General Manager's Report
March 2025

ROCHESTER
PUBLIC UTILITIES
WE PLEDGE, WE DELIVER™

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
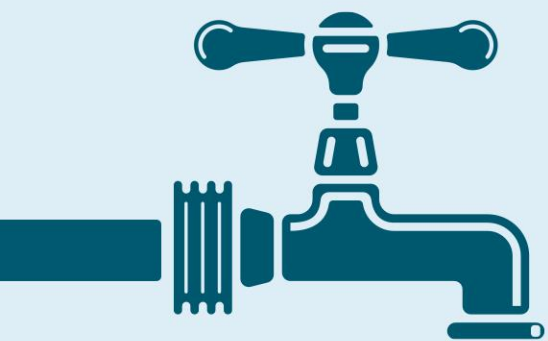
GALLONS OF WATER PUMPED **4.953 BILLION**

131 YEARS

2023 ASAI **99.994% RELIABILITY**

223 EMPLOYEES
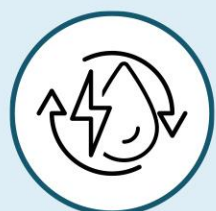
ROCHESTER PUBLIC UTILITIES
WE PLEDGE, WE DELIVER™

42K WATER CUSTOMERS

#1 BEST TASTING WATER

1 COUNCIL APPOINTED COUNCILMEMBER BOARD MEMBER

4 MAYOR APPOINTED BOARD MEMBERS

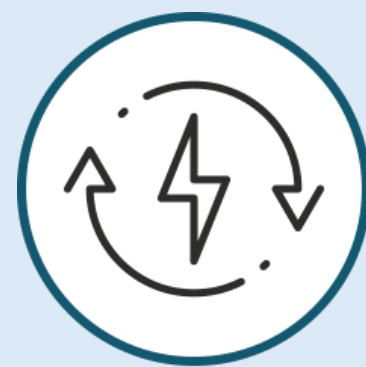RELIABILITY   RATES   RESPONSIBILITY   RELATIONSHIPS   REPUTATION

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

CARE FOR THE ENVIRONMENT.

PROTECT EACH OTHER.

RPU EMPLOYEES CHANGING LIVES IN OLMSTED COUNTY
United Way

RESPECT EVERYONE.

TAKE OWNERSHIP.

LEAVE A POSITIVE IMPRESSION.

CONTINUE IMPROVING.

Meeting Reports & Current Activity

- **Monthly Highlights**

- **SMMPA Board Meeting Report**

- **Legislative & Regulatory Report**

- **The Energy Authority (TEA) Symposium Report**

- **Direct Load Control (DLC) System Retirement Decision**

- **Vacation**

- **Major Projects Status Updates (Separate File)**

Monthly Updates | March 2025

- **Minnesota Governor's Workplace Safety Award -** RPU has received the Minnesota Governor's Workplace Safety Award for 2024. The Silver Achievement Award recognizes the team's dedication to workplace injury prevention, with an incident rate that exceeds the 50th percentile of both the state and national averages for the utility industry.

- **Minnesota's Large Commercial Energy Benchmarking Requirement -** The MyMeter benchmarking software went into production on Friday, February 28, meeting our go-live date of March 1. This was in conjunction with the State launching their promotional campaign to commercial customers. Caleb Scheel led the project, working with Jared Krull in IT, MyMeter, and Cayenta on configuration, system design, testing, and training. The State has asked Caleb to provide a demo of our system and process as part of the State's outreach training in May.

- **Chuck Olufson Celebrates 40 Years with RPU -** IT System Administrator Chuck Olufson marked his 40th anniversary with RPU. Since joining in 1985, Chuck has been instrumental in enhancing RPU's billing system, network, and cybersecurity. Today, he continues to provide vital support for firewalls and applications, ensuring the security of RPU's systems and data. His dedication and expertise have made a lasting impact.

Monthly Updates | March 2025

- **Rochester Regional STEM Fair Judging -** RPU's Supervisor of Engineering Tom Conlin and Water Operations and Environmental Affairs Supervisor Todd Osweiler recently served as judges at the Rochester Regional STEM Fair. Each year, RPU presents its Electric and Water Awards to outstanding middle and high school projects in areas like energy efficiency, electricity, water conservation, and groundwater protection.

