$73,454	\$78,524
Wholesale	\$2,828	\$3,561	\$2,558	\$3,886	\$4,306	\$4,306	\$4,306	\$3,940
Transmission	\$4,496	\$5,245	\$5,629	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Other Services & Fees	\$3,264	\$3,079	\$2,066	\$3,365	\$3,407	\$3,449	\$3,491	\$3,534
TOTAL GROSS MARGIN	\$64,305	\$68,814	\$70,339	\$73,479	\$77,929	\$82,027	\$86,251	\$90,998
Controllable Costs								
Salaries & Benefits	\$21,802	\$22,673	\$24,274	\$25,874	\$27,631	\$29,152	\$30,754	\$32,455
Other Operating Expenses	\$8,967	\$9,605	\$9,585	\$10,501	\$10,560	\$10,708	\$10,936	\$11,150
Major Maintenance	\$1,986	\$2,421	\$3,419	\$3,703	\$5,380	\$5,946	\$3,929	\$3,493
Non-Bonded Capital Projects	\$12,228	\$8,003	\$18,937	\$18,315	\$32,444	\$12,275	\$24,966	\$25,812
TOTAL CONTROLLABLE COSTS	\$44,984	\$42,703	\$56,214	\$58,392	\$76,015	\$58,081	\$70,584	\$72,910
Depreciation & Amortization	\$10,975	\$12,969	\$13,531	\$14,468	\$14,379	\$14,532	\$15,054	\$15,595
Less Non Bonded Projects (capitalized)	(\$12,228)	(\$8,003)	(\$18,937)	(\$18,315)	(\$32,444)	(\$12,275)	(\$24,966)	(\$25,812)
Less Total Internal Costs (capitalized)	(\$4,547)	(\$4,763)	(\$3,904)	(\$4,822)	(\$5,457)	(\$3,948)	(\$5,174)	(\$6,078)
Interutility Allocation	(\$1,228)	(\$1,333)	(\$1,546)	(\$1,575)	(\$1,607)	(\$1,639)	(\$1,672)	(\$1,705)
Total Operating Expenses	\$37,956	\$41,572	\$45,358	\$48,149	\$50,887	\$54,751	\$53,827	\$54,911
Net Operating Income (Loss)	\$26,349	\$27,242	\$24,980	\$25,330	\$27,042	\$27,276	\$32,424	\$36,087
Financing & Other Non-Operating Items:								
Bond & Interest Related Expenses	(\$5,039)	(\$5,939)	(\$6,473)	(\$6,421)	(\$6,268)	(\$6,098)	(\$5,912)	(\$5,710)
Interest Income	\$851	\$1,372	\$1,705	\$1,636	\$1,621	\$1,641	\$1,725	\$1,787
Misc Non-Operating Income (Expense)	(\$570)	(\$865)	(\$27)	(\$31)	(\$31)	(\$32)	(\$32)	(\$33)
Total Financing & Non-Operating Items	(\$4,758)	(\$5,431)	(\$4,794)	(\$4,816)	(\$4,678)	(\$4,488)	(\$4,219)	(\$3,956)
Income Before Transfers or Capital Contributions	\$21,591	\$21,811	\$20,186	\$20,513	\$22,364	\$22,787	\$28,205	\$32,131
Transfers (In Lieu of Taxes)	(\$8,422)	(\$8,725)	(\$8,745)	(\$8,825)	(\$8,999)	(\$9,183)	(\$9,373)	(\$9,574)
Capital Contributions/Intercompany	\$2,764	\$2,060	\$527	\$5,276	\$11,198	\$487	\$4,450	\$4,175
NET INCOME	\$15,933	\$15,147	\$11,967	\$16,964	\$24,563	\$14,091	\$23,282	\$26,732
NET INCOME (Excluding Capital Contributions)			\$11,441	\$11,688	\$13,365	\$13,604	\$18,832	\$22,557
TARGET NET INCOME			\$13,060	\$ 14,700	\$ 16,200	\$ 16,900	\$ 18,100	\$ 19,500
Excess (Deficit) from Target			\$ (1,619)	\$ (3,012)	\$ (2,835)	\$ (3,296)	\$ 732	\$ 3,057
1/01 Cash Balance	\$ 56,843	\$ 78,820	\$ 76,827	\$ 79,892	\$ 75,189	\$ 82,133	\$ 84,615	
Change in Net Assets	15,147	11,967	16,964	24,563	14,091	23,282	26,732	
Depreciation & Amortization	12,969	13,531	14,468	14,379	14,532	15,054	15,595	
Capital Additions/Service Territory Comp	(23,320)	(22,841)	(23,137)	(37,901)	(16,223)	(30,140)	(31,890)	
Bond Principal Payments	(5,460)	(5,725)	(6,015)	(6,315)	(6,625)	(6,955)	(7,310)	
Bond Proceeds	-	(0)	(0)	(0)	(0)	0	-	
Net Change in Other Assets/Liabilities	22,642	1,074	784	571	1,169	1,240	1,286	
Net Changes in Cash	21,977	(1,993)	3,065	(4,703)	6,944	2,482	4,413	
12/31 Cash Balance	\$ 78,820	\$ 76,827	\$ 79,892	\$ 75,189	\$ 82,133	\$ 84,615	\$ 89,028	
Minimum Cash Reserve	\$ 53,954	\$ 55,603	\$ 57,408	\$ 58,692	\$ 59,819	\$ 58,890	\$ 58,148	
Excess (Deficit) from Minimum Cash Reserve	\$ 24,866	\$ 21,224	\$ 22,484	\$ 16,497	\$ 22,314	\$ 25,725	\$ 30,880	
Debt Service Coverage Ratio	3.0	2.9	2.9	3.1	3.1	3.5	3.8	

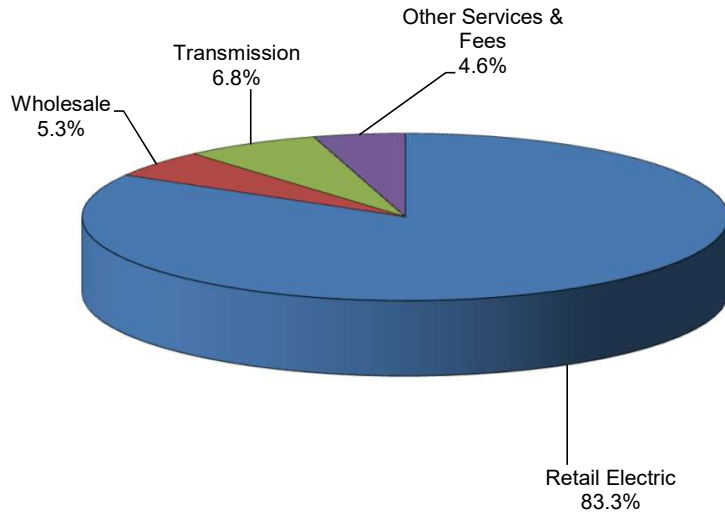
**ROCHESTER PUBLIC UTILITIES
ELECTRIC UTILITY
Management Reporting P&L**

	Historical Data		2019		2020		Variance	%
	2017	2018	Orig Bdgt	2019 F2	2020	Orig Bdgt (from 2017 COSS)	2020 to Orig Bdgt	Variance
in 000's								
Revenue								
Retail Electric	\$146,779	\$151,914	\$153,201	\$150,685	\$152,891	\$170,964	(\$18,074)	-10.6%
Wholesale Electric	\$1,822	\$4,736	\$6,381	\$3,305	\$4,491	\$2,149	\$2,342	109.0%
Wholesale Steam	\$4,419	\$4,322	\$4,304	\$3,664	\$4,548	\$4,565	(\$17)	-0.4%
Transmission	\$4,496	\$5,245	\$5,000	\$5,629	\$5,000	\$5,000	\$0	0.0%
Other Services & Fees	\$3,264	\$3,079	\$3,224	\$2,066	\$3,365	\$3,377	(\$12)	-0.4%
Total Revenue	\$160,780	\$169,295	\$172,109	\$165,349	\$170,295	\$186,055	(\$15,760)	-8.5%
Cost of Revenue								
Power Supply	\$93,062	\$94,984	\$96,130	\$90,600	\$91,663	\$99,966	(\$8,303)	-8.3%
Generation Fuel	\$3,413	\$5,497	\$7,086	\$4,411	\$5,153	\$3,816	\$1,338	35.1%
Total Cost of Revenue	\$96,475	\$100,481	\$103,217	\$95,011	\$96,816	\$103,781	(\$6,965)	-6.7%
Gross Margin								
Retail Electric	\$53,717	\$56,930	\$57,071	\$60,085	\$61,228	\$70,999	(\$9,770)	-13.8%
Wholesale	\$2,828	\$3,561	\$3,599	\$2,558	\$3,886	\$2,898	\$988	34.1%
Transmission	\$4,496	\$5,245	\$5,000	\$5,629	\$5,000	\$5,000	\$0	0.0%
Other Services & Fees	\$3,264	\$3,079	\$3,224	\$2,066	\$3,365	\$3,377	(\$12)	-0.4%
TOTAL GROSS MARGIN	\$64,305	\$68,814	\$68,893	\$70,339	\$73,479	\$82,273	(\$8,795)	-12.8%
Controllable Costs								
Salaries & Benefits	\$21,802	\$22,673	\$24,698	\$24,274	\$25,874	\$25,321	\$553	2.2%
Other Operating Expenses	\$8,967	\$9,605	\$10,482	\$9,585	\$10,501	\$9,946	\$555	5.6%
Major Maintenance	\$1,986	\$2,421	\$3,348	\$3,419	\$3,703	\$2,426	\$1,277	52.7%
Non-Bonded Capital Projects	\$12,228	\$8,003	\$17,105	\$18,937	\$18,315	\$11,131	\$7,184	64.5%
TOTAL CONTROLLABLE COSTS	\$44,984	\$42,703	\$55,632	\$56,214	\$58,392	\$48,823	\$9,569	19.6%
Depreciation & Amortization	\$10,975	\$12,969	\$14,265	\$13,531	\$14,468	\$11,942	\$2,527	21.2%
Less Non Bonded Projects (capitalized)	(\$12,228)	(\$8,003)	(\$17,105)	(\$18,937)	(\$18,315)	(\$11,131)	(\$7,184)	64.5%
Less Total Internal Costs (capitalized)	(\$4,547)	(\$4,763)	(\$3,401)	(\$3,904)	(\$4,822)	(\$4,187)	(\$635)	15.2%
Interutility Allocation	(\$1,228)	(\$1,333)	(\$1,486)	(\$1,546)	(\$1,575)	(\$1,474)	(\$101)	6.9%
Total Operating Expenses	\$37,956	\$41,572	\$47,905	\$45,358	\$48,149	\$43,973	\$4,175	9.5%
Net Operating Income (Loss)	\$26,349	\$27,242	\$20,987	\$24,980	\$25,330	\$38,300	(\$12,970)	-33.9%
Financing & Other Non-Operating Items:								
Bond & Interest Related Expenses	(\$5,039)	(\$5,939)	(\$6,303)	(\$6,473)	(\$6,421)	(\$8,118)	\$1,697	-20.9%
Interest Income	\$851	\$1,372	\$735	\$1,705	\$1,636	\$185	\$1,451	786.5%
Misc Non-Operating Income (Expense)	(\$570)	(\$865)	(\$50)	(\$27)	(\$31)	(\$113)	\$83	-73.0%
Total Financing & Non-Operating Items	(\$4,758)	(\$5,431)	(\$5,618)	(\$4,794)	(\$4,816)	(\$8,047)	\$3,231	-40.1%
Income Before Transfers or Capital Contributions	\$21,591	\$21,811	\$15,369	\$20,186	\$20,513	\$30,253	(\$9,739)	-32.2%
Transfers (In Lieu of Taxes)	(\$8,422)	(\$8,725)	(\$8,881)	(\$8,745)	(\$8,825)	(\$9,603)	\$778	-8.1%
Capital Contributions/Intercompany	\$2,764	\$2,060	\$2,129	\$527	\$5,276	\$228	\$5,048	2211.1%
NET INCOME	\$15,933	\$15,147	\$8,617	\$11,967	\$16,964	\$20,878	(\$3,914)	-18.7%
1/01 Cash Balance	\$ 56,843		\$ 67,805	\$ 78,820	\$ 76,827	\$ 45,701	\$ 31,126	68.1%
Change in Net Assets		15,147	8,617	11,967	16,964	20,878	(3,914)	-18.7%
Depreciation & Amortization		12,969	14,265	13,531	14,468	11,942	2,527	21.2%
Capital Additions/Service Territory Comp		(23,320)	(27,758)	(22,841)	(23,137)	(25,704)	2,567	-10.0%
Bond Principal Payments		(5,460)	(5,725)	(5,725)	(6,015)	(7,442)	1,427	-19.2%
Bond Proceeds		-	-	(0)	(0)	-	(0)	0.0%
Net Change in Other Assets/Liabilities		22,642	7,067	1,074	784	9,982	(9,197)	-92.1%
Net Changes in Cash		21,977	(3,535)	(1,993)	3,065	9,656	(6,591)	-68.3%
12/31 Cash Balance	\$ 78,820		\$ 64,270	\$ 76,827	\$ 79,892	\$ 55,357	\$ 24,535	44.3%
Minimum Cash Reserve	\$ 53,954		\$ 55,603	\$ 55,603	\$ 57,408	\$ 49,577	\$ 7,831	15.8%
Excess (Deficit) from Minimum Cash Reserve	\$ 24,866		\$ 8,668	\$ 21,224	\$ 22,484	\$ 5,780	\$ 16,704	289.0%

