



General Manager's Report

May 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**

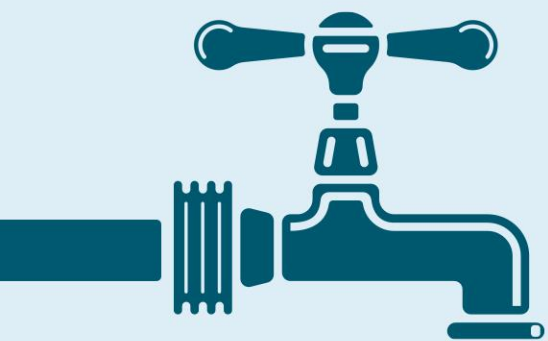
**131
YEARS**

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

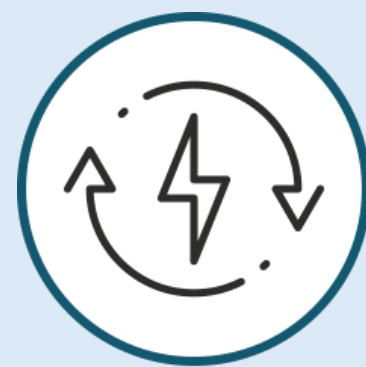


RELATIONSHIPS



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.



TAKE OWNERSHIP.

RESPECT EVERYONE.

LEAVE A POSITIVE IMPRESSION.



CONTINUE IMPROVING.

Meeting Reports & Current Activity

- **Monthly Highlights**
- **SMMPA Board Meeting Report**
- **Capacity Planning Reserve Auction Results – PY25/26**
- **Legislative & Regulatory Update**
- **Environmental Protection Agency (EPA) Audit**
- **Midwest Reliability Organization (MRO) Audit**
- **Enterprise Resource Planning (ERP) Project**
- **Major Projects Status Updates (Separate File)**



Monthly Updates | May 2025

- **Drinking Water Week Open House** – RPU welcomed the community to a Drinking Water Week Open House on May 9 at the Apache Mall water tower and wellhouse. Attendees got to explore inside the base of our Apache Mall spheroid water tower and learn how we deliver safe, reliable drinking water to more than 42,000 Rochester customers. Guests also had the opportunity to tour the wellhouse, ask questions, and hear directly from the experts who keep our water system running smoothly. An estimated 300-400 people attended the event. It was a great opportunity to connect with the community and highlight the essential work of our water team.





Detailed updates will be provided verbally in the meeting.

MISO | Market Redefinition with Reliability Imperative

We have made significant progress of foundational initiatives that provide improved data and market signals to support efficient investment and retirement decisions

MARKET REDEFINITION

Completed

- ✓ Attributes Roadmap published
- ✓ Seasonal Resource Auctions (2024-25 Planning Resource Auction)
- ✓ Accreditation – Direct Loss of Load (2028-29 Planning Resource Auction)
- ✓ Reliability Based Demand Curve (2025-26 Planning Resource Auction)
- ✓ Value of Loss Load FERC Filing
- ✓ Shortage Pricing FERC Filing

In-flight or Planned

- Provide Accreditation Data
- Implement Shortage Pricing Across Time Horizons
- Execute Planning Resource Auction with Reliability-Based Demand Curve
- Illustrate Energy Adequacy Risks Across Time Horizons and Locations
- Develop and Communicate Risk Metrics
- Implement Dynamic Locational Reserve Products Including Flexibility & Ramping