- **Blast to the Future Career Exploration Event -** RPU linemen Chase Holtorf and Landon Meier participated in the Blast to the Future career exploration event at the Boys & Girls Club, where they led an engaging Electricity Safety Demonstration. This event provided a fantastic opportunity for kids to learn about electrical safety and explore potential careers in the utility industry.

SMMPA Board Report | Member Managed Wholesale Rate Smoothing

- **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.
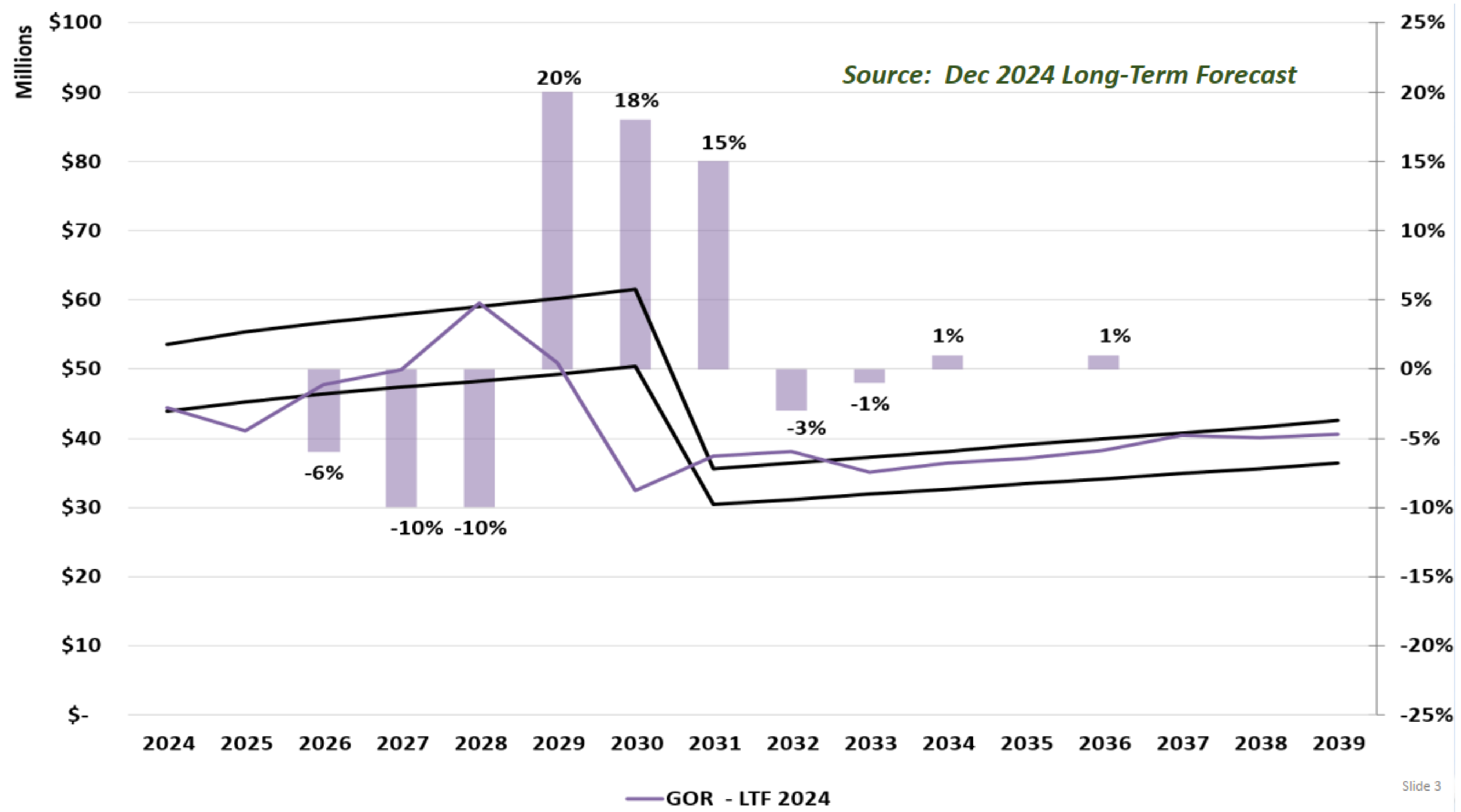
    - **Member Managed Wholesale Rate Smoothing** – adjust rates annually within the General Operating Reserve (GOR) bandwidth and cost of service.

    SMMPA Board Consensus

    - **Agency Managed Wholesale Rate Smoothing** – 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 | Long Term Rate Forecast

Source: Dec 2024 Long-Term Forecast

Legend: GOR - LTF 2024

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]** SF 572 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 HF 771 **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.