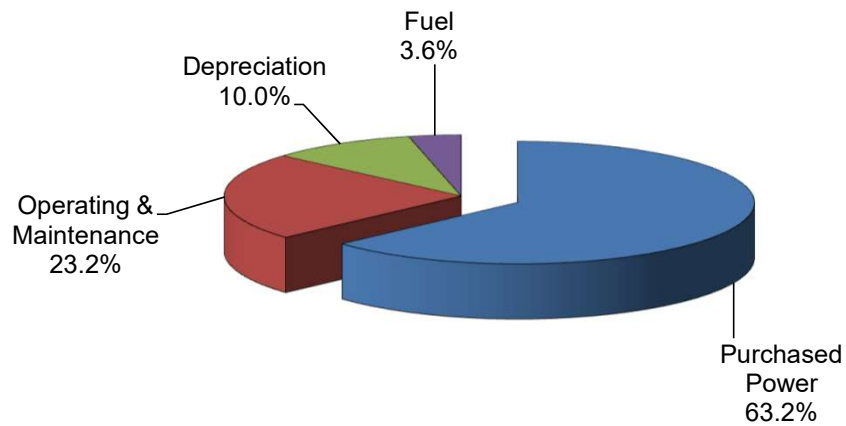
Attachment: Board Packet EIC (11266 : 2020 Electric Utility Budget)

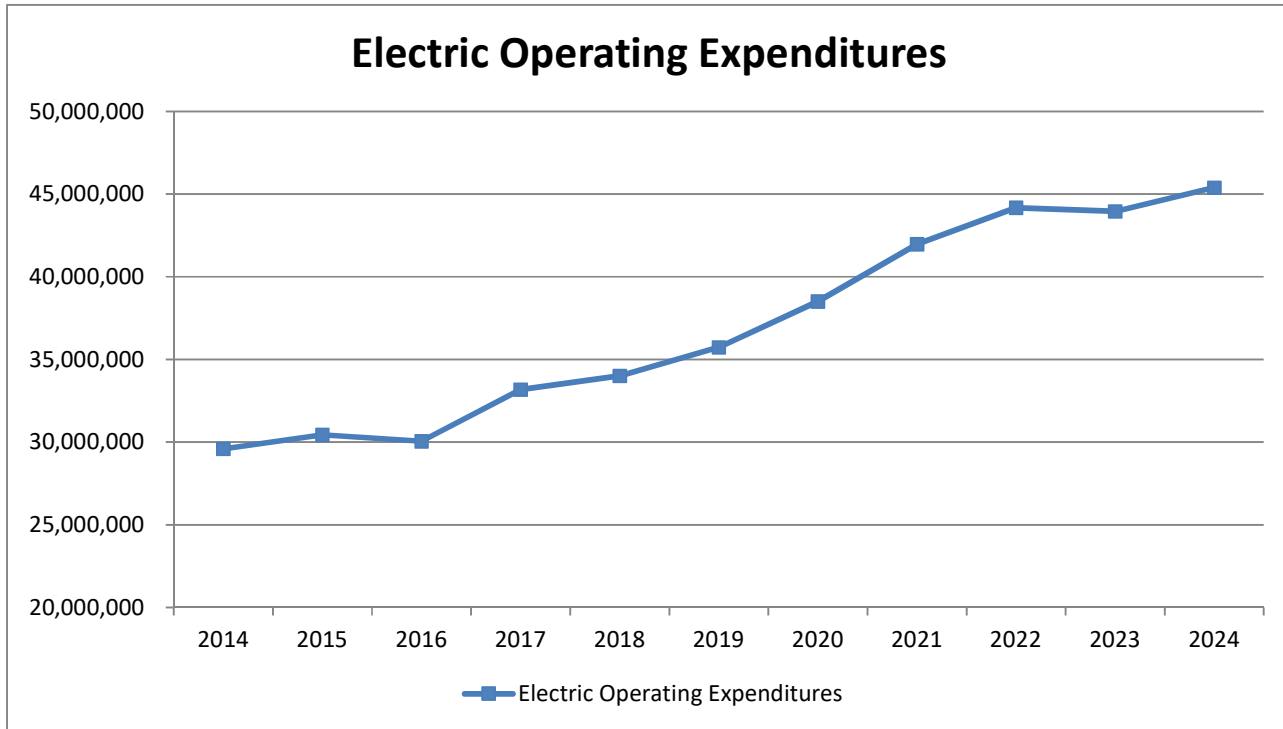
**ROCHESTER PUBLIC UTILITIES
ELECTRIC UTILITY
2020 OPERATING BUDGET**

**GROSS MARGIN
\$73,478,519**



**EXPENSE USES
\$144,964,764**





**ROCHESTER PUBLIC UTILITIES
PRODUCTION & SALES STATISTICS FORECAST
ELECTRIC UTILITY**

	2019 F2	2020	2021	2022	2023	2024
Peak MW						
SMMPA	216	216	216	216	216	216
Self Generation	-	-	-	-	-	-
Market	68	57	58	58	59	60
Total Peak MW	284	273	274	274	275	276
% Change	2.4%	-3.8%	0.3%	0.3%	0.3%	0.3%
Retail MWH	1,175,163	1,185,419	1,184,982	1,185,357	1,186,053	1,187,516
% Change	-2.5%	0.9%	0.0%	0.0%	0.1%	0.1%
Purchased Power MWH						
SMMPA	1,199,722	1,204,670	1,204,219	1,204,633	1,205,398	1,206,995
Other	3,661	1,515	1,591	1,675	1,772	1,863
Total Purchased Power MWH	1,203,383	1,206,185	1,205,810	1,206,307	1,207,170	1,208,858
% Change	-2.1%	0.2%	0.0%	0.0%	0.1%	0.1%
Generation MWH						
Total Generation MWH	89,020	97,934	97,934	97,934	97,934	97,934
% Change	-21.0%	10.0%	0.0%	0.0%	0.0%	0.0%
Number of Customers						
Residential	51,627	52,620	53,633	54,665	55,717	56,789
Small General Service	4,571	4,612	4,653	4,694	4,735	4,776
Medium General Service	447	457	467	477	488	498
Large General Service	13	13	13	13	13	13
Large Industrial Service	2	2	2	2	2	2
Street & Hwy Lightings	3	3	3	3	3	3
Interdepartmental	1	1	1	1	1	1
Total Customers	56,664	57,708	58,772	59,855	60,959	62,082
% Change	2.4%	1.8%	1.8%	1.8%	1.8%	1.8%
Blended cost per MWH for retail supply	\$ 75.29	\$ 75.99	\$ 76.13	\$ 76.00	\$ 75.80	\$ 75.81
Steam Generation MLBS	333,350	438,000	522,699	522,699	522,699	448,950
% Change	1.0%	31.4%	19.3%	0.0%	0.0%	-14.1%

Attachment: Board Packet Etc (11266 : 2020 Electric Utility Budget)

ROCHESTER PUBLIC UTILITIES

2020

ELECTRIC UTILITY

**CAPITAL IMPROVEMENT AND
MAJOR MAINTENANCE BUDGET**

Attachment: Board Packet Elc (11266 : 2020 Electric Utility Budget)

**ROCHESTER PUBLIC UTILITIES
ELECTRIC UTILITY
2020 CAPITAL IMPROVEMENT AND
MAJOR MAINTENANCE BUDGET**

INDEX

<u>Title</u>	<u>Pages</u>
5 Year Project List:	
Major Maintenance Projects	1
Capital Projects	2 - 3

**ROCHESTER PUBLIC UTILITIES
CAPITAL AND MAJOR MAINTENANCE PLAN
MATERIALS, SUPPLIES & SERVICES
5 YEAR PROJECT LIST**

3.1.a

**ELECTRIC UTILITY
MAJOR MAINTENANCE
(\$000's)**

		Multi-Year Project Total	2020	2021	2022	2023	2024	5-Yr Total
8	<u>Core Services</u>							
9	Tree Trimming		1,430	1,750	2,000	2,000	2,000	9,180
10	Allocation - New Services		210	200	205	195	195	1,005
11	Transmission Asset Management		30	20	25	15	15	105
12	Distribution Lines & Equipment Maintenance		180	180	180	180	180	900
13	Distribution System Planning Study		-	-	75	-	-	75
14	Substation Switchgear Analysis Report		-	50	50	-	-	100
15	Transmission Coordination Study		75	-	-	-	-	75
16	Asbestos Mitigation in Manholes		-	50	50	-	-	100
17	DER Hosting Capacity Study		-	-	80	-	-	80
18	Downtown Duct & Feeder Routing Study	205	30	100	75	-	-	205
19	Total Core Services	205	1,745	2,150	2,535	2,195	2,195	10,820
20	<u>Customer Relations</u>							
21	Customer Experience Mapping	200	40	160	-	-	-	200
22	Low Income		12	-	-	-	-	12
23	Total Customer Relations	200	52	160	-	-	-	212
24	<u>Corporate Services</u>							
25	Elec Cost-of-Srvc/Rate Design Study		65	-	-	70	-	135
26	Rates Modeling		25	45	45	45	45	205
27	Budgeting System		-	45	-	-	-	45
28	HPC Support Contract		125	125	125	125	125	625
29	SAP Technical Upgrade		60	-	-	-	-	60
30	Move Phone System for PCI Compliance		15	-	-	-	-	15
31	Sharepoint Site		-	100	-	-	-	100
32	ImageNow Upgrade		82	-	-	30	-	112
33	Total Corporate Services		372	315	170	270	170	1,297
34	<u>Compliance and Public Affairs</u>							
35	Zumbro River Dredging		161	-	-	-	-	161
36	WES Emissions Testing		63	-	-	67	-	130
37	Total Compliance and Public Affairs		224	-	-	67	-	291
38	<u>Power Resources</u>							
39	SLP Decommissioning		25	575	325	250	250	1,425
40	GT1 Major Overhaul		-	-	2,000	-	-	2,000
41	Silver Lake Dam Ownership		-	1,000	-	-	-	1,000
42	Remove Unit 4 Chimney		450	-	-	-	-	450
43	RPU Comprehensive Master Plan		-	195	-	-	-	195
44	Allocation - Power Resources		355	504	434	664	394	2,351
45	Allocation - Facilities		180	181	182	183	184	910
46	Total Power Resources		1,010	2,455	2,941	1,097	828	8,331
47	<u>General Management</u>							
48	Operating Contingency Fund		300	300	300	300	300	1,500
49	Total General Management		300	300	300	300	300	1,500
50	Total Outside Expenditures	405	3,703	5,380	5,946	3,929	3,493	22,451
51	Total Internal Expenditures	107	379	465	346	244	231	1,665
52	Total Major Maintenance Plan	512	4,082	5,845	6,292	4,173	3,724	24,116

Attachment: Board Packet EIC (11266 : 2020 Electric Utility Budget)

