



# General Manager's Report February 2025

**VISION** | We will set the standard for service.

**MISSION** | We provide the highest quality services and products for our customers. With our experience and resources, we enrich people's lives, help businesses prosper, and promote the community's welfare.



WORKING TOWARD  
**100%**  
NET RENEWABLE ELECTRICITY BY 2030

APPROXIMATELY  
**60k**  
ELECTRIC CUSTOMERS

GALLONS OF WATER PUMPED  
**4.953  
BILLION**

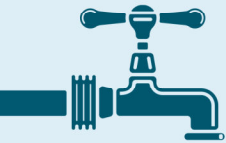
**131  
YEARS**

2023 ASA  
**99.994%**  
RELIABILITY



**223  
EMPLOYEES**

ROCHESTER  
**PUBLIC UTILITIES**  
WE PLEDGE, WE DELIVER™



**42K**  
WATER  
CUSTOMERS

**1**  **COUNCIL APPOINTED  
COUNCILMEMBER  
BOARD MEMBER**



**4** **MAYOR  
APPOINTED  
BOARD MEMBERS**



**#1**  
BEST TASTING WATER



RELIABILITY



RATES



RESPONSIBILITY

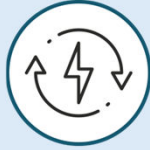


RELATIONSHIPS



REPUTATION

# THE FIVE R'S



## **RELIABILITY**

Leaders in Service and System Reliability



## **RATES**

Provide Value and Long-Term Financial Stability



## **RESPONSIBILITY**

Stewards of the Resources We Impact



## **RELATIONSHIPS**

Empowered and Customer-Focused Employees



## **REPUTATION**

Engaged with Our Community







**PROTECT EACH OTHER.**



**CARE FOR THE ENVIRONMENT.**



**TAKE OWNERSHIP.**

**RESPECT EVERYONE.**



**LEAVE A POSITIVE IMPRESSION.**



**CONTINUE IMPROVING.**

# Meeting Reports & Current Activity

- **Monthly Highlights**
- **SMMPA Board Meeting Report**
- **Legislative & Regulatory Update**
- **Director of Information Technology Introduction**
- **External Funding Opportunities Update**
- **Strategic Plan Annual Dashboard (Separate File)**
- **Major Projects Status Updates (Separate File)**





## Monthly Updates | February 2025

- **Heritage Site Construction Permit Received** – RPU achieved a major milestone with the approval by the State Archeologist to continue with supervised excavation to complete the Marion Road Duct Bank project in 2025. Construction will start in the spring.
- **Right of First Refusal (ROFR) Noticed Filed** – Northern States Power (NSP or Xcel), Dairyland Power Cooperative (DPC), Southern Minnesota Municipal Power Agency (SMMPA) and Rochester Public Utilities (RPU) filed notices of intent to exercise ROFR rights on a Tranche 2.1 project segment which is titled the Pleasant Valley – North Rochester – Hampton Corners 345kV line.
- **MN Grid Resiliency Grant Award** – We received notice that RPU was awarded \$100k (40% of original ask) for our State grant proposal to add thermal imaging cameras to our substations to increase security.
- **Emergency Declaration Received from Governor Walz** – RPU has been approved for State Disaster Public Assistance by Governor Tim Walz regarding the storms that occurred June 16 – July 4, 2024. The assigned State Disaster was declared January 27, 2025. This will release \$108,750 of reimbursement disaster funds for costs incurred after the storm recovery in 2024.
- **Lead Service Line Replacement Program** – On Feb 3, City Council approved the 2025 supplemental budget that included the funding for the Lead Service Line Replacement program. We also received great news that MN Public Facilities Authority (PFA) provided us clarity on reimbursements, ***and we believe the program can be delivered with little to no fee.***



## **SMPA** | Board Meeting Report



# SMMPA Board Report | Capacity Deals, Debt Retirement, and Rates

- **Spring '26 Capacity Shortage**

- There is a bilateral deal forming for RPU to sell 50MW of excess Spring 2026 capacity to fill a gap in SMMPA's capacity needs.