MISO | Reliability Based Demand Curve Implementation in PY25/26

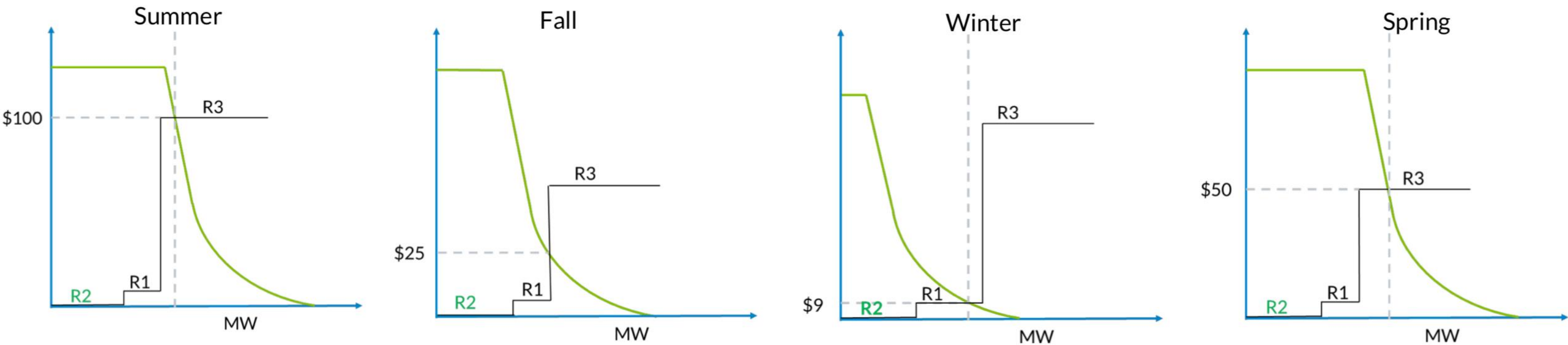
FERC Approves MISO’s Use of Downward Sloping Demand Curve in 2025-2026 Planning Resource Auctions

By [Antonia Douglas](#) & [Elizabeth McCormick](#) on July 19, 2024

POSTED IN [FERC PRACTICE](#), [MARKET POLICY](#)

On June 27, 2024, FERC accepted Midcontinent Independent System Operator’s proposed tariff revisions that sought to implement a downward-sloping Demand Curve (“RBDC”) in the MISO Planning Resource Auction (“Auction”) beginning in the 2025-2026 Planning Year. FERC determined that MISO’s proposal is not only consistent with similar sloped curves in other Regional Transmission Owners/Independent capacity markets but that MISO’s proposal to adopt a downward-sloping Demand Curve will reduce volatility in Auction Clearing Prices, increase the stability of the capacity time, and render capacity investments less risky, thereby encouraging greater investment and lower financing cost.

Seasonal Co-optimization Example w/ Annual Offers



- Marginal resource R3 w/ ACP of \$100/MW.Day
- R2 is an inframarginal resource

- Marginal resource R1 w/ ACP of \$25/MW.Day
- ACP is determined by the intersection point of the supply and RBDC curve