**ROCHESTER PUBLIC UTILITIES
CAPITAL AND MAJOR MAINTENANCE PLAN
MATERIALS, SUPPLIES & SERVICES
5 YEAR PROJECT LIST**

3.1.a

**ELECTRIC UTILITY
CAPITAL
(\$000's)**

		Multi-Year					5-Yr Total
	<u>Project Total</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	
Core Services							
OSI SCADA Version Upgrade		1,109	-	175	-	175	1,459
Forestry Mower		30	-	-	-	-	30
Radio System Indoor Bi-Directional Amplifier		30	-	-	-	-	30
Allocation - New Services		955	1,045	1,010	1,010	1,080	5,100
New Service Installations		625	625	625	625	625	3,125
Distribution Lines & Equipment - Capital		180	180	180	180	180	900
Property Damage - Repair/Replace		75	75	75	75	75	375
Other Equipment Failures		75	165	130	130	200	700
Load Management Installations		8	8	8	8	8	38
Mobile Meter Reader		40	-	40	-	40	120
Metering/Shop Test Equipment Upgrade/Repl		15	45	15	15	15	105
Substation/Shop Test Equipment Upgrade/Repl		40	35	35	35	35	180
Substation Spares and Replacements		20	20	20	20	20	100
TOU Limited Hybrid Smart Metering Transition		105	-	-	-	-	105
AMI		100	587	500	450	450	2,087
Allocation - Metering - AMI		-	321	621	601	220	1,763
Allocation - Metering		989	1,009	1,029	1,049	1,070	5,146
Hydro Line Rebuild		-	-	-	-	200	200
Northern Hills 65th St Feeder		560	-	-	-	-	560
Feeder 306 Install		-	-	-	-	300	300
Feeder 615 Install		-	-	350	-	-	350
Feeder 715 Install		325	-	-	-	-	325
Feeder 913 Install		-	-	300	-	-	300
Feeder 914 Install		-	-	-	300	-	300
Feeder 1315 Install		-	-	-	250	-	250
Feeder 1602 Install		-	-	-	300	-	300
Feeder 1732 Install		70	-	-	-	-	70
Feeder 1733 Install		-	-	200	-	-	200
1st Ave SE Duct Relocation		80	-	-	-	-	80
Downtown New Duct Systems		-	-	200	2,300	3,000	5,500
Downtown New Feeder Extensions		-	-	-	1,000	1,500	2,500
65th St - 50th to 60th Ave		-	-	-	-	500	500
Q2 Rebuild from Bear Creek - RCTC		-	-	-	-	350	350
Q4 Rebuild from BV Sub to Salem Rd		-	-	-	400	400	800
Q7 Rebuild to Grade B		-	-	-	-	400	400
Q11 W.C. to new St. Bridget Sub - ROW		320	-	-	-	-	320
Fiber Cascade Creek to Westside		-	195	-	-	-	195
Fiber OWEF Splice to Chester		-	-	275	-	-	275
Small Cell Antennas		15	20	-	-	-	35
Feeder 1401 & 1411 Bifurcation		640	-	-	-	-	640
Marion Rd Substation & Feeder Buildout	27,554	3,178	21,147	679	370	2,180	27,554
Hydro Line Reconfig for New Hydro Sub		-	-	-	250	-	250
New Padmount Hydro Sub		-	-	-	150	-	150
New Mayo Feeders		-	-	-	3,500	-	3,500
Mayo - Feeders to St. Mary's		-	-	-	-	3,000	3,000
Substation Communication		-	1,130	1,000	-	-	2,130
Volt/VAR Optimization		-	50	250	250	-	550
Solar/DER 20+ MW		1,620	-	-	-	-	1,620
DER Software Portal		50	-	-	-	-	50
SAG10 Software		14	-	-	-	-	14

Attachment: Board Packet EIC (11266 : 2020 Electric Utility Budget)

**ROCHESTER PUBLIC UTILITIES
CAPITAL AND MAJOR MAINTENANCE PLAN
MATERIALS, SUPPLIES & SERVICES
5 YEAR PROJECT LIST**

3.1.a

**ELECTRIC UTILITY
CAPITAL
(\$000's)**

Multi-Year

	Project Total	2020	2021	2022	2023	2024	5-Yr Total
Allocation - Distribution Expansion		3,021	3,230	3,030	4,170	4,330	17,781
Feeder Extensions		350	100	260	375	250	1,335
Feeder Rebuilds		130	150	165	210	265	920
Transmission Projects		30	30	30	30	30	150
Substation Projects		205	180	105	195	220	905
Road Projects		125	325	425	600	525	2,000
Road Projects - DMC		445	475	375	150	50	1,495
Manhole Switch Replacements		85	90	90	95	95	455
Mainline Cable Replacement		646	800	450	550	830	3,276
Manhole Repair/Replace		275	300	300	325	350	1,550
Substation Switchgear Replacement		-	-	-	675	700	1,375
Capacitor Bank Installations		30	30	30	35	35	160
Fiber Optic Projects		25	25	25	30	30	135
Distribution Transformers		550	600	650	700	750	3,250
Overhead to Underground Conversion		125	125	125	200	200	775
Pole Replacements		-	-	-	-	-	-
Survey GPS Replacement		-	-	-	30	-	30
Responder/SCADA Integration		60	-	-	-	-	60
GIS Utility Network Implementation		-	95	-	-	-	95
Service Territory Payments		355	355	355	355	355	1,775
Service Territory Payments - SMMPA Reimbursement		(178)	(178)	(89)	(89)	(44)	(577)
Total Core Services	27,554	13,571	29,114	10,002	16,724	19,583	88,994
Customer Relations							
TOU Post Go Live	275	115	160	-	-	-	275
Total Customer Relations	275	115	160	-	-	-	275
Corporate Services							
ERP/Work Mgmt Implementation		-	-	-	6,000	4,000	10,000
Enterprise Systems and Applications		-	150	150	-	-	300
Change Management Tool		50	-	-	-	-	50
NSX Implementation	142	42	100	-	-	-	142
Enterprise Software Backup		-	140	-	-	-	140
Report Server		30	-	-	-	-	30
Allocation - Technology		460	524	584	535	525	2,628
Network Management		228	200	165	165	165	923
Output Management		16	16	16	21	16	85
Server Management		19	99	144	40	85	387
Workstation Management		107	93	93	93	93	479
Backup/DR		35	26	26	26	26	139
Information Risk and Security		25	10	10	10	10	65
Storage Management		-	50	50	50	50	200
Business Systems/Applications		-	-	-	-	-	-
City Shared Infrastructure		-	-	-	-	-	-
Operation Technology		30	30	80	130	80	350
Total Corporate Services	142	582	914	734	6,535	4,525	13,290
Power Resources							
Allocation - Power Resources		609	450	215	350	300	1,924
Civic Center Solar		191	-	-	-	-	191
Replace AHU 1-4	1,999	1,527	473	-	-	-	1,999
Fleet Hoist #3 Replacement		208	-	-	-	-	208
Allocation - Facilities		30	31	32	33	34	160
Pickup - Tech Services Electrician		83	-	-	-	-	83
Hydro Vac - T&D		96	-	-	-	-	96
Allocation - Fleet		604	602	592	624	670	3,092
Total Power Resources	1,999	3,348	1,556	839	1,007	1,004	7,753
General Management							
Project Contingency Fund		700	700	700	700	700	3,500
Total General Management		700	700	700	700	700	3,500
Total Outside Expenditures	29,970	18,315	32,444	12,275	24,966	25,812	113,812
Total Internal Expenditures	3,159	4,822	5,457	3,948	5,174	6,078	25,479
Less Bonding		-	-	-	-	-	-
Net Capital Plan	33,129	23,137	37,901	16,223	30,140	31,890	139,291
Net Capital and Major Maintenance Plan	33,641	27,219	43,746	22,515	34,312	35,614	163,406



RESOLUTION

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve the
2020 electric utility capital, including multi-year projects, and operating budgets as
submitted

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 the
2020 electric utility capital, including multi-year projects, and operating budgets.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 12th day of
November, 2019.

President

Secretary

FOR BOARD ACTION

Agenda Item # (ID # 11263)

Meeting Date: 11/12/2019

SUBJECT: 2020 Electric Utility Rate Adjustment

PREPARED BY: Peter Hogan

ITEM DESCRIPTION:

Rochester Home Rule Charter Chapter 15.05, Subd. 3 states, *"The public utility board may adopt, amend, and rescind such rules and regulations as it may deem necessary for the control, management, and operation of the public utilities under its jurisdiction. The board shall, with the concurrence of the common council, fix the rates to be charged for the availability and use of the public utility commodities and services under its jurisdiction. Rates shall be **reasonable and compensatory** so as to cover all of the costs of the respective public utility and shall be **uniform for all consumers within the same class**, but different rates may be established for different classifications by the board. Rates within the city corporate limits may be less but shall be no greater than rates for the same classification outside the city limits."*

Based on the Charter the RPU Board has further developed a policy for determining rates. The main objective of the policy is, *"to recover, through the application of rates and charges for utility services, revenues which are sufficient to meet the financial obligations of each independent utility enterprise. Further, the Board intends to apply rates and charges which are equitable among customer or classes of customers based on the Utility Basis of (generally accepted industry) rate-making principles."*

Based on this guidance staff conducted a Cost of Service Study for the electric utility during 2017. The study results were presented to the Board July 25, 2017. The study was accepted and placed on file.

During the October 17th, 2019 budget review by the Finance Committee of the Board and October 29, 2019 full Board review of the 2020 budget for the electric utility, management recommended that the Board approve a zero percent overall general rate increase with an adjustment of the residential customer charge from \$19.50 per month to \$18.30 per month and a corresponding increase of 1.7% in the residential energy charge to collect the total residential revenue requirement. This recommendation is based on analysis of the residential customer charge that was performed during 2019. During the 2020 cost of service study, the customer charge will be reassessed to include the cost of the new billing system and revenue generated by the line extension policy.

The impact on a typical 2020 monthly residential electric bill with the following use will be:

Average Monthly	\$18.30
Use	Customer Charge
400 kwh	(\$0.42)
600 kwh	(\$0.03)

FOR BOARD ACTION

Agenda Item # (ID # 11263)

Meeting Date: 11/12/2019

1,000 kwh

\$0.75

The wording related to the calculation of demand for ratchet purposes has been modified in the proposed rate tariff to better reflect how peak demand is currently calculated. This wording does not change how peak demand and ratchet are calculated.

The Board gave its approval for staff to publish proposed rate adjustments based on the 2020 budget presentation. This notice was given on November 2, 2019 in the newspaper of record and the RPU website.

UTILITY BOARD ACTION REQUESTED:

Approve and recommend City Council approval of the fees and an overall rate increase of zero percent in 2020 with adjustments to residential customer charge and energy charge to take effect on or about January 1, 2020, according to the attached fee schedules and rate tariffs.

**ROCHESTER PUBLIC UTILITIES
(RPU)**
**RATE SCHEDULE RES
SHEET 1 OF 1**
RESIDENTIAL SERVICE
AVAILABILITY:

At all locations where facilities of adequate capacity and suitable voltage are adjacent to the premises to be served. Where service desired by the customer is not adjacent to the premises to be served, additional contract arrangements may be required prior to service being furnished.

APPLICATION:

To electric service required for residential purposes in individual private dwellings and in individually metered apartments when such service is supplied at one point of delivery and measured through one meter. Existing single metered, multi-unit dwellings having not in excess of three separate dwelling units in the same structure may be served under this rate.

CHARACTER OF SERVICE:

Single phase, 60 Hertz, 120/240 volts alternating current.

RATE:

	<u>2019</u>	<u>2020</u>
Customer Charge:	\$19.50	\$18.30
Energy Charge:		
Non Summer Energy / kWh	10.545¢	10.726¢
Summer Energy / kWh	12.596¢	12.812¢

Definition of Season: Summer months are June through September. Non-summer months are January through May and October through December.

POWER COST ADJUSTMENT:

Bills computed under this rate schedule are subject to adjustment in accordance with the Power Cost Adjustment (PCA).

	<u>2019</u>	<u>2020</u>
MINIMUM BILL per month:	\$19.50	\$18.30

PAYMENT: Payments are due on or before the due date.

CONDITIONS OF DELIVERY:

1. Service furnished under this rate schedule is subject to applicable provisions of RPU's published Electric Service Rules and Regulations.
2. RPU shall not be liable for any damage or loss sustained by customer resulting from interruptions, deficiencies, or imperfections of service provided under this rate.
3. Energy furnished under this rate shall not be resold.
4. This tariff assumes use of metering technology capable of being read using automated equipment. Customers choosing the option to have a meter that is not capable of being read using automated equipment, thus requiring a manual reading, are subject to a monthly surcharge. Additional one-time meter change-out fees also apply. (See the RPU Miscellaneous Fee Schedule for the amount of the monthly surcharge and the one-time meter change-out fees).

Approved by Rochester Public Utility Board:
Effective Date:

November 12, 2019
January 1, 2020

**ROCHESTER PUBLIC UTILITIES
(RPU)**

**RATE SCHEDULE RES-DF
SHEET 1 OF 2**

RESIDENTIAL SERVICE - DUAL FUEL

AVAILABILITY:

Available only to existing dual fuel customers transferred from People's Cooperative Power Association's (PCPA) electrical system to RPU's system as part of RPU's electric service territory acquisitions.

APPLICATION:

To electric heating service required for residential purposes in individual private buildings. Such electric heating load shall be metered separately from the rest of the service.

CHARACTER OF SERVICE:

Single phase, 60 Hertz, 120/240 volts alternating current.

RATE:

	<u>2019</u>	<u>2020</u>
Energy Charge / kWh	7.870¢	8.005¢

POWER COST ADJUSTMENT:

Bills computed under this rate schedule are subject to adjustment in accordance with the Power Cost Adjustment (PCA).