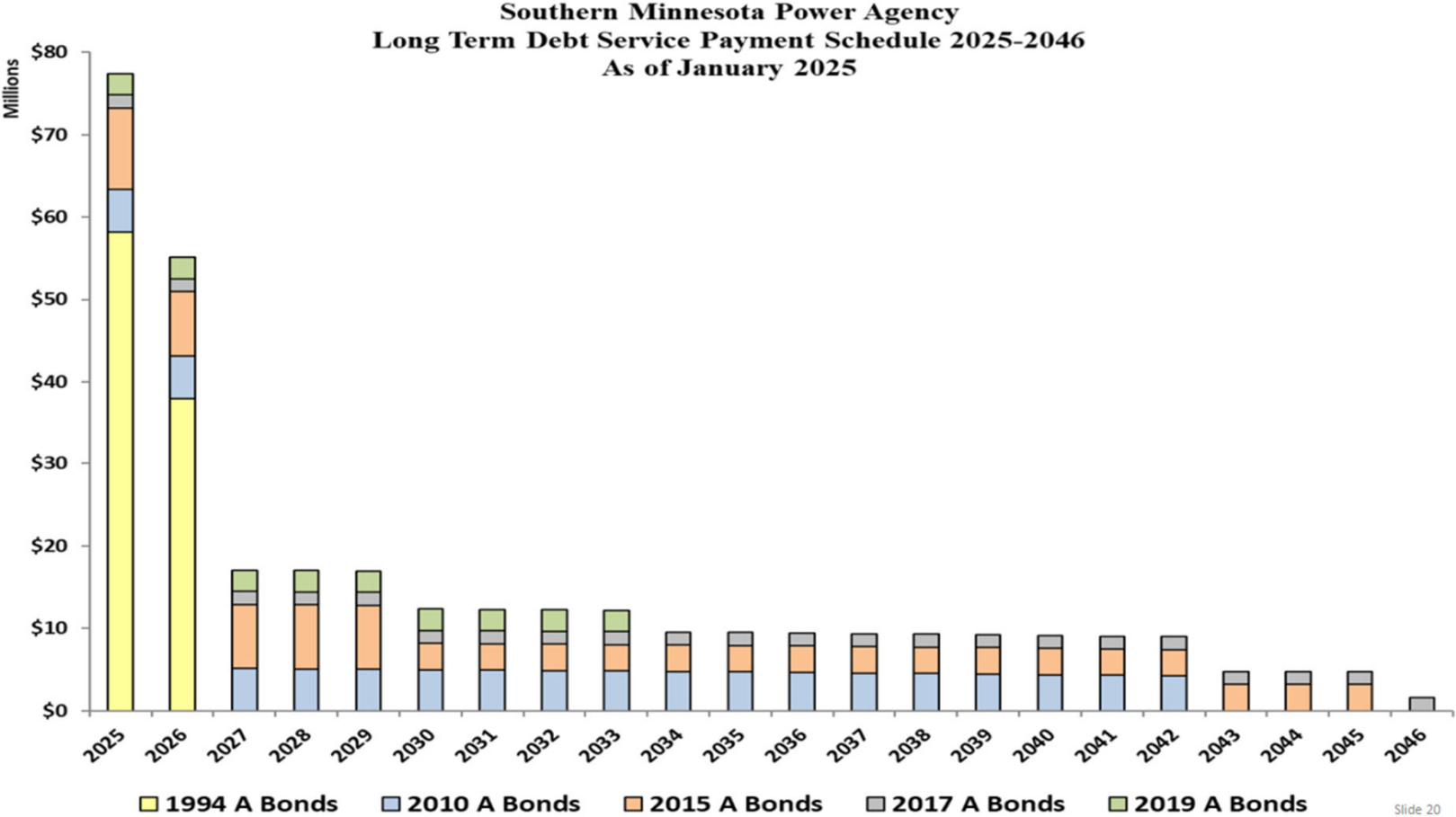
- **Debt Service Retirement and 2026 and Beyond Wholesale Rate Strategy**

- Sherco 3 debt service retires in 2026. There is a need to reduce revenues to the agency in line with the reduced debt service cost. This creates a challenge to smooth rates equitably amongst the agency members. Options proposed:
  - **Power Bill Pre-payment Program** – restore 1988 pre-payment program to allow members to have prepayment funds on deposit and invested at the agency to do individual rate smoothing.
  - **'Roller Coaster' Rates** – adjust rates annually within the General Operating Reserve (GOR) bandwidth and cost of service.
  - **'No Rate Changes'** – maintain 2025 rates for several years and intentionally build a rate smoothing cash reserve fund. Refund RPU's portion of the rate smoothing fund annually.