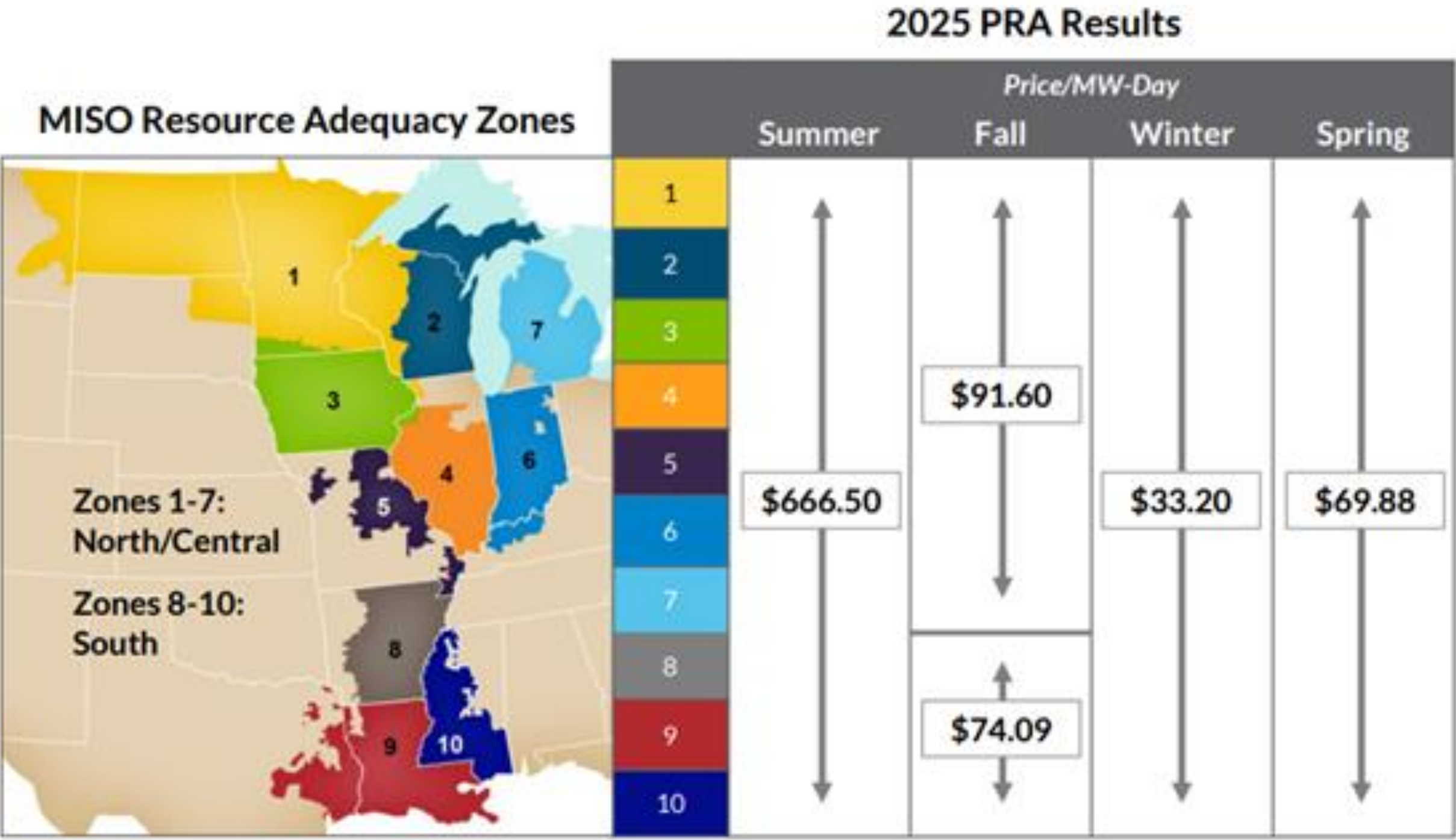
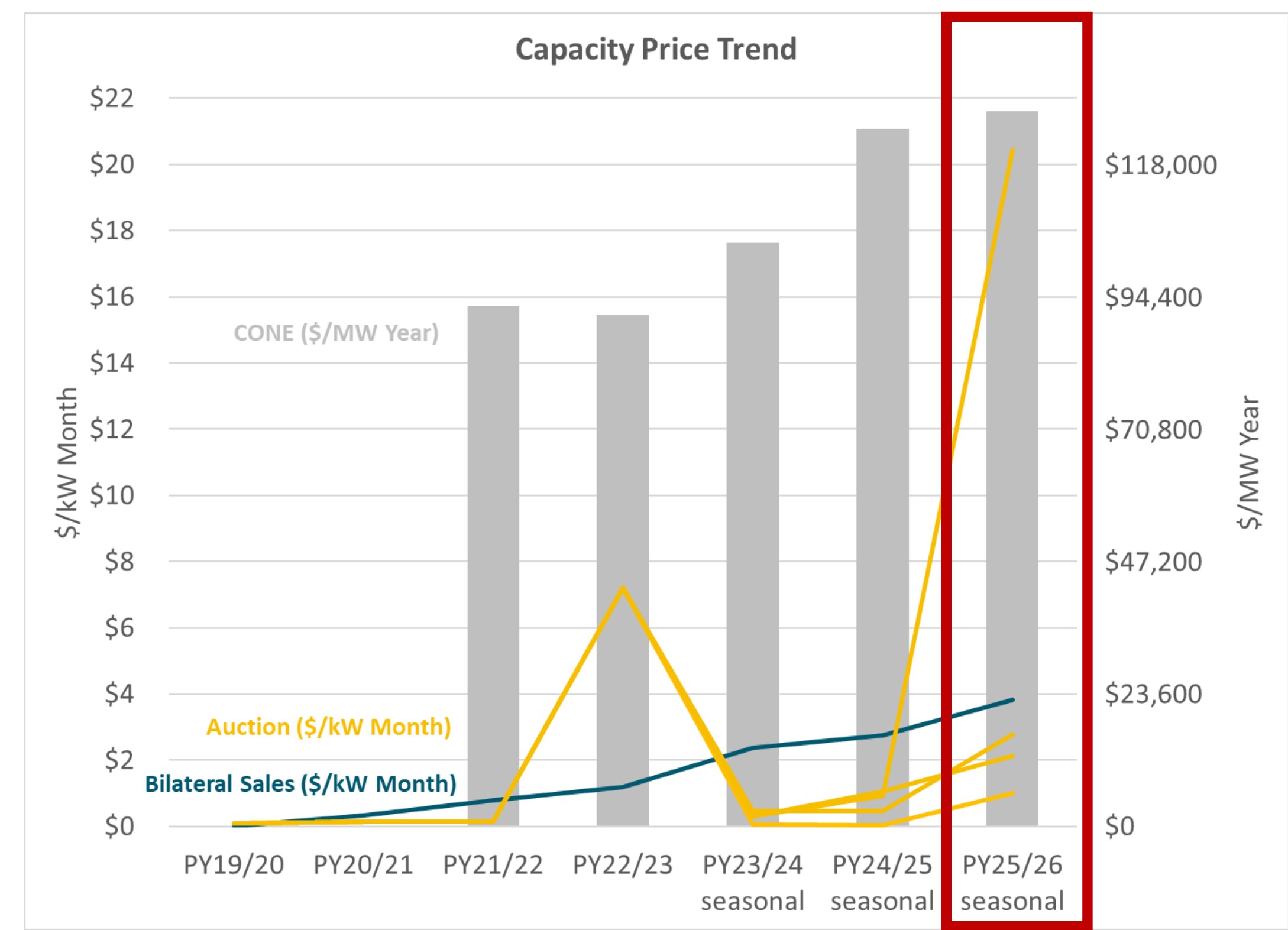
- Marginal resource R1 w/ ACP of \$9/MW.Day
- ACP is less than the average daily offer of R2. Because R2 has an annual offer it is still economical to use R2.