MINIMUM BILL:

Energy usage.

PAYMENT:

Payments are due on or before the due date.

CONDITIONS OF DELIVERY:

1. Service under this rate is only for electric heating. All other electrical loads shall be metered under the RES residential service rate.
2. Customer must keep his or her alternate fuel source heating system in satisfactory operating condition.
3. RPU reserves the right to transfer RES-DF customers from the primary electric heat source to the alternate fuel source at any such time that the electric heating load would add to RPU's monthly electric peak.
4. Customers that remove existing dual fuel heating systems shall not be eligible for the RES-DF rate with replacement heating systems.
5. Service furnished under this rate schedule is subject to applicable provisions of RPU's published Electric Service Rules and Regulations.

**ROCHESTER PUBLIC UTILITIES
(RPU)****RATE SCHEDULE RES-DF
SHEET 2 OF 2****RESIDENTIAL SERVICE - DUAL FUEL (Cont.)****CONDITIONS OF DELIVERY: (cont.)**

6. RPU shall not be liable for any damage or loss sustained by customer resulting from interruptions, deficiencies, or imperfections of service provided under this rate.
7. Energy furnished under this rate shall not be resold.
8. This tariff assumes use of metering technology capable of being read using automated equipment. Customers choosing the option to have a meter that is not capable of being read using automated equipment, thus requiring a manual reading, are subject to a monthly surcharge. Additional one-time meter change-out fees also apply. (See the RPU Miscellaneous Fee Schedule for the amount of the monthly surcharge and the one-time meter change-out fees).

**ROCHESTER PUBLIC UTILITIES
(RPU)**

**RATE SCHEDULE RESELGEO
SHEET 1 OF 2**

RESIDENTIAL SERVICE – HIGH EFFICIENCY HVAC

AVAILABILITY:

To RPU residential customers that:

1. Use either an air source or ground source heat pump system as the only source of heating and cooling in their home.
2. Use an electric water heater (usually connected to a desuperheater on the heat pump) as their only source of domestic water heating.
3. Receive prior approval of the equipment from RPU. Note that equipment must be rated by the Air-Conditioning, Heating, and Refrigeration Institute (AHRI)*, and at the time of installation, meet the minimum efficiency requirements found on the Residential Electric Efficiency Rebate Application in effect at the time. The current application is available at www.rpu.org.

*For air source and ground source heat pumps the efficiency ratings are determined using the Air-Conditioning, Heating, and Refrigeration Institute's (AHRI) directory, which may be found at www.ahridirectory.org.

APPLICATION: Electric service required for residential purposes in individual private dwellings where service is supplied at one point of delivery and measured through one meter.

CHARACTER OF SERVICE:

Single phase, 60 hertz, 120/240 volts alternating current.

RATE:

	<u>2019</u>	<u>2020</u>
Customer Charge	\$19.50	\$18.30
Energy Charge:		
Winter first 600 kWh	10.545¢	10.726¢
Winter over 600 kWh	8.836¢	8.988¢
Summer kwh	12.596¢	12.812¢

Definition of Season: Summer months are June through September. Non-summer months are January through May and October through December.

**ROCHESTER PUBLIC UTILITIES
(RPU)**

**RATE SCHEDULE RESELGEO
SHEET 2 OF 2**

RESIDENTIAL SERVICE – HIGH EFFICIENCY HVAC (Cont.)

POWER COST ADJUSTMENT:

Bills computed under this rate schedule are subject to adjustment in accordance with the Power Cost Adjustment (PCA).

MINIMUM BILL:

	<u>2019</u>	<u>2020</u>
MINIMUM BILL per month:	\$19.50	\$18.30

PAYMENT:

Payments are due on or before the due date.

CONDITIONS OF DELIVERY:

1. Service under this rate is only for air-source or ground-source heat pump systems that meet the stated efficiency requirements as explained in the Availability subhead of this rate schedule.
2. Service provided under this rate is subject to applicable provisions of RPU's published Electric Service Rules and Regulations.
3. Energy provided under this rate shall not be resold.
4. RPU shall not be liable for any damage or loss sustained by the customer resulting from interruptions, deficiencies, or imperfections of service provided under this rate.
5. This tariff assumes use of metering technology capable of being read using automated equipment. Customers choosing the option to have a meter that is not capable of being read using automated equipment, thus requiring a manual reading, are subject to a monthly surcharge. Additional one-time meter change-out fees also apply. (See the RPU Miscellaneous Fee Schedule for the amount of the monthly surcharge and the one-time meter change-out fees).

Attachment: 2020 Electric Rate Tariff Red Line (11263 : 2020 Electric Utility Rate Adjustment)

**ROCHESTER PUBLIC UTILITIES
(RPU)**

**RATE SCHEDULE MGS
SHEET 1 OF 2**

MEDIUM GENERAL SERVICE

AVAILABILITY:

At all locations for loads where the demand is at least 75 kW or more for three or more billing periods in a given calendar year, but less than 1,000 kW, and where facilities of adequate capacity and suitable voltage are adjacent to the premises to be served. For loads where the service desired by the customer is not adjacent to the premises to be served, additional contract arrangements may be required prior to service being furnished. Customers with minimum loads of at least 50kW for three or more billing periods in a given calendar year but less than 75 kW can choose to be classified as Medium General Service (MGS) and be billed under the MGS rate schedule below. The choice, once elected, is irrevocable for 12 billing periods, and remain in force unless revoked in writing by the customer.

APPLICATION:

To commercial, industrial, and governmental customers with all service taken at one point and measured through one meter. Also applicable to temporary service in accordance with RPU's published Electric Service Rules and Regulations. Not applicable to standby service.

CHARACTER OF SERVICE:

Single or three phase, 60 Hertz, alternating current at any one of the standard secondary service voltages as described in RPU's published Electric Service Rules and Regulations.

RATE:

Demand Charge:

Non-Summer /KW	\$ 17.830
Summer /KW	\$ 24.060

Energy Charge:

Non-Summer / kWh	5.650¢
Summer / kWh	5.650¢

Definition of Season: Summer months are June through September. Non-summer months are January through May and October through December.

POWER COST ADJUSTMENT:

Bills computed under this rate schedule are subject to adjustment in accordance with the Power Cost Adjustment (PCA).

POWER FACTOR ADJUSTMENT:

The customer agrees to maintain an average power factor of 0.95 or greater for the billing period and to prevent a leading power factor. If the customer's average power factor is less than 0.95 for the billing period, the billing demand will be determined by multiplying the measured demand by 0.95 and dividing the results by the customer's average power factor. The average power factor is defined to be the quotient obtained by dividing the kWh used during the month by the square root of the sum of the squares of the kWh used and the lagging reactive kilovoltampere-hours supplied during the same period. The customer's average power factor will be determined by means of permanently installed meters.

PRIMARY METER DISCOUNT:

Customers approved for metering at 13.8 kV will receive a discount of 1.25% on base rate charges for measured demand and energy.

**ROCHESTER PUBLIC UTILITIES
(RPU)**

**RATE SCHEDULE MGS
SHEET 2 OF 2**

MEDIUM GENERAL SERVICE (Cont.)

TRANSFORMER OWNERSHIP CREDIT:

Customers owning transformers will receive a credit on each month's measured demand.

Credit per KW

\$ 0.35

DETERMINATION OF DEMAND:

Measured demand is defined as the maximum rate at which energy is used for any period of fifteen consecutive minutes during the billing period. The billing demand shall be the greater of the measured demand for the billing period adjusted for power factor, or 50% of the ~~maximum measured demand for the most current June-September billing periods adjusted for power factor.~~ **ratcheted demand. The ratcheted demand is the maximum measured demand adjusted for power factor of four consecutive billing cycles during the most recent May through October billing periods depending on the billing cycle.** Billing periods may not coincide with calendar months.

MINIMUM BILL:

The minimum bill shall not be less than the billing demand, as provided above, whether or not energy is used.

PAYMENT:

Payments are due on or before the due date.

CONDITIONS OF DELIVERY:

1. Service furnished under this rate schedule is subject to applicable provisions of RPU's published Electric Service Rules and Regulations.
2. Unless authorized by separate written agreement, standby electric generating equipment installed by the customer shall not be interconnected or operated in parallel with the RPU system. Customer shall own, install, operate, and maintain electrical interlocking equipment, which will prevent parallel operation, and such equipment shall be approved by RPU prior to installation.
3. RPU shall not be liable for any damage or loss sustained by customer resulting from interruptions, deficiencies, or imperfections of service provided under this rate.
4. Energy furnished under this rate shall not be resold.

Approved by Rochester Public Utility Board:
Effective Date:

November 12, 2019
January 1, 2020

**ROCHESTER PUBLIC UTILITIES
(RPU)****RATE SCHEDULE MGS-HEF
SHEET 1 OF 3****MEDIUM GENERAL SERVICE - HIGH EFFICIENCY HVAC****AVAILABILITY:**

At all locations for loads where the demand is at least 75 kW or more for three or more billing periods in a given calendar year, but less than 1,000 kW, and where facilities of adequate capacity and suitable voltage are adjacent to the premises to be served, and to customers who:

1. Use either an air source or ground source heat pump as the only source of heating and cooling in their facility.
2. Use an electric water heater (usually connected to a desuperheater on the heat pump) as the only source of water heating.
3. Receive prior approval of the equipment from RPU. Note that equipment must be rated by the Air-Conditioning, Heating, and Refrigeration Institute (AHRI)* and at the time of installation, meet the minimum efficiency requirements found on the Commercial Heat Pumps Rebate Application in effect at the time. The current application is available at www.rpu.org.
4. Service under this rate must be separately metered from other facility loads.

*For air source and ground source heat pumps the efficiency ratings are determined using the Air-Conditioning, Heating and Refrigeration Institute's (AHRI) directory, which may be found at www.ahridirectory.org.

Note: Other all-electric HVAC systems may be considered for this rate if they meet the stated efficiency standards. To have a system considered, customers must submit an engineering analysis documenting the efficiency of the system.

APPLICATION:

To commercial, industrial, governmental, and other types of Medium General Service customers reconfiguring their current electric service, or adding a new service, to separately meter their high efficiency HVAC equipment. Not applicable to standby service.

CHARACTER OF SERVICE:

Single or three phase 60 Hertz, alternating current at any one of the standard secondary service voltages as described in RPU's published Electric Service Rules and Regulations.

**ROCHESTER PUBLIC UTILITIES
(RPU)**

**RATE SCHEDULE MGS-HEF
SHEET 2 OF 3**

MEDIUM GENERAL SERVICE - HIGH EFFICIENCY HVAC (Cont.)

RATE:

Demand Charge per KW:

Non-Summer	\$ 16.500
Summer	\$ 20.640

Energy Charge per kWh:

Non-Summer	4.724¢
Summer	5.881¢

Definition of Season: Summer months are June through September. Non-summer months are January through May and October through December.

POWER COST ADJUSTMENT:

Bills computed under this rate schedule are subject to adjustment in accordance with the Power Cost Adjustment (PCA).

POWER FACTOR ADJUSTMENT:

The customer agrees to maintain an average power factor of 0.95 or greater for the billing period and to prevent a leading power factor. If the customer's average power factor is less than 0.95 for the billing period, the billing demand will be determined by multiplying the measured demand by 0.95 and dividing the results by the customer's average power factor. The average power factor is defined to be the quotient obtained by dividing the kWh used during the month by the square root of the sum of the squares of the kWh used and the lagging reactive kilovoltampere-hours supplied during the same period. The customer's average power factor will be determined by means of permanently installed meters.

PRIMARY METER DISCOUNT:

Customers approved for metering at 13.8 kV will receive a discount of 1.25% on base rate charges for measured demand and energy.

TRANSFORMER OWNERSHIP CREDIT:

Customers owning transformers will receive a credit on each month's measured demand.

Credit per KW \$ 0.35

DETERMINATION OF DEMAND:

Measured demand is defined as the maximum rate at which energy is used for any period of fifteen consecutive minutes during the billing period. The billing demand shall be the greater of the measured demand for the billing period adjusted for power factor, or 50% of the ~~the maximum measured demand for the most current June-September billing periods adjusted for power factor~~ **ratcheted demand. The ratcheted demand is the maximum measured demand adjusted for power factor of four consecutive billing cycles during the most recent May through October billing periods depending on the billing cycle.** Billing periods may not coincide with calendar months.

For an existing facility reconfiguring its current electric service to come under this rate by separately metering its high efficiency HVAC equipment, the ratchet will be removed from the current electric service. The ratchet will be effective beginning in October following the first separately metered high efficiency HVAC service during one of the ~~summer billing periods, June-September~~ **May through October billing periods described above.**

At that time the ratchet will be reapplied to the current electric service and will be applied for the first time to the high-efficiency HVAC service.