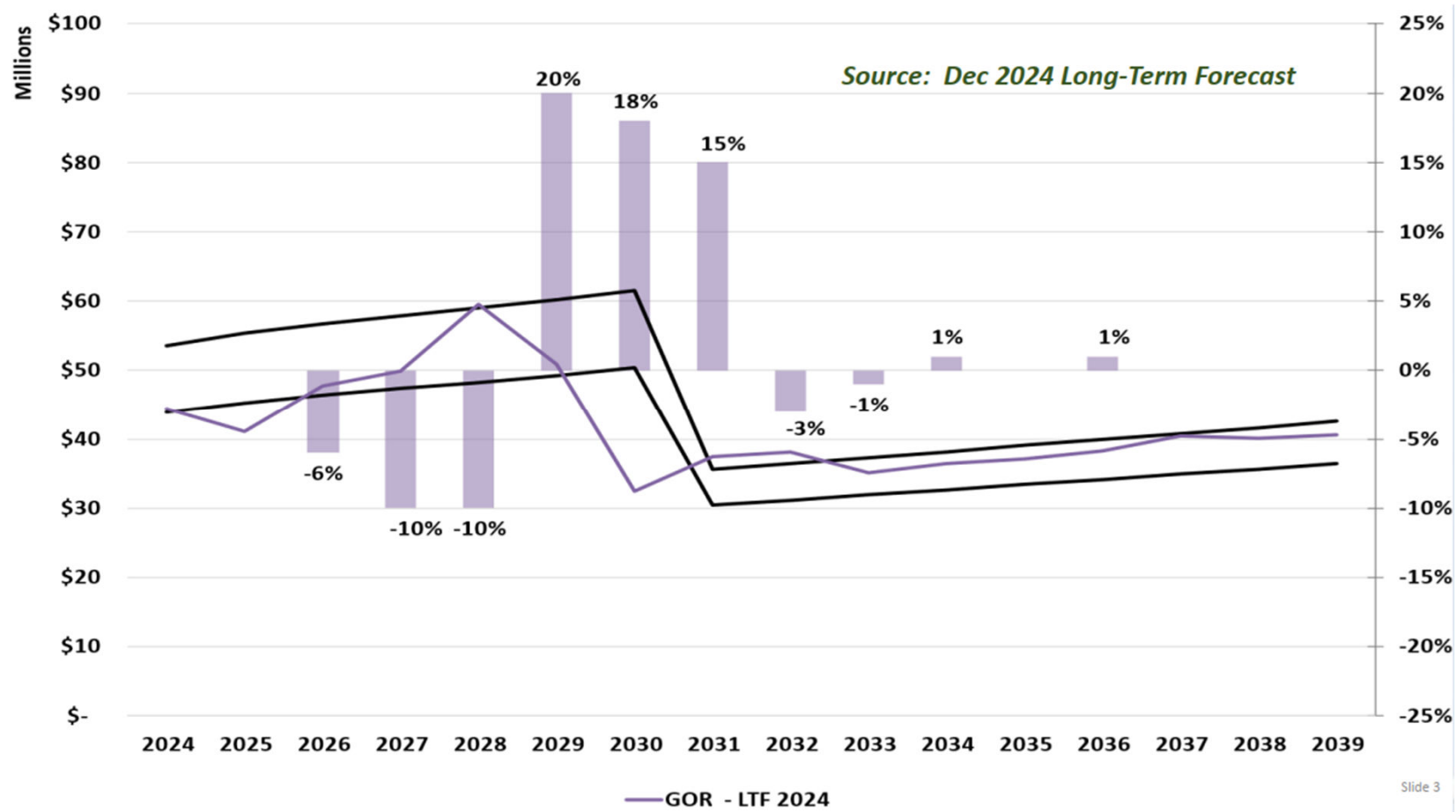
# SMMPA Board Report | Debt Retirement



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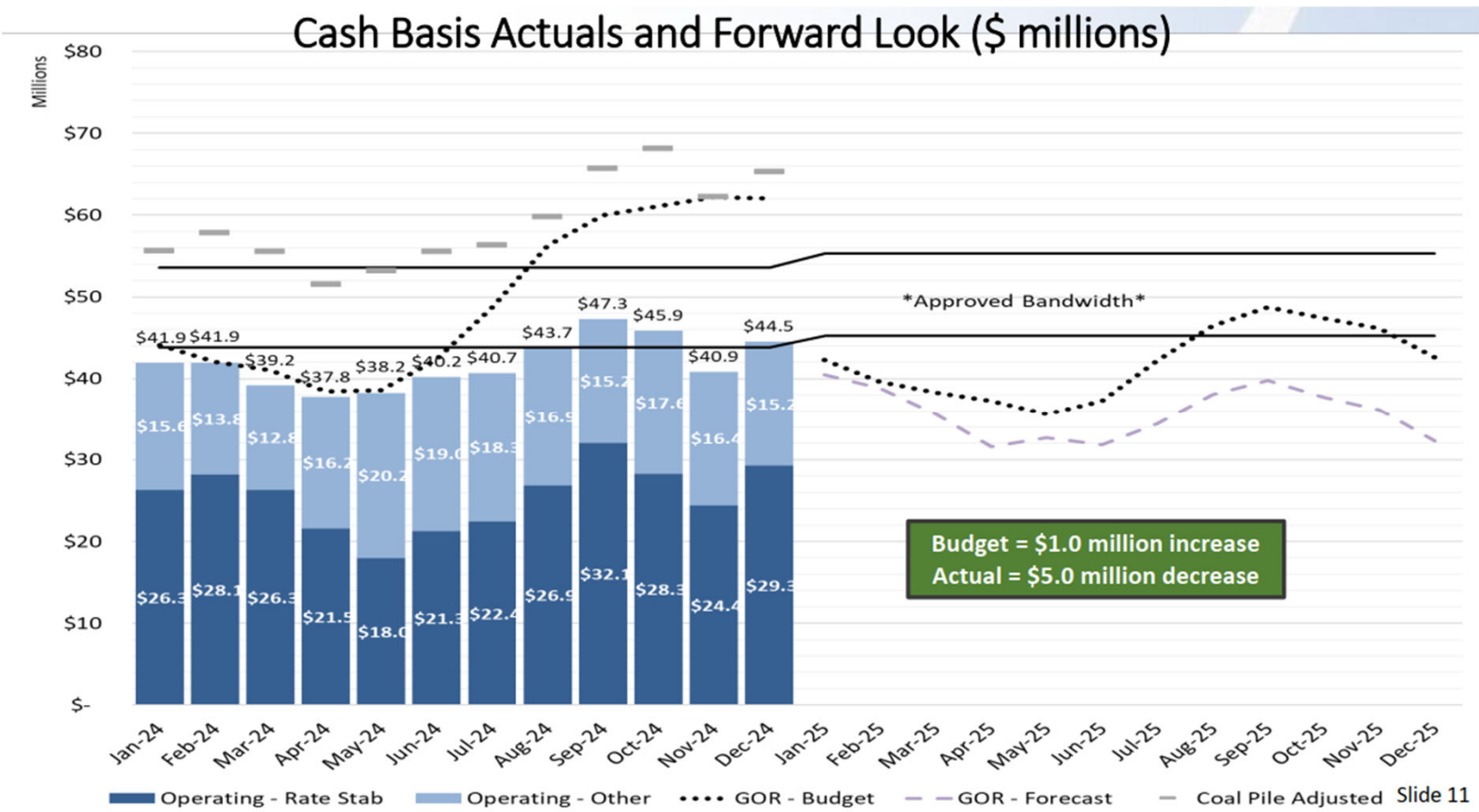
# SMMPA Board Report | Long Term Rate Forecast