  - **[Monitor]** SF 1142 HF 845 **Various Provisions Modifying Net Metering** [Rarick, Hoffman, *Swedinski, Baker*] – Passed out of House committee on a partisan vote. Senate has referred bill to the committee.

  - **[Strong Support]** SF 2049 HF 1760 **RPU Advanced Metering Sales Tax Exemption** [Nelson, *Boldon, Smith, Liebling*] – Waiting on committee hearing. May go straight to omnibus tax bill.

Legislative & Regulatory | APPA Legislative Rally

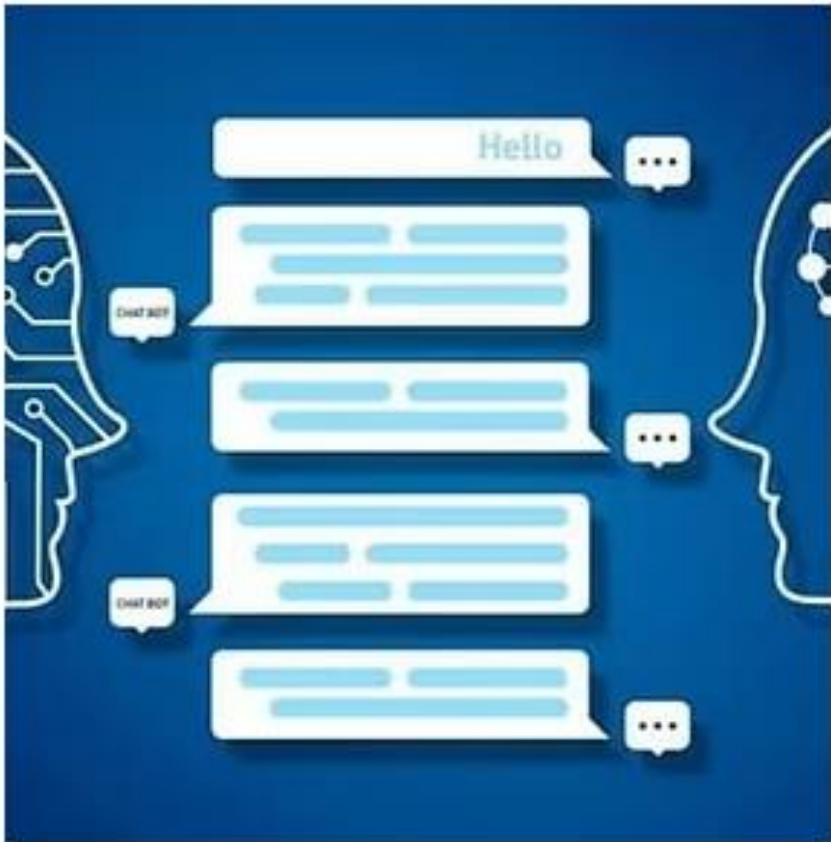# The Energy Authority (TEA) Symposium | Conference Report

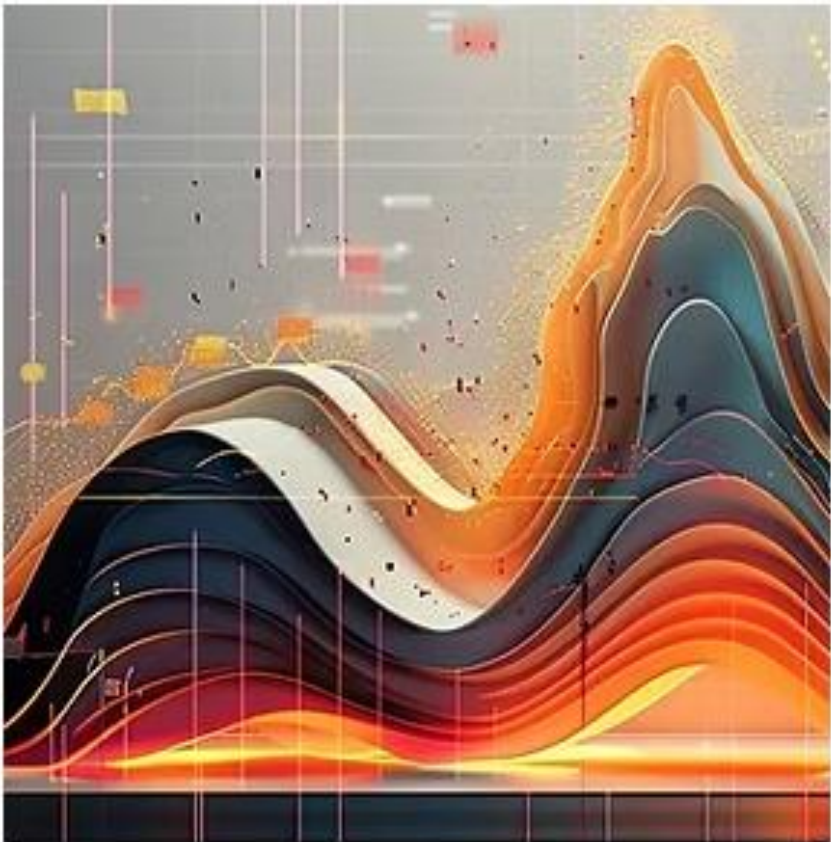The Energy Authority Presents:

6TH ANNUAL HACKATHON 2025

March 3-4, 2025

HACKATHON FOCUS AREAS

GENERATIVE AI

AGENTIC AI

NATURAL LANGUAGE PROCESSING (NLP)

PREDICTIVE AI

Direct Load Control (DLC) | Retirement Decision

- We have just under 8,000 legacy load control switches deployed on air conditioners and water heaters on customer properties.

- In 2023 we launched the Virtual Peaker smart thermostat program and now have approximately 1,500 active customers in our new demand response program.

- In late 2023 we completed a capability test on the legacy system as saw no noticeable response from the legacy devices in our load signal. This system at its peak was capable of about 8 MW of load control by cycling off a/c units during peak conditions.

- Last month we decided to fully retire the system in 2025 as it is no longer functional. This will involve moving customers off the incentive rate before the summer season in 2025 and developing a marketing plan for transitioning customers to our new program. There has been a $3 per month credit for the five summer load months for a total annual benefit of $15 per year.

- Plans for the marketing to these customers and the collection of the legacy devices are being worked into our 2026/2027 budget assumptions.

- Communications will be going out to impacted customers soon to announce the retirement of the program.

Vacation | National Park Tour of the Everglades

Financial | External Funding Opportunities Update

TITLE	DESCRIPTION	AMOUNT	STATUS
Rural and Municipal Utility Advanced Cybersecurity Grant (RMUC)	Grant to extend IT security monitoring at substations.	$236,000	**Awarded – 2023 Materials Received**
Board of Water and Soil Resources (BWSR) Pollinator Pilot	Board of Water and Soil Resources (BWSR) pollinator funding opportunities for utilities.	$110,000	**Awarded – 2024 1st year Work Complete Reimbursements**
MN Department of Commerce Energy Benchmarking Grant	Grant for municipal utilities to implement the building energy benchmarking legislation from the 2023 session.	$321,631	**Awarded – 2024 Reimbursements**
FEMA & MN Emergency Funds	Received notice that the estimates again fell below the Federal $750k threshold	$108,750	**Awarded – 2025 Reimbursements**
MN Electric Grid Resilience Grants Program	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: • Lake Zumbro Hydroelectric Dam Backup Communications ($26k) • Substation Videocamera Infrastructure ($99k) • Substation Thermal Camera Infrastructure ($250k)	$100,000 (of $375,000 requested)	**Awarded – 2025**
Lead Service Line Replacement Program via Public Facilities Authority	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**
Inflation Reduction Act (IRA) Direct Pay Tax Credits	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

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
Tue, Apr 29	**RPU Board Meeting**	**Board – All, McCollough**	**RPU**
Wed, May 14	SMMPA Board Meeting	McCollough	New Prague, MN
Tue, May 20	****RPU Board Meeting****	**Board – All, McCollough**	**RPU**
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
Tue, Jun 24	**RPU Board Meeting**	**Board – All, McCollough**	**RPU**
Wed, Jul 9	SMMPA Board Meeting	McCollough	Preston, MN
Tue, Jul 29	**RPU Board Meeting**	**Board – All, McCollough**	**RPU**
Tue, Aug 5	**RPU Special Board Meeting - Budget**	**Board – All, McCollough**	**RPU**
Wed, Aug 13	SMMPA Board Meeting	McCollough	Princeton, MN
Mon, Aug 18 – Wed, Aug 20	MMUA Summer Conference	Board – TBD, McCollough	Rochester, MN

QUESTIONS