**ROCHESTER PUBLIC UTILITIES
(RPU)**

**RATE SCHEDULE MGS-HEF
SHEET 3 OF 3**

MEDIUM GENERAL SERVICE - HIGH EFFICIENCY HVAC (Cont.)

MINIMUM BILL:

The minimum bill shall not be less than the billing demand, as provided above, whether or not energy is used.

PAYMENT:

Payments are due on or before the due date.

CONDITIONS OF DELIVERY:

1. Service under this rate is only for air source or ground source heat pumps and any other all-electric HVAC systems that meet the stated efficiency requirements as explained in the Availability subhead of this rate schedule.
2. Service under this rate must be separately metered from other facility loads.
3. Since the HVAC system must be separately metered for this rate, the customer is responsible for any rewiring and its associated costs.
4. Service provided under this rate is subject to applicable provisions of RPU's published Electric Service Rules and Regulations.
5. Energy provided under this rate shall not be resold.
6. RPU shall not be liable for any damage or loss sustained by the customer resulting from interruptions, deficiencies, or imperfections of service provided under this rate.
7. Unless authorized by separate written agreement, standby electric generating equipment installed by the customer shall not be interconnected, or operated in parallel, with the RPU system. Customer shall own, install, operate, and maintain electrical interlocking equipment, which will prevent parallel operation, and such equipment shall be approved by RPU prior to installation.

**ROCHESTER PUBLIC UTILITIES
(RPU)**

**RATE SCHEDULE MGS-TOU
SHEET 1 OF 3**

MEDIUM GENERAL SERVICE - TIME-OF-USE

AVAILABILITY:

At all locations for loads where the demand is at least 75 kW or more for three or more billing periods in a given calendar year, but less than 1,000 kW, and where facilities of adequate capacity and suitable voltage are adjacent to the premises to be served. For loads where the service desired by the customer is not adjacent to the premises to be served, additional contract arrangements may be required prior to service being furnished. RPU reserves the right to limit both the number of customers and the amount of load taken under this rate schedule.

APPLICATION:

To commercial, industrial, and governmental customers with all service taken at one point and measured through one meter. All electrical requirements at one location shall be taken under this rate schedule. Not applicable to temporary or standby service.

CHARACTER OF SERVICE:

Single or three phase, 60 Hertz, alternating current at any one of the standard secondary service voltages as described in RPU's published Electric Service Rules and Regulations.

RATE:

Meter Charge: Any additional meter charge for costs above RPU's standard MGS meter costs.

Non-Summer :

On-peak Demand / KW	\$ 17.830
Off-peak Demand/ KW	\$ 1.933
Energy Charge / kWh	5.724¢

Summer:

On-peak Demand / KW	\$ 24.060
Off-peak Demand / KW	\$ 1.933
Energy Charge / kWh	5.724¢

Definition of Season: Summer months are June through September. Non-summer months are January through May and October through December.

Definition of On-Peak Demand: The maximum kW used by the customer in any fifteen-minute period between the hours of 10:00 a.m. and 10:00 p.m. Monday through Friday.

Definition of Off-Peak Demand: The maximum kW used by the customer in any fifteen-minute period during the off-peak period.

POWER COST ADJUSTMENT:

Bills computed under this rate schedule are subject to adjustment in accordance with the Power Cost Adjustment (PCA).

**ROCHESTER PUBLIC UTILITIES
(RPU)**

**RATE SCHEDULE MGS-TOU
SHEET 2 OF 3**

MEDIUM GENERAL SERVICE - TIME-OF-USE (Cont.)

POWER FACTOR ADJUSTMENT:

The customer agrees to maintain an average power factor of 0.95 or greater for the billing period and to prevent a leading power factor. If the customer's average power factor is less than 0.95 for the billing period, the billing demand will be determined by multiplying the measured demand by 0.95 and dividing the results by the customer's average power factor. The average power factor is defined to be the quotient obtained by dividing the kWh used during the month by the square root of the sum of the squares of the kWh used and the lagging reactive kilovoltampere-hours supplied during the same period. The customer's average power factor will be determined by means of permanently installed meters.

PRIMARY METER DISCOUNT:

Customers approved for metering at 13.8 kV will receive a discount of 1.25% on base rate charges for measured demand and energy.

TRANSFORMER OWNERSHIP CREDIT:

Customers owning transformers will receive a credit on each month's measured demand.

Credit per KW \$ 0.35

DETERMINATION OF DEMAND:

Measured demand is defined as the maximum rate at which energy is used for any period of fifteen consecutive minutes during the billing period.

BILLING DEMAND:

The on-peak billing demand shall be the greater of the measured on-peak demand for the billing period adjusted for power factor, or 50% of the ~~the maximum measured demand for the most current June-September billing periods adjusted for power factor.~~ **ratcheted on-peak demand. The ratcheted on-peak demand is the maximum measured on-peak demand adjusted for power factor of four consecutive billing cycles during the most recent May through October billing periods depending on the billing cycle.** Billing periods may not coincide with calendar months.

The off-peak billing demand shall be the measured off-peak demand for the billing period adjusted for power factor less the on-peak billing demand for the billing period.

The total billing demand shall be the sum of the on-peak billing demand and the off-peak billing demand.

MINIMUM BILL:

The minimum bill shall not be less than the billing demand, as provided above, whether or not energy is used plus any meter charge.

PAYMENT:

Payments are due on or before the due date.

**ROCHESTER PUBLIC UTILITIES
(RPU)****RATE SCHEDULE MGS-TOU
SHEET 3 OF 3****MEDIUM GENERAL SERVICE - TIME-OF-USE (Cont.)****CONDITIONS OF DELIVERY:**

1. Service under this rate will be made available at the option of the medium general service customer, subject to the availability of the necessary TOU metering equipment.
2. Customers converting to the MGS-TOU rate from the MGS rate shall make a one-time payment to RPU for any conversion cost above the normal cost to install MGS-TOU metering.
3. A customer may switch back to the MGS rate providing the customer gives RPU at least 60 days notice and agrees to pay any metering conversion costs.
4. Service furnished under this rate schedule is subject to applicable provisions of RPU's published Electric Service Rules and Regulations.
5. Unless authorized by separate written agreement, standby electric generating equipment installed by the customer shall not be interconnected or operated in parallel with the RPU system. Customer shall own, install, operate, and maintain electrical interlocking equipment, which will prevent parallel operation, and such equipment shall be approved by RPU prior to installation.
6. RPU shall not be liable for any damage or loss sustained by customer resulting from interruptions, deficiencies, or imperfections of service provided under this rate.
7. Energy furnished under this rate shall not be resold.

Approved by Rochester Public Utility Board:
Effective Date:

November 12, 2019
January 1, 2020

**ROCHESTER PUBLIC UTILITIES
(RPU)**

**RATE SCHEDULE LGS
SHEET 1 OF 2**

LARGE GENERAL SERVICE

AVAILABILITY:

At all locations for loads where the measured demand is at least 1,000 kW or more for three or more billing periods in a given calendar year, but less than 10,000 kW, and where facilities of adequate capacity and suitable voltage are adjacent to the premises to be served. For loads where the service desired by the customer is not adjacent to the premises to be served, additional contract arrangements may be required prior to service being furnished.

APPLICATION:

To commercial, industrial, and governmental customers with all service taken at one point and measured through one meter. Also applicable to temporary service in accordance with RPU's published Electric Service Rules and Regulations. Not applicable to standby service.

CHARACTER OF SERVICE:

Three phase, 60 Hertz, alternating current at any one of the standard secondary service voltages as described in RPU's published Electric Service Rules and Regulations.

RATE:

Demand Charge / KW	\$ 20.000
Energy Charge / kWh	5.867¢

POWER COST ADJUSTMENT:

Bills computed under this rate schedule are subject to adjustment in accordance with the Power Cost Adjustment (PCA).

POWER FACTOR ADJUSTMENT:

The customer agrees to maintain an average power factor of 0.95 or greater for the billing period and to prevent a leading power factor. If the customer's average power factor is less than 0.95 for the billing period, the billing demand will be determined by multiplying the measured demand by 0.95 and dividing the results by the customer's average power factor. The average power factor is defined to be the quotient obtained by dividing the kWh used during the month by the square root of the sum of the squares of the kWh used and the lagging reactive kilovoltampere-hours supplied during the same period. The customer's average power factor will be determined by means of permanently installed meters.

PRIMARY METER DISCOUNT:

Customers approved for metering at 13.8 kV will receive a discount of 1.25% on base rate charges for measured demand and energy.

TRANSFORMER OWNERSHIP CREDIT:

Customers owning transformers will receive a credit on each month's measured demand.

Credit per KW	\$ 0.35
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**ROCHESTER PUBLIC UTILITIES
(RPU)**

**RATE SCHEDULE LGS
SHEET 2 OF 2**

LARGE GENERAL SERVICE (Cont.)

DETERMINATION OF DEMAND:

Measured demand is defined as the maximum rate at which energy is used for any period of fifteen consecutive minutes during the billing period. The billing demand shall be the greater of the measured demand for the billing period adjusted for power factor, or 50% of the ~~the maximum measured demand for the most current June-September billing periods adjusted for power factor~~ **ratcheted demand. The ratcheted demand is the maximum measured demand adjusted for power factor of four consecutive billing cycles during the most recent May through October billing periods depending on the billing cycle.** Billing periods may not coincide with calendar months.

MINIMUM BILL:

The minimum bill shall not be less than the billing demand, as provided above, whether or not energy is used.

PAYMENT:

Payments are due on or before the due date.

CONDITIONS OF DELIVERY:

1. Service furnished under this rate schedule is subject to applicable provisions of RPU's published Electric Service Rules and Regulations.
2. Unless authorized by separate written agreement, standby electric generating equipment installed by the customer shall not be interconnected or operated in parallel with the RPU system. Customer shall own, install, operate, and maintain electrical interlocking equipment, which will prevent parallel operation, and such equipment shall be approved by RPU prior to installation.
3. RPU shall not be liable for any damage or loss sustained by customer resulting from interruptions, deficiencies, or imperfections of service provided under this rate.
4. Energy furnished under this rate shall not be resold.
5. A separate electric service agreement may be required for service under this rate schedule.

**ROCHESTER PUBLIC UTILITIES
(RPU)**

**RATE SCHEDULE LIS
SHEET 1 OF 2**

LARGE INDUSTRIAL SERVICE

AVAILABILITY:

At all locations for loads with measured demands in excess of 10,000 kW for three or more billing periods in a given calendar year, and where facilities of adequate capacity and voltage are adjacent to the premises to be served. For loads where the service desired by the customer is not adjacent to the premises to be served, contract arrangements may be required prior to service being furnished.

APPLICATION:

To industrial customers with all service taken at one point and measured through one meter or meter totalizer. Not applicable to stand-by service.

CHARACTER OF SERVICE:

Three phase, 60 Hertz alternating current at 13,800 GRDY/7970 volts.

RATE:

Demand Charge / KW	\$ 20.500
Energy Charge / kWh	5.240¢

POWER COST ADJUSTMENT:

Bills computed under this rate schedule are subject to adjustment in accordance with the Power Cost Adjustment (PCA).

POWER FACTOR ADJUSTMENT:

The customer agrees to maintain an average power factor of 0.95 or greater for the billing period and to prevent a leading power factor. If the customer's average power factor is less than 0.95 for the billing period, the billing demand will be determined by multiplying the measured demand by 0.95 and dividing the results by the customer's average power factor. The average power factor is defined to be the quotient obtained by dividing the kWh used during the month by the square root of the sum of the squares of the kWh used and the lagging reactive kilovoltampere-hours supplied during the same period. The customer's average power factor will be determined by means of permanently installed meters.

DETERMINATION OF DEMAND:

Measured demand is defined as the maximum rate at which energy is used for any period of fifteen consecutive minutes during the billing period. The billing demand shall be the greater of the measured demand for the billing period adjusted for power factor, or 50% of the ~~maximum measured demand for the most current June-September billing periods adjusted for power factor.~~ **ratcheted demand. The ratcheted demand is the maximum measured demand adjusted for power factor of four consecutive billing cycles during the most recent May through October billing periods depending on the billing cycle.** Billing periods may not coincide with calendar months.

MINIMUM BILL:

The minimum bill shall not be less than the billing demand, as provided above, whether or not energy is used.

**ROCHESTER PUBLIC UTILITIES
(RPU)****RATE SCHEDULE LIS
SHEET 2 OF 2****LARGE INDUSTRIAL SERVICE (Cont.)****PAYMENT:**

Payments are due on or before the due date.