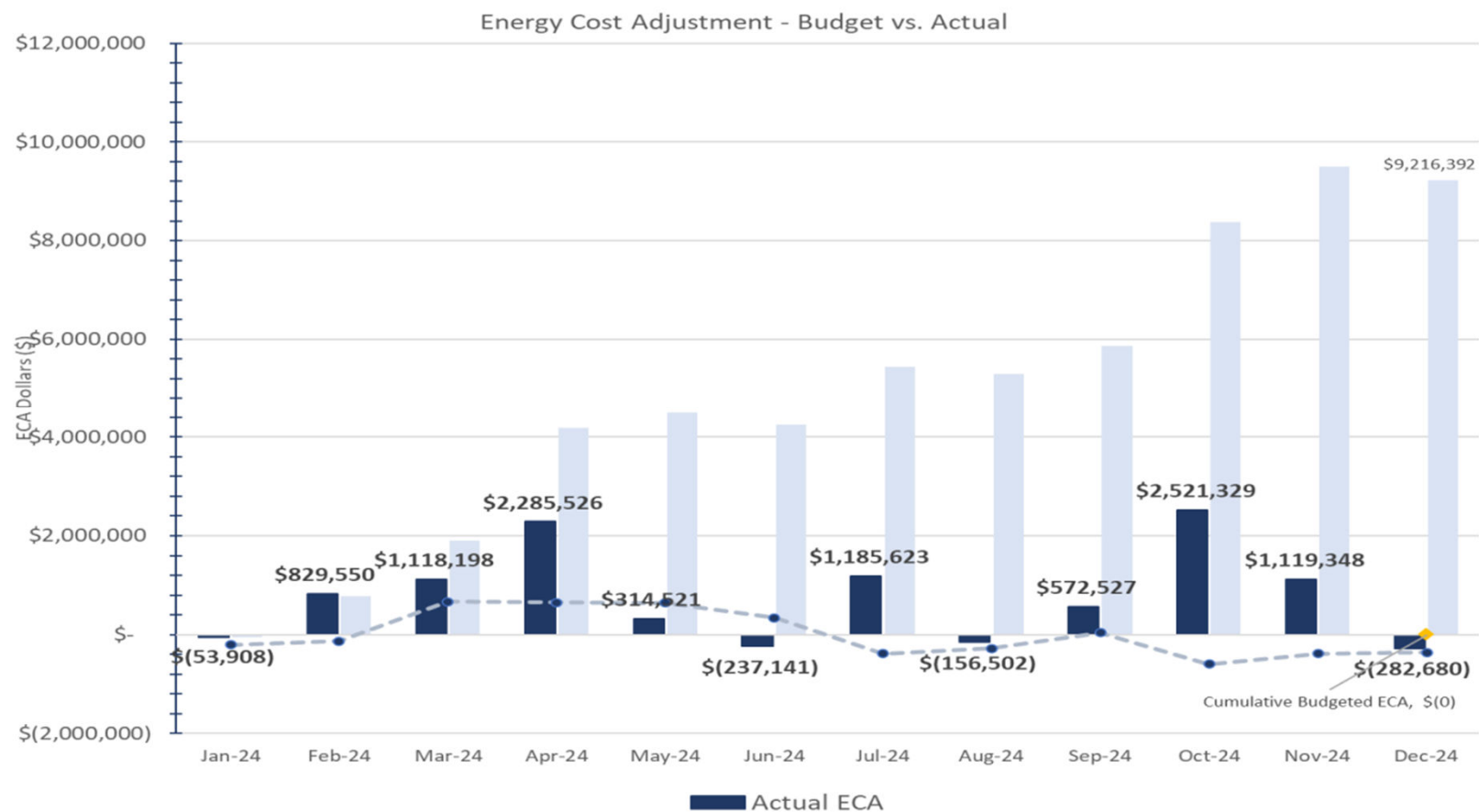
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# SMMPA Board Report | General Operating Reserves



# SMMPA Board Report | ECA through December 2024



## ECA – Energy Cost Adjustment

Rochester Public Utilities | 4000 East River Road NE, Rochester, MN, 55906

[www.rpu.org](http://www.rpu.org)

## SMMPA Board Report | ECA through December 2024

### ECA Components

Better/(Worse)		(\$thousands)	
Net MISO Market Expenses	- 39.2%	- \$ 419	
Sherco 3 Fuel	+ 16.3%	+ \$ 847	
Agency Generation Fuel	+ 80.3%	+ \$ 195	
Member Generation Fuel	+ 46.8%	+ \$ 47	
Non-MISO Purchased Power	- 17.5%	- \$ 450	
<b>TOTAL</b>	<b>+ 3.1%</b>	<b>+ \$ 220</b>	

Better than  
Plan

Worse than  
Plan

	Actual	Budget	Difference	%	
Sales to Members (kWh)	226,869,818	236,308,465	(9,438,647)	4.0%	



**MISO** – Midcontinent Independent System Operator

Rochester Public Utilities | 4000 East River Road NE, Rochester, MN, 55906

[www.rpu.org](http://www.rpu.org)



## Legislative & Regulatory | Federal Update

- **Federal Administration Action Impacts So Far**

- Federal Rebate references removed from Conserve & Save™ Platform
- Potential impact to Low Income Home Energy Assistance Program (LIHEAP)
- Speculation the “Unleashing American Energy” will put funding in the IRA at risk that was dedicated to Renewable Energy, Batteries, and Electric Vehicle programs.
  - \$90M is anticipated at risk in direct pay tax credits if the Investment Tax Credits are rescinded or restructured
  - Power Purchase Agreements (PPAs) for wind projects may be impacted as the primary beneficiaries are tax equity investors that receive the Production Tax Credit (PTC) value.

- **Areas Assumed to be Not Impacted**

- IIJA funds already received by MN related to the Drinking Water Revolving Fund (DWRF) for the Lead Service Line Replacement (LSLR) Program.

- **Areas of other Potential Concern**

- **Tariffs and Supply Chain Impacts** – 10% tariffs on goods from China and 25% tariffs on steel and aluminum
- APPA will be playing defense in DC to **preserve Tax-Free Municipal Bonds** and the **Direct Pay Tax Credits in the IRA**



## Legislative & Regulatory | Federal Update

- **Legislative Actions to Monitor**

- **[Monitor]** [H.J. Res 18](#) **Congressional Disapproval to EPA Revisions to Lead and Copper Rule** [*Palmer*]
  - Introduced 1/13/2025. A Republican member of Congress has filed a proposed joint resolution to eliminate rules put forward by the Biden Administration aimed at replacing the Nation's lead pipes by 2027. Many Legislators view the cost of replacing the Nation's Lead Pipes as too expensive, while advocates for the requirement note the impacts lead has on the health of children and adults. If the rules are revoked, they will be rolled back using the Congressional Review Act which allows the body to review new federal regulations and roll them back during a 60-legislative calendar day period after a rule has been submitted to Congress.