- Marginal resource R3 w/ ACP of \$50/MW.Day
- R2 is an inframarginal resource

An annual offer is a block offer and does not have price sensitive offer like a seasonal offer. Therefore, once R2 is committed for the whole PY it becomes a price taker in the seasonal supply stack.



Capacity | Bilateral Capacity Sales & Planning Reserve Auction Results



Revenue		
10-year contract	\$1,090,000	← Contract with MRES for 26 MW, full year capacity
1-year bilaterals	\$1,818,300	← Mix of full year and seasonal, average of 39.7 MW
PY 25/26 PRA	\$1,674,000	
\$4,582,300		

PRA Zone 1 Clearing Prices		
Summer	\$666.50 per MW day	= \$20.44 per kW month
Fall	\$91.60 per MW day	= \$2.78 per kW month
Winter	\$33.20 per MW day	= \$1.00 per kW month
Spring	\$69.88 per MW day	= \$2.14 per kW Month



Legislative | 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*] – Senate Committee hearing scheduled for Mar 26.



Regulatory | Environmental Protection Agency (EPA) Audit

The EPA oversees the national drinking water program and has inspection authority at all Public Water Systems.

Purpose of EPA Inspections

- Confirm compliance with regulatory requirements of the Safe Drinking Water Act.
- Evaluate public health risks and system deficiencies.
- Verify compliance with prior regulatory inspections by state primacy agency (MDH).

Inspection Program Status

- EPA has been conducting inspections throughout Minnesota over the past three years.
- Audit for both the Public Water Supplier (RPU) and the State Regulatory Agency (MDH).
- Rochester Public Utilities inspection scheduled for Tuesday, May 20 – Friday, May 23.



Regulatory | Midwest Reliability Organization (MRO) Audit

The Midwest Reliability Organization (MRO) will be conducting an audit on RPU's compliance with the North American Electric Reliability Corporation (NERC) Critical Infrastructure Protection (CIP) and Operations Standards (Ops and Planning). RPU is subject to audit every three years and has been subject to MRO audits every 3 years since mandatory enforcement was enacted by the Federal Energy Regulatory Commission (FERC) in 2007.

Audit timeline:

- **June 6:** Response to MRO's request for information (RFI) on RPU's compliance program and internal controls procedure.
- **September 5:** Evidence submittal due for all in-scope standards/requirements.
- **September 8 – September 26:** Initial MRO review.
- **September 29 – October 3:** Onsite MRO/RPU meetings.