CONDITIONS OF DELIVERY:

1. Service furnished under this rate schedule is subject to applicable provisions of RPU's published Electric Service Rules and Regulations.
2. Unless authorized by separate written agreement, stand-by electric generating equipment installed by the customer shall not be interconnected or operated in parallel with the RPU system: Customer shall own, install, operate, and maintain electrical interlocking equipment which will prevent parallel operation, and such equipment shall be approved by RPU prior to installation.
3. RPU shall not be liable for any damage or loss sustained by customer resulting from interruptions, deficiencies or imperfections of service provided under this rate.
4. Energy furnished under this rate shall not be resold.
5. Customer agrees to manage its utilization equipment so as not to unbalance the current per phase by more than 10%.
6. RPU may require a separate electric service agreement for service under this rate schedule.

Attachment: 2020 Electric Rate Tariff Red Line (11263 : 2020 Electric Utility Rate Adjustment)

Approved by Rochester Public Utility Board:
Effective Date:

November 12, 2019
January 1, 2020

**ROCHESTER PUBLIC UTILITIES
(RPU)**

**RATE SCHEDULE CAR
SHEET 1 OF 1**

CLEAN AIR RIDER

APPLICATION:

The Clean Air Rider (CAR) will be used to recover costs related to renewable and environmental improvement programs and projects approved by the Utility Board. Applicable to all rate classes billed in kWh.

CONDITIONS OF DELIVERY:

1. Emission Reduction Project at Silver Lake Plant:
 - a. The CAR for the Emission Reduction Project (ERP) at the Silver Lake Plant is to recover the annual debt service of the project.
 - b. The CAR for the ERP will be calculated by dividing the ERP debt service requirements by the KWH forecast for all rate classes. This monthly charge under the CAR Schedule for 2020 is ~~\$0.00166~~ **\$0.00180** /kwh.
 - c. The CAR will terminate for the ERP with payment of all debt service requirements.
 - d. An annual true-up will be done comparing the actual amount collected to the actual debt service requirement. The amount over or under collected will adjust future years debt service requirements used in the calculation.

Attachment: 2020 Electric Rate Tariff Red Line (11263 : 2020 Electric Utility Rate Adjustment)

Approved by Rochester Public Utility Board:
Effective Date:

November 12, 2019
January 1, 2020

**ROCHESTER PUBLIC UTILITIES
(RPU)**

**MISCELLANEOUS FEES
SHEET 1 of 2**

**MISCELLANEOUS FEES
ELECTRIC UTILITY**

Meter Test – Residential (2 nd request within the past 12 months)	\$ 100.00
Meter Test – Commercial (2 nd request within the past 12 months)	\$ 210.00
Outage Call (The problem is with the customers equipment, and this is the second request within the past twelve months)	\$ 100.00
Copies per page, black & white	\$ 0.25
Copies , black & white, duplex	\$ 0.50
Copies per page, color (from color printer, not copier)	\$ 0.35
Non pay Disconnection/Reconnection (Workdays, 8:00 AM- 5:00PM) (Additional reconnection fees apply for after hours reconnections)	\$ 70.00
Meter Connections After Hours	
Workdays, 5:00 PM - 9:00 PM	\$ 75.00
Workdays, 9:00 PM – 8:00 AM	\$ 160.00
Non-Workdays	\$ 160.00
Holidays	\$ 160.00
House Move Investigation	\$ 350.00
Optional Non-AMR Meter Change out Fee Electric	\$ 200.00
Optional Non-AMR Meter Monthly Fee per premise	\$ 55.00
Temporary Residential Meter Installation Fee	\$ 100.00
Temporary Commercial Meter Installation Fee	\$ 760.00
Pole Disconnection/Reconnection (Commercial)	\$ 295.00
Meter Tampering	\$ 240.00
Meter Service Call	\$ 70.00
Infraview Service – Per hour	\$ 115.00

**ROCHESTER PUBLIC UTILITIES
(RPU)**
**MISCELLANEOUS FEES
SHEET 2 of 2**
Interconnection Fees

Application Fees

Process Track

Simplified

Fast Track Certified System

Non-Certified System

Fees

\$ 100.00

\$ 100.00 + \$1.00/KW

\$ 100.00 + \$2.00/KW

Study (Additional fees may apply)

\$1,000.00 + \$2.00/KW

Pre-application Report

\$ 300.00

Testing and Other Fees

Testing Certified System

40 kW or less

No Fee

40kW to 1MW

\$300.00

Greater than 1MW

Actual Cost

Metering Fee

Net Metered Under 40 kW

No fee

Not Net Metered

Actual Cost

Applicable to all charges and amounts due on RPU Invoices

NSF Check

\$ 30.00

Attachment: 2020 Electric Rate Tariff Red Line (11263 : 2020 Electric Utility Rate Adjustment)

 Approved by Rochester Public Utility Board:
Effective Date:

 November 12, 2019
January 1, 2020



RESOLUTION

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve an overall general rate increase of zero percent for 2020 with adjustments to the residential customer charge and energy charge according to the attached rate schedules and tariffs, effective on or about January 1, 2020.

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 the rate schedules and tariffs, to take effect on or about January 1, 2020.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 12th day of November 2019.

President

Secretary

FOR BOARD ACTION

Agenda Item # (ID # 11262)

Meeting Date: 11/12/2019

SUBJECT: 2020 Water Utility Budget

PREPARED BY: Peter Hogan

ITEM DESCRIPTION:

The preliminary budget for the water utility was presented to the finance and audit committee of the Board on October 17, 2019 and the full Board on October 29, 2019, and incorporates a 3.5% general rate increase. This is in keeping with the cost of service study conducted in 2019 and the guidance given to management during the review of the cost of service study on September 24, 2019

The significant drivers for the 2020 Water Utility budget are:

- o Adoption of the utility method (Industry Standard) of rate setting
- o Sustainability: Rates set to recover revenue requirement and based on cost of service
- o Establishing targeted change in net assets to fund operations and future capital replacements - \$3,446K; 2020 Budget \$ 1,618K
- o Establishing a minimum cash reserves - Per policy \$7,641K; 2020 Budget \$8,516K
- o Addition of one FTE, Lead Water Distribution Worker, driven by growth of the City
- o DMC street reconstructions (\$1,950K)
- o Distribution system expansion (\$1,431K)

The budget supports the need for continued investment in infrastructure for both growth and replacement, while working toward funding the maintenance and replacement reserves to avoid large unfunded outlays of capital in future years.

Summary financial sheets are attached reflecting the recommended budget. Staff will be available to answer questions.

UTILITY BOARD ACTION REQUESTED:

Management recommends that the Board approve and request City Council approval of the RPU Water Utility capital, including multi year projects, and operating budget for 2020.

ROCHESTER PUBLIC UTILITIES

2020

WATER UTILITY

OPERATING BUDGET

Attachment: Board Packet Wtr (11262 : 2020 Water Utility Budget)

**ROCHESTER PUBLIC UTILITIES
WATER UTILITY
2020 OPERATING BUDGET**

INDEX

<u>Title</u>	<u>Pages</u>
Basic Assumptions	1
Forecast by Year 2019 through 2024	2
Condensed Income Statement	3
Revenue Sources & Expense Categories	4
Operating Expenditures Graph	5
Production & Sales Statistics Forecast	6

**ROCHESTER PUBLIC UTILITIES
WATER UTILITY
2020 OPERATING BUDGET**

BASIC ASSUMPTIONS

- Interest Earnings Rate: 1.80%
- Average Salary Expense Change: 3.2%
(excluding headcount additions) (consists of COLA, merit and promotion increases)
- Change in Full-time Equivalents: 1
- Minimum Cash Reserve Requirement: Policy Amount \$7,908,100

RETAIL REVENUES / SALES

- Revenue Adjustment: 3.5% proposed
- Water CCF Sales Forecast: 2.85% Increase from 2019 Projected Sales
- Total Water Utility Customers: 1.2% Increase over Y/E 2018 Projected Customers
- Forecast Assumes Normal Weather : 523 Cooling Degree Days,
23.9 Inches Summer Rainfall

OTHER ITEMS

- In Lieu of Tax forecast increasing \$17,179 to a total of \$378,887.

**ROCHESTER PUBLIC UTILITIES
WATER UTILITY
Management Reporting P&L**

	Historical Data							
	2017	2018	2019 F2	2020	2021	2022	2023	2024
in 000's								
RPU Rate Increase	6.0%	6.0%	6.0%	3.5%	3.5%	3.5%	3.5%	3.5%
Revenue								
Retail Water	\$9,121	\$9,601	\$10,013	\$10,560	\$11,005	\$11,383	\$11,862	\$12,276
Other Services & Fees	\$1,091	\$1,217	\$1,323	\$1,367	\$1,392	\$1,417	\$1,443	\$1,470
Total Revenue	\$10,213	\$10,817	\$11,336	\$11,927	\$12,396	\$12,800	\$13,306	\$13,745
Cost of Revenue								
Water Supply	\$1,974	\$1,892	\$1,756	\$1,865	\$1,857	\$1,851	\$1,841	\$1,831
Total Cost of Revenue	\$1,974	\$1,892	\$1,756	\$1,865	\$1,857	\$1,851	\$1,841	\$1,831
Gross Margin								
Retail Water	\$7,147	\$7,709	\$8,258	\$8,695	\$9,147	\$9,532	\$10,021	\$10,444
Other Services & Fees	\$1,091	\$1,217	\$1,323	\$1,367	\$1,392	\$1,417	\$1,443	\$1,470
TOTAL GROSS MARGIN	\$8,239	\$8,925	\$9,580	\$10,062	\$10,539	\$10,949	\$11,464	\$11,914
Controllable Costs								
Salaries & Benefits	\$2,559	\$2,593	\$2,978	\$3,406	\$3,538	\$3,783	\$3,925	\$4,194
Other Operating Expenses	\$1,001	\$1,313	\$1,286	\$1,285	\$1,302	\$1,326	\$1,357	\$1,377
Major Maintenance	\$369	\$304	\$325	\$553	\$415	\$375	\$355	\$205
Non-Bonded Capital Projects	\$1,729	\$2,271	\$3,343	\$4,822	\$7,407	\$4,493	\$5,205	\$6,700
TOTAL CONTROLLABLE COSTS	\$5,657	\$6,481	\$7,932	\$10,066	\$12,662	\$9,978	\$10,842	\$12,475
Depreciation & Amortization	\$2,640	\$2,674	\$2,771	\$2,883	\$2,996	\$3,099	\$3,143	\$3,162
Less Non Bonded Projects (capitalized)	(\$1,729)	(\$2,271)	(\$3,343)	(\$4,822)	(\$7,407)	(\$4,493)	(\$5,205)	(\$6,700)
Less Total Internal Costs (capitalized)	(\$266)	(\$164)	(\$281)	(\$373)	(\$384)	(\$808)	(\$878)	(\$881)
Interutility Allocation	\$1,228	\$1,333	\$1,546	\$1,575	\$1,607	\$1,639	\$1,672	\$1,705
Total Operating Expenses	\$7,530	\$8,052	\$8,625	\$9,328	\$9,474	\$9,414	\$9,574	\$9,762
Net Operating Income (Loss)	\$708	\$873	\$955	\$733	\$1,065	\$1,535	\$1,890	\$2,152
Financing & Other Non-Operating Items:								
Bond & Interest Related Expenses	\$0	\$0	(\$0)	\$0	\$0	\$0	\$0	\$0
Interest Income	\$89	\$146	\$190	\$162	\$149	\$138	\$119	\$98
Misc Non-Operating Income (Expense)	(\$132)	(\$31)	\$0	\$0	\$0	\$0	\$0	\$0
Total Financing & Non-Operating Items	(\$43)	\$115	\$190	\$162	\$149	\$138	\$119	\$98
Income Before Transfers or Capital Contributions	\$666	\$988	\$1,145	\$895	\$1,213	\$1,673	\$2,009	\$2,251
Transfers (In Lieu of Taxes)	(\$370)	(\$368)	(\$361)	(\$378)	(\$386)	(\$389)	(\$398)	(\$401)
Capital Contributions	\$2,493	\$1,657	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100
Cash Transfers from City/Intercompany	\$303	\$0	\$363	\$600	\$3,550	\$0	\$0	\$1,475
NET INCOME	\$3,090	\$2,278	\$2,247	\$2,218	\$5,477	\$2,384	\$2,711	\$4,424
NET INCOME (Excluding Cash Tfrs from City)			\$1,884	\$1,618	\$1,927	\$2,384	\$2,711	\$2,949
TARGET NET INCOME			\$3,148	\$ 3,446	\$ 3,294	\$ 3,376	\$ 3,385	\$ 3,405
Excess (Deficit) from Target			\$ (1,264)	\$ (1,828)	\$ (1,367)	\$ (992)	\$ (674)	\$ (456)
1/01 Cash Balance	\$ 7,123	\$ 9,335	\$ 9,652	\$ 8,516	\$ 8,158	\$ 7,300	\$ 6,031	
Change in Net Assets	2,277	2,247	2,218	5,477	2,384	2,711	4,424	
Depreciation & Amortization	2,674	2,771	2,883	2,996	3,099	3,143	3,162	
Capital Additions	(2,435)	(3,624)	(5,196)	(7,791)	(5,302)	(6,083)	(7,581)	
Non-Cash Contributions	(1,657)	(1,100)	(1,100)	(1,100)	(1,100)	(1,100)	(1,100)	
Debt Principal Payments	-	0	-	-	-	-	-	
Debt Proceeds	-	0	-	-	-	-	-	
Net Change in Other Assets/Liabilities	1,354	22	60	60	60	60	60	
Net Changes in Cash	2,212	317	(1,135)	(358)	(859)	(1,268)	(1,034)	
12/31 Cash Balance	\$ 9,335	\$ 9,652	\$ 8,516	\$ 8,158	\$ 7,300	\$ 6,031	\$ 4,997	
Minimum Cash Reserve	\$ 6,063	\$ 7,641	\$ 7,908	\$ 8,061	\$ 7,979	\$ 7,813	\$ 7,692	
Excess (Deficit) from Minimum Cash Reserve	\$ 3,272	\$ 2,010	\$ 608	\$ 98	\$ (679)	\$ (1,781)	\$ (2,694)	