# Legislative & Regulatory | State of Minnesota Update

## • Regulatory Actions to Monitor

- **[Oppose]** [Docket 23-151](#) **Changes to the Renewable Energy Standard and the Newly Created Carbon-Free Standard** [*Department of Commerce Opinion*]
  - The department of commerce submitted an opinion on the Carbon Free Standard (CFS) adopted by the Legislature in 2023 that recommends an hourly matching compliance mechanism for Environmental Attribute Certificates.

## • Legislative Actions to Monitor

- **[Oppose]** [SF 434](#) **Right of First Refusal (ROFR) Repeal** [*Matthews, Lucero*]
  - No hearing scheduled. Relating to energy; Eliminating certain incumbent electric transmission owner rights; repealing Minnesota Statutes 2024, section 216B.246.
- **[Monitor]** [HF 9](#) **Hydro, Nuclear, Fossil Demolition, Energy Sales Tax Expansion** [*Swedinski, Niska*]
  - Hearing 2/11/2025. Hydroelectric capacity that qualifies as an eligible energy technology under the renewable energy standard modified; electric utility requirements relating to energy, solar, or carbon-free standards delayed under certain conditions; and sales tax exemption for residential heating fuels and electricity expanded. **Potential impact to Silver Lake Plant decommissioning.**
- **[Monitor]** [SF 486](#) **Supplemental Energy Assistance Appropriation** [*Dibble, Hoffman*]
  - No hearing scheduled. Relating to energy; appropriating money for supplemental energy assistance; requiring an annual report; proposing coding for new law in Minnesota Statutes, chapter 216C.



## Legislative & Regulatory | State of Minnesota Update



## Legislative & Regulatory | Midwest Reliability Organization (MRO)

- **Midwest Reliability Organization (MRO) published their updated Regional Risk Assessment (RRA) for 2025 in January.**
  - **Top Risk – Uncertain Energy Availability – [Extreme] – Actions to Address Risk**
    - The **retirement of traditional, dispatchable power plants must be carefully managed to ensure a reliable and sufficient supply of electricity.** In other words, there needs to be sufficient replacement energy available before these plants are phased out.
    - **Flexible, on-demand resources, currently provided by natural gas-fired generation, are crucial for addressing the intermittent nature of variable,** weather dependent generation like wind and solar. On-demand resources are capable of filling multi-day supply gaps when variable output is low and will be needed to meet anticipated increases in demand.
    - **Resource adequacy assessments should consider new metrics that go beyond the frequency-based criterion of the “Loss of Load Expectation” (LOLE),** which determines resources needed to allow one-day of customer load loss in a ten-year period. Include supplemental criteria considering the size, timing, and duration of energy shortfalls.
    - **Improve load forecasting to comprehensively determine future load growth based on the likelihood and timing of deploying new end-uses of electricity,** such as electric vehicles, electric space heating, and large, single-point loads like data centers and industrial facilities.





## Legislative & Regulatory | Carbon-Free Standard Hourly Matching

RE: Comments of the Minnesota Department of Commerce  
Docket No. E-999/CI-23-151

B.1.2.1.2. The Department recommends that the Commission rescind its order points 1 and 3 from its December 18, 2007 Order in Docket Nos. E-999/CI-04-1616 and E999/CI-03-869 and modify order point 6 of the Commission's December 6, 2023 Order in Docket E-999/CI- 23-151 to **remove "All renewable energy credits generated from such facilities will be eligible for use in the year of generation and for four years following the year of generation." These orders will be rescinded/modified effective January 1, 2030.**

B.1.2.2. The Department recommends that the Commission order the following total retail electric sales matching requirements for electric utilities by the end of the year indicated:

2030: Annual matching of 80 percent for public utilities; 60 percent for other electric utilities

2035: Hourly matching of 80 percent for public utilities; 60 percent for other electric utilities

2040: Hourly matching of 90 percent for all electric utilities

2045: Hourly matching of 100 percent for all electric utilities.



# Legislative & Regulatory | Beg-a-Watts™ Introduction

## Beg-a-Watt™

A Beg-a-Watt is self-created measure of the difference between an electric utility's real-time load and typical real-time renewable (or carbon free) energy production.

The proposed compliance standard for hourly carbon-free energy matching hourly retail sales creates the potential for times of extreme mismatch between load and renewable generation.

When renewable production far exceeds load, the excess energy will flood the market, making renewable off-takers beg for an energy buyer. This would drive prices low, even negative. Thus, a negative Beg-a-Watt™