MRO has identified the following standards/requirements as in scope for this audit. (RPU's responsible SME(s) are listed for each in-scope item)

- **CIP-005-7 R3:** Cyber Security, Electronic Security Perimeter(s) (CIP Team)
- **CIP-007-6 R3:** Cyber Security, System Security Management (CIP Team)
- **CIP-008-6 R3:** Cyber Security, Incident Reporting, and Response Planning (CIP Team)
- **CIP-010-4 R1:** Cyber Security, Configuration Change Management, and Vulnerability Assessments (CIP Team)
- **CIP-013-2 R1, R2:** Cyber Security, Supply Chain Risk Management (CIP Team)
- **EOP-005 R9, R10:** System Restoration From Blackstart Resources (Chief System Operator)
- **EOP-011-4 R1:** Emergency Operations (Chief System Operator)
- **TOP-010-1 R1, R3:** Real-time Reliability Monitoring and Analysis Capabilities (Chief System Operator)



Major Project Exploration | Enterprise Resource Planning (ERP)

The current ERP, SAP which is the software used for financial reporting, inventory, job costing, payroll, work orders, accounts payable and fixed assets is hosted on premises. Support for our current system ends in 2030, which will require RPU to move to a supported ERP solution. We have identified requirements, issued a request for proposals and are currently evaluating the responses. RPU anticipates an 18-to-24-month implementation of the selected solution starting in 2026.

- RPU has run our business on SAP for the last two decades.
- We are nearing end-of-life for our current installation due to the end of software support in 2030.
- RPU is exploring the options to either replace or migrating our SAP environment to a current software version.
- The City is also exploring alternatives JD Edwards, their ERP installation, that runs the City financials and human capital functions which are shared across the whole organization (payroll, HR, benefits, etc...)
- We have funded gathering requirements and conduction evaluation in 2024 / 2025 in conjunction with the City. The City has similar ERP solution needs.
- The ERP project is contemplated in our 5-year CIP.



Financial | External Funding Opportunities Update

TITLE	DESCRIPTION	AMOUNT	STATUS
<u>Rural and Municipal Utility Advanced Cybersecurity Grant (RMUC)</u>	Grant to extend IT security monitoring at substations.	\$236,000	Awarded – 2023 Materials Received
<u>Board of Water and Soil Resources (BWSR) Pollinator Pilot</u>	Board of Water and Soil Resources (BWSR) pollinator funding opportunities for utilities.	\$110,000	Awarded – 2024 1 st year Work Complete Reimbursements
<u>MN Department of Commerce Energy Benchmarking Grant</u>	Grant for municipal utilities to implement the building energy benchmarking legislation from the 2023 session.	\$321,631	Awarded – 2024 Reimbursements
<u>FEMA & MN Emergency Funds</u>	Received notice that the estimates again fell below the Federal \$750k threshold	\$108,750	Awarded – 2025 Reimbursed
<u>MN Electric Grid Resilience Grants Program</u>	<p>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.</p> <p>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:</p> <ul style="list-style-type: none"> • Lake Zumbro Hydroelectric Dam Backup Communications (\$26k) • Substation Videocamera Infrastructure (\$99k) • Substation Thermal Camera Infrastructure (\$250k) 	\$100,000 (of \$375,000 requested)	Awarded – 2025
<u>Lead Service Line Replacement Program via Public Facilities Authority</u>	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
<u>Inflation Reduction Act (IRA) Direct Pay Tax Credits</u>	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, 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 Q2 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
Wed, Aug 20 – Thu, Aug 21	MRO Q3 Board Meeting	McCollough	St. Paul, MN
Tue, Aug 26	RPU Board Meeting	Board – All, McCollough	RPU
Wed, Sep 10	SMMPA Board Meeting	McCollough	Redwood Falls, MN
Mon, Sep 22	SMMPA Budget & Rates Workshop	McCollough	Owatonna, MN
Sun, Sep 28 – Tue, Sep 30	TAPS Group Fall Conference	McCollough	Stowe, VT
Tue, Sep 30	RPU Board Meeting	Board – All, McCollough	RPU





QUESTIONS