Attachment: Board Packet Wtr ('11262 : 2020 Water Utility Budget)

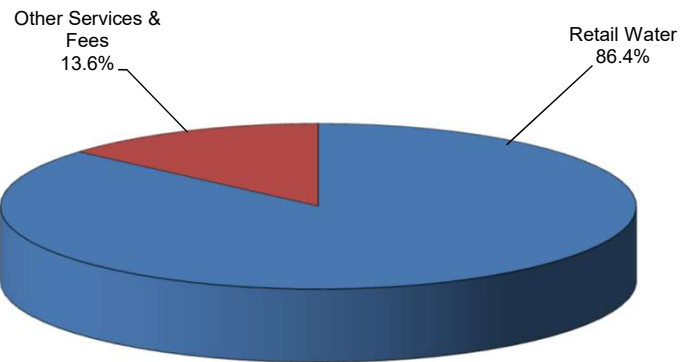
**ROCHESTER PUBLIC UTILITIES
WATER UTILITY
Management Reporting P&L**

	Historical Data		2019		2020		Variance 2020 to 2019	%
	2017	2018	Orig Bdgt	2019 F2	2020	Orig Bdgt	Orig Bdgt	Variance
in 000's								
Revenue								
Retail Water	\$9,121	\$9,601	\$10,636	\$10,013	\$10,560	\$11,388	(\$828)	-7.3%
Other Services & Fees	\$1,091	\$1,217	\$1,222	\$1,323	\$1,367	\$1,244	\$122	9.8%
Total Revenue	\$10,213	\$10,817	\$11,858	\$11,336	\$11,927	\$12,633	(\$705)	-5.6%
Cost of Revenue								
Water Supply	\$1,974	\$1,892	\$1,867	\$1,756	\$1,865	\$1,866	(\$1)	0.0%
Total Cost of Revenue	\$1,974	\$1,892	\$1,867	\$1,756	\$1,865	\$1,866	(\$1)	0.0%
Gross Margin								
Retail Water	\$7,147	\$7,709	\$8,769	\$8,258	\$8,695	\$9,522	(\$827)	-8.7%
Other Services & Fees	\$1,091	\$1,217	\$1,222	\$1,323	\$1,367	\$1,244	\$122	9.8%
TOTAL GROSS MARGIN	\$8,239	\$8,925	\$9,991	\$9,580	\$10,062	\$10,767	(\$705)	-6.5%
Controllable Costs								
Salaries & Benefits	\$2,559	\$2,593	\$3,095	\$2,978	\$3,406	\$3,361	\$45	1.3%
Other Operating Expenses	\$1,001	\$1,313	\$1,372	\$1,286	\$1,285	\$1,428	(\$142)	-10.0%
Major Maintenance	\$369	\$304	\$568	\$325	\$553	\$526	\$27	5.0%
Non-Bonded Capital Projects	\$1,729	\$2,271	\$4,554	\$3,343	\$4,822	\$6,341	(\$1,519)	-24.0%
TOTAL CONTROLLABLE COSTS	\$5,657	\$6,481	\$9,588	\$7,932	\$10,066	\$11,656	(\$1,590)	-13.6%
Depreciation & Amortization	\$2,640	\$2,674	\$2,770	\$2,771	\$2,883	\$2,811	\$72	2.6%
Less Non Bonded Projects (capitalized)	(\$1,729)	(\$2,271)	(\$4,554)	(\$3,343)	(\$4,822)	(\$6,341)	\$1,519	-24.0%
Less Total Internal Costs (capitalized)	(\$266)	(\$164)	(\$318)	(\$281)	(\$373)	(\$305)	(\$68)	22.4%
Interutility Allocation	\$1,228	\$1,333	\$1,486	\$1,546	\$1,575	\$1,516	\$59	3.9%
Total Operating Expenses	\$7,530	\$8,052	\$8,971	\$8,625	\$9,328	\$9,337	(\$8)	-0.1%
Net Operating Income (Loss)	\$708	\$873	\$1,019	\$955	\$733	\$1,430	(\$697)	-48.7%
Financing & Other Non-Operating Items:								
Bond & Interest Related Expenses	\$0	\$0	\$0	(\$0)	\$0	\$0	\$0	0.0%
Interest Income	\$89	\$146	\$44	\$190	\$162	\$32	\$130	410.2%
Misc Non-Operating Income (Expense)	(\$132)	(\$31)	\$0	\$0	\$0	\$0	\$0	0.0%
Total Financing & Non-Operating Items	(\$43)	\$115	\$44	\$190	\$162	\$32	\$130	410.2%
Income Before Transfers or Capital Contributions	\$666	\$988	\$1,063	\$1,145	\$895	\$1,462	(\$566)	-38.7%
Transfers (In Lieu of Taxes)	(\$370)	(\$368)	(\$398)	(\$361)	(\$378)	(\$412)	\$34	-8.3%
Capital Contributions	\$2,493	\$1,657	\$1,100	\$1,100	\$1,100	\$1,100	\$0	0.0%
Cash Transfers from City	\$303	\$0	\$0	\$363	\$600	\$0	\$600	0.0%
NET INCOME	\$3,090	\$2,278	\$1,765	\$2,247	\$2,218	\$2,150	(\$532)	-24.8%
1/01 Cash Balance	\$ 7,123		\$ 6,194	\$ 9,335	\$ 9,652	\$ 5,607	\$ 4,044	72.1%
Change in Net Assets		2,277		1,765		2,150	68	3.2%
Depreciation & Amortization		2,674		2,770		2,811	72	2.6%
Capital Additions/Service Territory Comp		(2,435)		(4,873)		(6,646)	1,451	-21.8%
Non-Cash Contributions		(1,657)		(1,100)		(1,100)	-	0.0%
Debt Principal Payments		-		0		-	-	0.0%
Debt Proceeds		-		0		-	-	0.0%
Net Change in Other Assets/Liabilities		1,354		851		72	(12)	-16.7%
Net Changes in Cash		2,212		(586)		(1,135)	(2,714)	-58.2%
12/31 Cash Balance	\$ 9,335		\$ 5,607	\$ 9,652	\$ 8,516	\$ 2,894	\$ 5,623	194.3%
Minimum Cash Reserve	\$ 6,063		\$ 7,641	\$ 7,641	\$ 7,908	\$ 7,102	\$ 806	11.3%
Excess (Deficit) from Minimum Cash Reserve	\$ 3,272		\$ (2,034)	\$ 2,010	\$ 608	\$ (4,209)	\$ 4,817	-114.5%

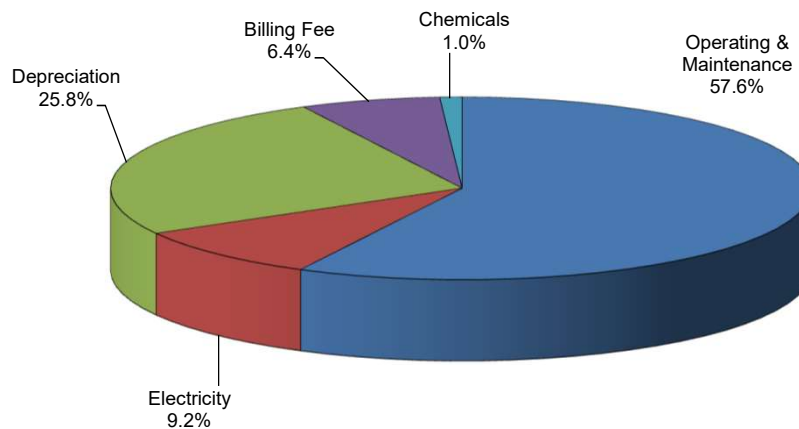
Attachment: Board Packet Wtr ('11262 : 2020 Water Utility Budget)

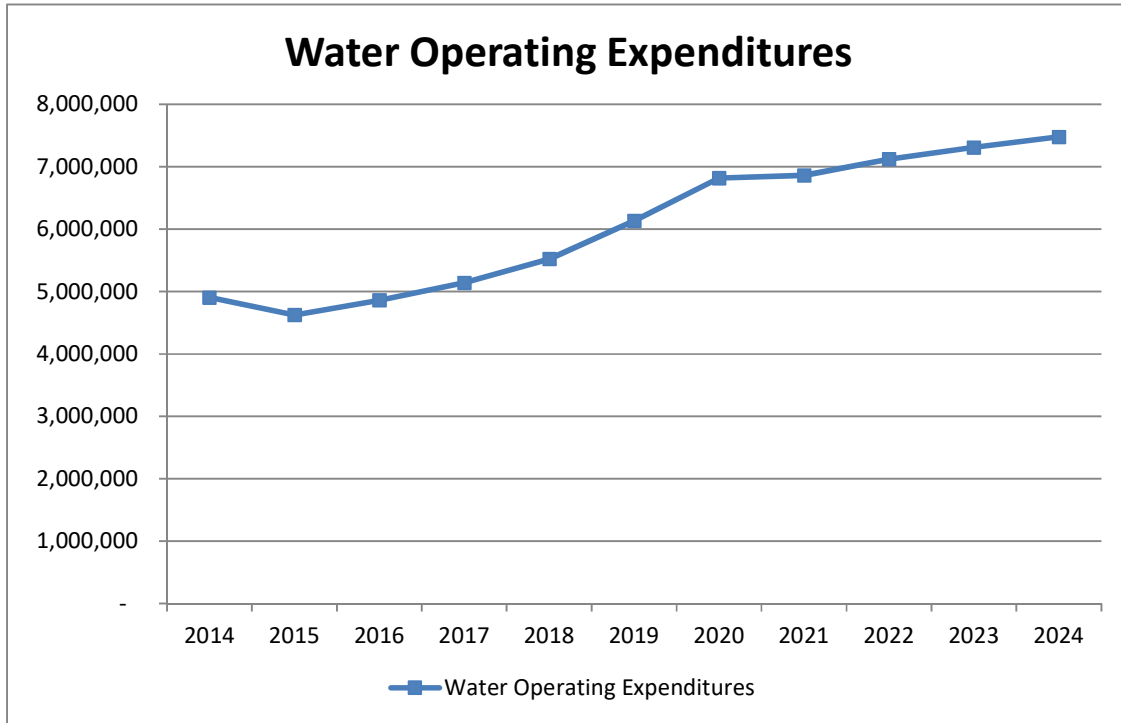
**ROCHESTER PUBLIC UTILITIES
WATER UTILITY
2020 OPERATING BUDGET**

**GROSS MARGIN
\$10,061,839**



**EXPENSE USES
\$11,193,833**





**ROCHESTER PUBLIC UTILITIES
PRODUCTION & SALES STATISTICS FORECAST
WATER UTILITY**

	2019 F2	2020	2021	2022	2023	2024
CCF Pumped	5,570,703	5,729,546	5,743,547	5,672,070	5,686,237	5,619,495
% Change	-4.4%	2.9%	0.2%	-1.2%	0.2%	-1.2%
Retail CCF	5,368,203	5,521,272	5,534,764	5,465,885	5,479,537	5,415,221
% Change	-4.4%	2.9%	0.2%	-1.2%	0.2%	-1.2%
Number of Customers						
Residential	36,882	37,271	37,664	38,061	38,463	38,869
Commercial	3,684	3,735	3,786	3,838	3,889	3,940
Industrial	31	31	31	31	31	31
Interdepartmental	1	1	1	1	1	1
Total Customers	40,598	41,038	41,482	41,931	42,384	42,841
% Change	1.0%	1.1%	1.1%	1.1%	1.1%	1.1%