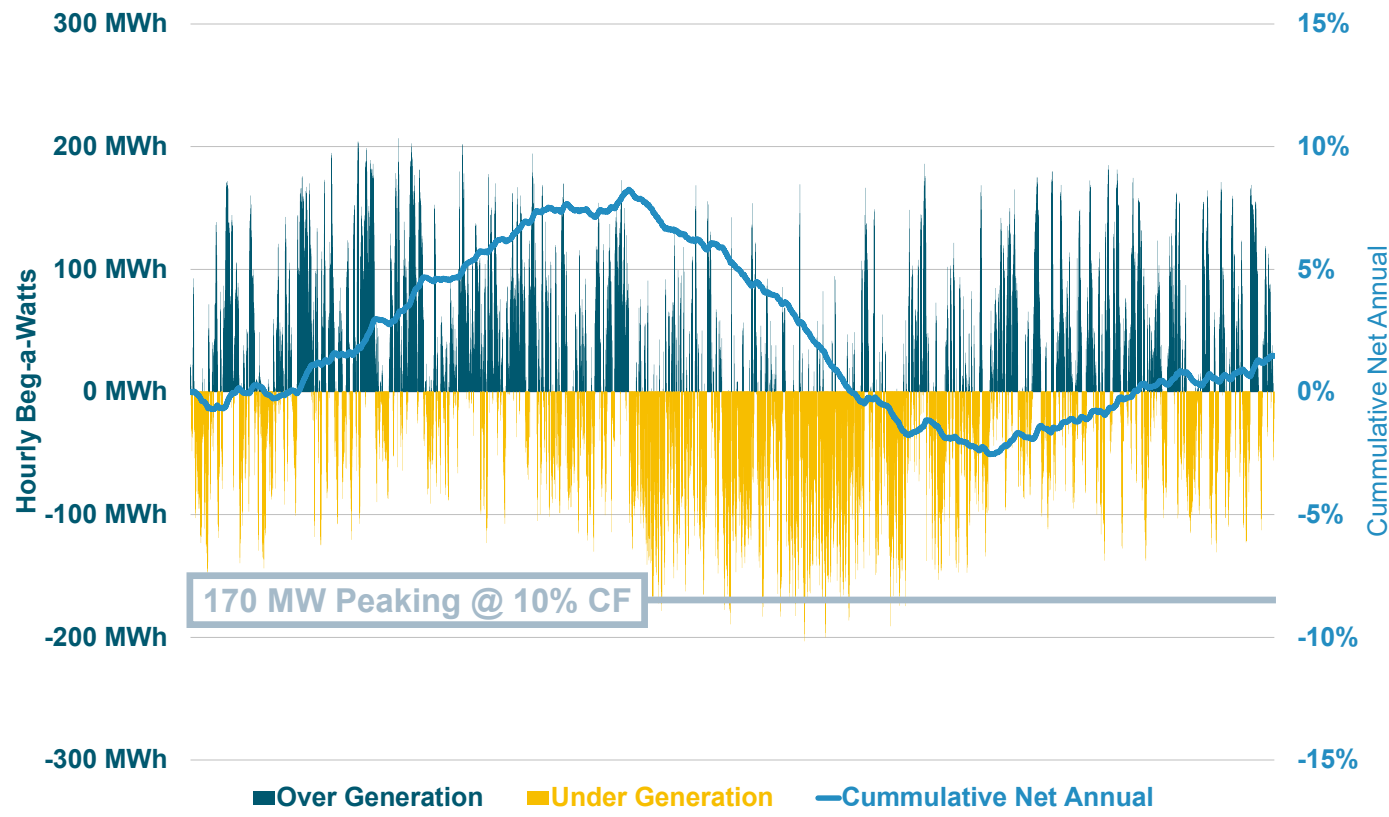
When load far exceeds renewable production, the market will be short renewable energy, making utilities beg for renewable energy. This would drive prices high. Thus, a positive Beg-a-Watt™

For example,

Utility load	Utility renewable generation	Beg-a-watts
100 MW	100 MW	0
100 MW	150 MW	-50 BW (excess)
100 MW	50 MW	50 BW (shortage)



# Legislative & Regulatory | Beg-a-Watts™ Annual Time Series

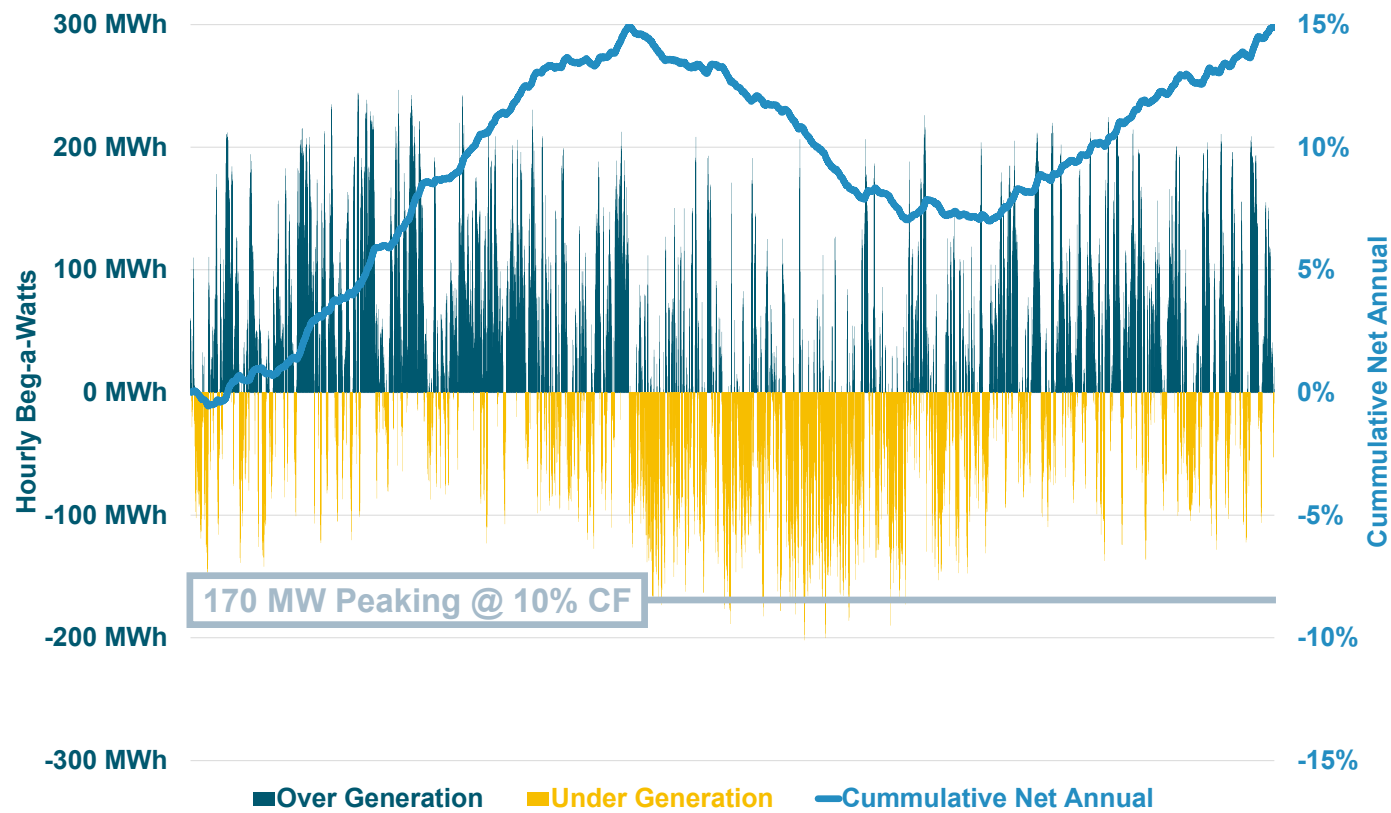


## Net Annual Compliance Base Case

Wind	Solar
290 MW	50 MW
Renewable	
100% Net Annual Basis	76% Hourly Basis



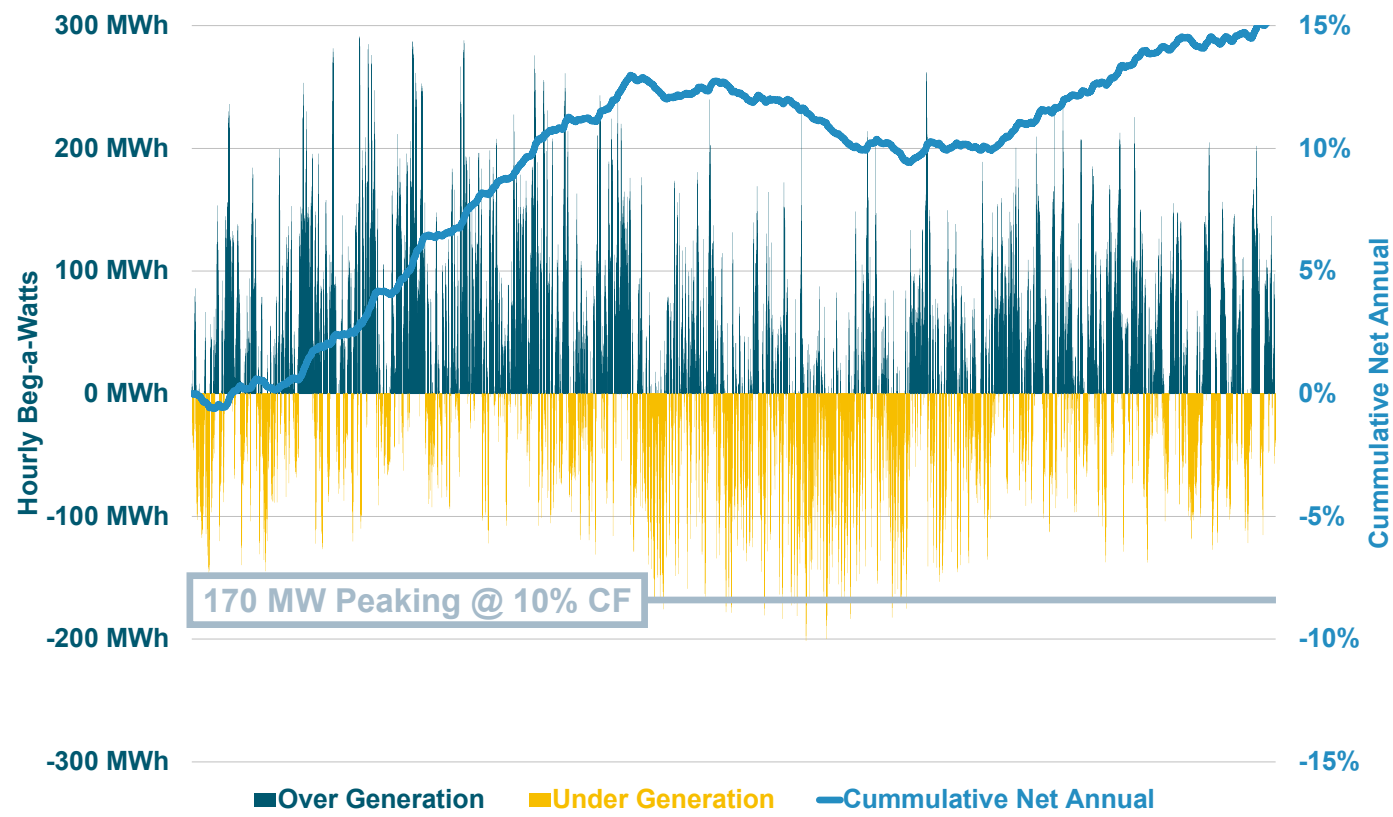
# Legislative & Regulatory | Beg-a-Watts™ Annual Time Series



Resource Plan High Wind	
Wind	Solar
330 MW	50 MW
Renewable	
115% Net Annual Basis	80% Hourly Basis