Attachment: Board Packet Wtr (11262 : 2020 Water Utility Budget)

ROCHESTER PUBLIC UTILITIES

2020

WATER UTILITY

CAPITAL IMPROVEMENT AND MAJOR MAINTENANCE BUDGET

Attachment: Board Packet Wtr (11262 : 2020 Water Utility Budget)

**ROCHESTER PUBLIC UTILITIES
WATER UTILITY
2020 CAPITAL IMPROVEMENT AND
MAJOR MAINTENANCE BUDGET**

INDEX

<u>Title</u>	<u>Pages</u>
5 Year Project List:	
Major Maintenance	1
Capital	2

**ROCHESTER PUBLIC UTILITIES
CAPITAL AND MAJOR MAINTENANCE PLAN
MATERIALS, SUPPLIES & SERVICES
5 YEAR PROJECT LIST**

**WATER UTILITY
MAJOR MAINTENANCE
(\$000's)**

	Multi-Year Project Total	2020	2021	2022	2023	2024	5-Yr Tot
Core Services							
Municipal Well Abandonment		-	75	-	-	-	
Allocation - Water Distribution System Maintenance		400	265	255	275	120	1,315
Water Storage Facility Painting		400	265	255	275	120	1,315
Water Cost-of-Service/Rate Design Study		-	-	40	-	-	
Operating Contingency Fund		75	75	80	80	85	370
Computer Water Model		3	-	-	-	-	
Water Comprehensive Plan		75	-	-	-	-	
Total Core Services		553	415	375	355	205	1,943
Total Outside Expenditures		553	415	375	355	205	1,943
Total Internal Expenditures		45	30	25	20	13	133
Total Major Maintenance Plan		597	445	400	375	218	2,035

Attachment: Board Packet Wtr (11262 : 2020 Water Utility Budget)

**ROCHESTER PUBLIC UTILITIES
CAPITAL AND MAJOR MAINTENANCE PLAN
MATERIALS, SUPPLIES & SERVICES
5 YEAR PROJECT LIST**

**WATER UTILITY
CAPITAL
(\$000's)**

		Multi-Year						
		Project Total	2020	2021	2022	2023	2024	5-Yr Total
9	Core Services							
10	Well & Booster Station Metering		23	20	26	26	22	116
11	Bulk Water Dispensing Station		-	35	-	22	-	57
12	Well House Manual Switchgear		16	17	17	18	18	86
13	Water Leak Correlator		-	-	-	-	30	30
14	Mechanical Valve Operator		16	8	8	-	-	32
15	Chlorine Sensor Replacement		-	23	24	25	-	72
16	Allocation - Water Distribution System Replacement		121	115	125	152	140	653
17	Replacement of Pumping Units		84	42	89	89	89	392
18	Well Motor Replacements		18	19	19	20	20	94
19	Installation of Variable Frequency Drive Units		19	21	18	22	19	98
20	Replacement of Booster Pumps		-	34	-	22	13	69
21	Allocation - Water Metering/AMR		306	313	1,760	1,766	1,772	5,917
22	Alloc - Residential Water Metering/AMR		186	191	195	199	202	971
23	Alloc - Residential Water Metering - AMI		-	-	1,040	1,040	1,040	3,120
24	Alloc - Commercial Water Metering/AMR		121	123	125	128	130	626
25	Alloc - Commercial Water Metering - AMI		-	-	400	400	400	1,200
26	New Wells		-	482	560	125	-	1,167
27	Water Utility Contingency Fund		175	175	175	200	200	925
28	New Marion L 1.0MG Reservoir		-	-	-	-	1,475	1,475
29	DMC - 12th Ave SW from Center St W to 2nd St SW		550	-	-	-	-	550
30	DMC - 6th & 7th Ave and 3rd St NW Phase 1		275	-	-	-	-	275
31	1.0MG Baihly High Level Tower	4,150	600	3,550	-	-	-	4,150
32	DMC - Broadway From Civic Center Dr to 13th St N	1,575	575	1,000	-	-	-	1,575
33	DMC - 1st St NW from Broadway to 1st Ave		140	-	-	-	-	140
34	DMC - 2nd St SE from Broadway to 1st Ave		105	-	-	-	-	105
35	InfoWater Software for Computer Model		25	-	-	-	-	25
36	DMC - Heart of the City - Peace Plaza	245	140	105	-	-	-	245
37	DMC - 3rd St SW		60	-	-	-	-	60
38	DMC - Discovery Walk		-	135	135	-	-	270
39	DMC - 2nd St SW 11th to 16th Ave		-	160	-	-	-	160
40	DMC - St. Mary's Transit Station		-	338	-	-	-	338
41	Allocation - Water Distribution System Expansion		1,431	787	1,438	2,640	2,862	9,158
42	T&D City Projects		749	485	900	1,793	430	4,357
43	T&D Developer Projects		360	200	200	200	200	1,160
44	T&D RPU Projects		322	102	338	647	2,232	3,641
45	Total Core Services	5,970	4,558	7,262	4,268	4,974	6,519	27,581
46	Compliance & Public Affairs							
47	Well Conversion		75	-	-	-	-	75
48	Total Compliance & Public Affairs		75	-	-	-	-	75
49	Power Resources							
50	Allocation - Fleet		190	144	226	232	180	972
51	Total Power Resources		190	144	226	232	180	972
52	Total Outside Expenditures	5,970	4,822	7,407	4,493	5,205	6,700	28,627
53	Total Internal Expenditures	79	373	384	808	878	881	3,325
54	Total Contributed Assets		1,100	1,100	1,100	1,100	1,100	5,500
55	Total Capital Plan	6,049	6,296	8,891	6,402	7,183	8,681	37,452
56	Total Capital & Major Maintenance Plan	6,049	6,893	9,336	6,802	7,558	8,899	39,488

Attachment: Board Packet Wtr (11262 : 2020 Water Utility Budget)



RESOLUTION

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve the
2020 water utility capital, including multi-year projects, and operating budgets as
submitted

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 the
2020 water utility capital, including multi-year projects, and operating budgets.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 12th day of
November, 2019.

President

Secretary

FOR BOARD ACTION

Agenda Item # (ID # 11260)

Meeting Date: 11/12/2019

SUBJECT: 2020 Water Utility Rate Adjustment

PREPARED BY: Peter Hogan

ITEM DESCRIPTION:

Rochester Home Rule Charter Chapter 15.05, Subd. 3 states, *"The public utility board may adopt, amend, and rescind such rules and regulations as it may deem necessary for the control, management, and operation of the public utilities under its jurisdiction. The board shall, with the concurrence of the common council, fix the rates to be charged for the availability and use of the public utility commodities and services under its jurisdiction. Rates shall be **reasonable and compensatory** so as to cover all of the costs of the respective public utility and **shall be uniform for all consumers within the same class**, but different rates may be established for different classifications by the board. Rates within the city corporate limits may be less but shall be no greater than rates for the same classification outside the city limits."*

Based on the Charter, the RPU Board has further developed a policy for determining rates. The main objective of the policy is, *"to recover, through the application of rates and charges for utility services, revenues which are sufficient to meet the financial obligations of each independent utility enterprise. Further, the Board intends to apply rates and charges which are equitable among customer or classes of customers based on the Utility Basis of rate-making principles."*

With this guidance staff conducted a Cost of Service Study for the water utility during 2019. The Board, reviewed the results of the study at the September 24, 2019 meeting and recommended that management present a budget scenario that included an across the board 3.5% general rate increase.

During the October 17th, 2019 budget review by the Finance Committee and the October 29th, 2019 full Board meeting, staff presented the 2020 budget for the water utility which included a proposed 3.5% general retail revenue increase for 2020 which supports and provides for prudent investments in infrastructure while working toward a sound financial position.

The water cost of service study and proposed water rates assumes normal growth and replacement of infrastructure. Unfunded DMC projects or other large unanticipated expenses may impact rates in the future.

The impact of the proposed 3.5% general rate increase on the average residential customer using 6.4 CCF monthly is \$0.47 per month. The commodity charge for 1 CCF ranges from \$0.892 to \$1.102, so conservation of 1 CCF (748 gallons) per month would offset the proposed rate change in most cases.

A notice of the proposed revenue adjustment was provided to the public via the paper of record.

Management recommends that the Board proceed with a recommendation to the City Council for a one year rate adjustment for 2020 of 3.5%.

FOR BOARD ACTION

Agenda Item # (ID # 11260)

Meeting Date: 11/12/2019

UTILITY BOARD ACTION REQUESTED:

Request approval and recommend the City Council approve a one year overall general water rate increase of 3.5% according to the attached rate tariffs and fee schedule, effective on or about January 1, 2020.

**ROCHESTER PUBLIC UTILITIES
(RPU)**
**RATE SCHEDULE WTR-C
SHEET 1 OF 2**
WATER SERVICE
AVAILABILITY:

At all locations within the Rochester City limits and at locations external to the City limits, that have been authorized by the Rochester Common Council.

MONTHLY RATE:

<u>Customer Charge:</u>	<u>Size of Meter</u>	<u>2019</u>	<u>2020</u>
	5/8"	\$ 7.95	\$8.23
	3/4"	\$ 11.30	\$11.70
	1"	\$ 18.17	\$18.81
	1-1/2"	\$ 35.05	\$36.28
	2"	\$ 55.34	\$57.28
	3"	\$ 102.96	\$106.56
	4"	\$ 170.82	\$176.80
	6"	\$ 340.47	\$352.80
	8"	\$ 608.89	\$630.20

<u>Commodity Charge Rate/CCF:</u>	<u>2019</u>	<u>2020</u>
Residential 0 - 7 CCF	86.2¢	89.2¢
7.01 - 12 CCF	93.8¢	97.1¢
12.01 and over CCF	106.5¢	110.2¢

Commercial	86.2¢	89.2¢
Industrial	86.2¢	89.2¢
Interdepartmental	86.2¢	89.2¢
Irrigation Meter (All Classes)	106.5¢	110.2¢

NOTE: Customers whose service is taken outside the Rochester city limits with individual water systems not connected to the City water system shall have a rate of 2.0 times the customer and commodity charges.

MINIMUM BILL:

Applicable monthly customer charge according to size of meter provided.

PAYMENT:

Payments are due on or before the due date.

CONDITIONS OF DELIVERY:

1. Service furnished under this rate schedule is subject to connection policies of the Rochester City Council.
2. Service furnished under this rate schedule is subject to provisions of RPU's Water Service Rules and Regulations.

**ROCHESTER PUBLIC UTILITIES
(RPU)**

**RATE SCHEDULE WTR-C
SHEET 2 OF 2**

3. RPU shall not be liable for damage or loss sustained by customer in conjunction with taking service under this rate.
4. Water furnished under this rate shall not be resold.
5. This tariff assumes use of metering technology capable of being read using automated equipment. Customers choosing the option to have a meter that is not capable of being read using automated equipment, thus requiring a manual reading, are subject to a monthly surcharge. Additional one-time meter change-out fees also apply. (See the RPU Miscellaneous Fee Schedule for the amount of the monthly surcharge and the one-time meter change-out fees).

Attachment: 2020 Water Rate Tariff Red Line (11260 : 2020 Water Utility Rate Adjustment)

**ROCHESTER PUBLIC UTILITIES
(RPU)**

**RATE SCHEDULE FHFC
SHEET 1 OF 1**

FIRE HYDRANT FACILITIES CHARGE

APPLICABILITY:

To all residential and commercial and industrial water utility customers.

MONTHLY RATE:

<u>Customer Class</u>	<u>2019</u>	<u>2020</u>
Residential	\$.95	\$.98
Commercial/Industrial	\$ 3.90	\$ 4.04

BILLINGS:

Billings will be on a monthly basis.

PAYMENT:

Payments are due on or before the due date.

CONDITIONS OF DELIVERY:

1. RPU shall not be liable for any damage or loss sustained by customer resulting from interruptions, deficiencies, or imperfections of service provided under this rate.
2. The rate will not be applied to water service meters that are used exclusively for irrigation purposes.
3. The rate will not be applied to water service meters that are not connected to the City's central water system.
4. The rate will be applied regardless of the property's water service status (active or non-active).

Attachment: 2020 Water Rate Tariff Red Line (11260 : 2020 Water Utility Rate Adjustment)

Approved by Rochester Public Utility Board:
Effective Date:

November 12, 2019
January 1, 2020



RESOLUTION

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve an overall general rate increase for 2020 of 3.5% according to the attached tariff effective on or about January 1, 2020.

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 3.5% water utility rate increase according to the attached tariff effective on or about January 1, 2020

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 12th day of November, 2019.

President

Secretary