# Legislative & Regulatory | Beg-a-Watts™ Annual Time Series



## Resource Plan High Solar

Wind	Solar
275 MW	150 MW
Renewable	
115% Net Annual Basis	83% Hourly Basis





# Rochester Public Utilities Executive Team



**Tim McCollough**

General Manager



**Peter Hogan**

Director of Corporate  
Services



**Patty Hanson**

Director of Customer  
Relations



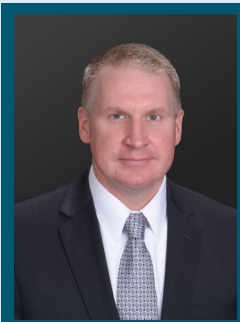
**Scott Nickels**

Director of Power  
Delivery



**Bill Bullock**

Director of Power  
Resources



**Todd Blomstrom**

Director of Water



**James Keltgen**

Director of Information  
Technology

# Rochester Public Utilities Executive Team – Member Profile



**James Keltgen**

Director of Information  
Technology

**Education:** B.S. Technical Management, M.A. IT Leadership

**Previous Experience:**

- Administrative Technologies Manager, Mankato Area Public Schools
- Chief Information Officer, Owatonna Public Utilities
- Director of Information Technology, Shakopee Public Utilities
- Director of Information Technology, Mower County

**Other:** James is a skilled IT leader with expertise in cybersecurity, infrastructure, and digital transformation in the utility sector. He has played a pivotal role in enhancing operational efficiency, reliability, and cyber resilience through IT/OT modernization. With a strong background in Microsoft 365, enterprise security, and IT/OT convergence, he will lead RPU forward with scalable, secure frameworks that align with our strategic goals.

Beyond his professional contributions, James is an outdoor enthusiast who values exploration and quality time with his wife and two sons. Please help welcome James to RPU as he joins the team to bring his expertise and leadership to our organization.



## Financial | External Funding Opportunities Update

TITLE	DESCRIPTION	AMOUNT	STATUS
<b><u>Rural and Municipal Utility Advanced Cybersecurity Grant (RMUC)</u></b>	Grant to extend IT security monitoring at substations.	\$236,000	Awarded – 2023
<b><u>Board of Water and Soil Resources (BWSR) Pollinator Pilot</u></b>	Board of Water and Soil Resources (BWSR) pollinator funding opportunities for utilities.	\$110,000	Awarded – 2024
<b><u>MN Department of Commerce Energy Benchmarking Grant</u></b>	Grant for municipal utilities to implement the building energy benchmarking legislation from the 2023 session.	\$321,631	Awarded – 2024
<b><u>FEMA &amp; MN Emergency Funds</u></b>	Received notice that the estimates again fell below the Federal \$750k threshold	\$108,750	Awarded – 2025
<b><u>MN Electric Grid Resilience Grants Program</u></b>	The MN EGRG Program created by the State Legislature (Minn. Law Chapter 60—H.F.No. 2310. Article 12. Sec. 72.), is designed for eligible electric utilities to increase their electric grid resiliency by preparing for, adapting to, or minimizing the consequences of extreme weather or malicious physical or cyber-attacks. A total of \$5.3M is available; the maximum award to eligible entities is \$250k. There is no match required for the funds. Three project concepts were submitted in November 2024: <ul style="list-style-type: none"> <li>• Lake Zumbro Hydroelectric Dam Backup Communications (\$26k)</li> <li>• Substation Videocamera Infrastructure (\$99k)</li> <li>• Substation Thermal Camera Infrastructure (\$250k)</li> </ul>	\$100,000 (of \$375,000 requested)	Awarded – 2025
<b><u>Lead Service Line Replacement Program via Public Facilities Authority</u></b>	Rochester Public Utilities has submitted a 2025 Lead Service Line Replacement Program projects on the Intended Use Plan (IUP) Drinking Water State Revolving Fund for construction in 2025.	\$1,021,000 (of \$26M that will be requested by 2028)	Awarded - 2025
<b><u>Inflation Reduction Act (IRA) Direct Pay Tax Credits</u></b>	Direct pay tax incentives now available to tax-exempt entities through up front investment tax credits or through production tax credits on renewable and other projects (batteries)	\$90,000,000	Exploring opportunities with the Power Supply Plan



# What's Ahead

Mon, Feb 24 – Thu, Feb 27	APPA Legislative Rally	McNeilus, McCollough	Washington, DC
Tue, Mar 4 – Fri, Mar 7	The Energy Authority (TEA) Symposium	McCollough, Bullock	Atlantic Beach, FL
Wed, Mar 12	SMMPA Board Meeting	McCollough	Litchfield, MN
Thu, Mar 20	RPU Employee Recognition Breakfast	Graner Johnson, McCollough	RPU
<b>Tue, Mar 25</b>	<b>Flourish Session &amp; RPU Board Mtg</b>	<b>Board – All, McCollough</b>	<b>RPU</b>
Sun, Mar 30 – Tue, Apr 1	TAPS Group Spring Conference	McCollough	Washington, DC
Tue, Apr 8	SMMPA Board Meeting	McCollough	Mora, MN
Fri, Apr 25	RPU Arbor Day Celebration	Board – TBD	Rochester, MN
<b>Tue, Apr 29</b>	<b>RPU Board Meeting</b>	<b>Board – All, McCollough</b>	<b>RPU</b>
Wed, May 14	SMMPA Board Meeting	McCollough	New Prague, MN
<b>Tue, May 20</b>	<b>**RPU Board Meeting**</b>	<b>Board – All, McCollough</b>	<b>RPU</b>
Sun, Jun 8 – Wed, Jun 11	APPA National Conference	McNeilus, Hogan	New Orleans, LA
Sun, Jun 8 – Wed, Jun 11	AWWA National Conference	Turri, McCollough, Blomstrom	Denver, CO
Wed, Jun 11 – Thu, Jun 12	MRO Quarterly Board Meeting	McCollough	St. Paul, MN
<b>Tue, Jun 24</b>	<b>RPU Board Meeting</b>	<b>Board – All, McCollough</b>	<b>RPU</b>

