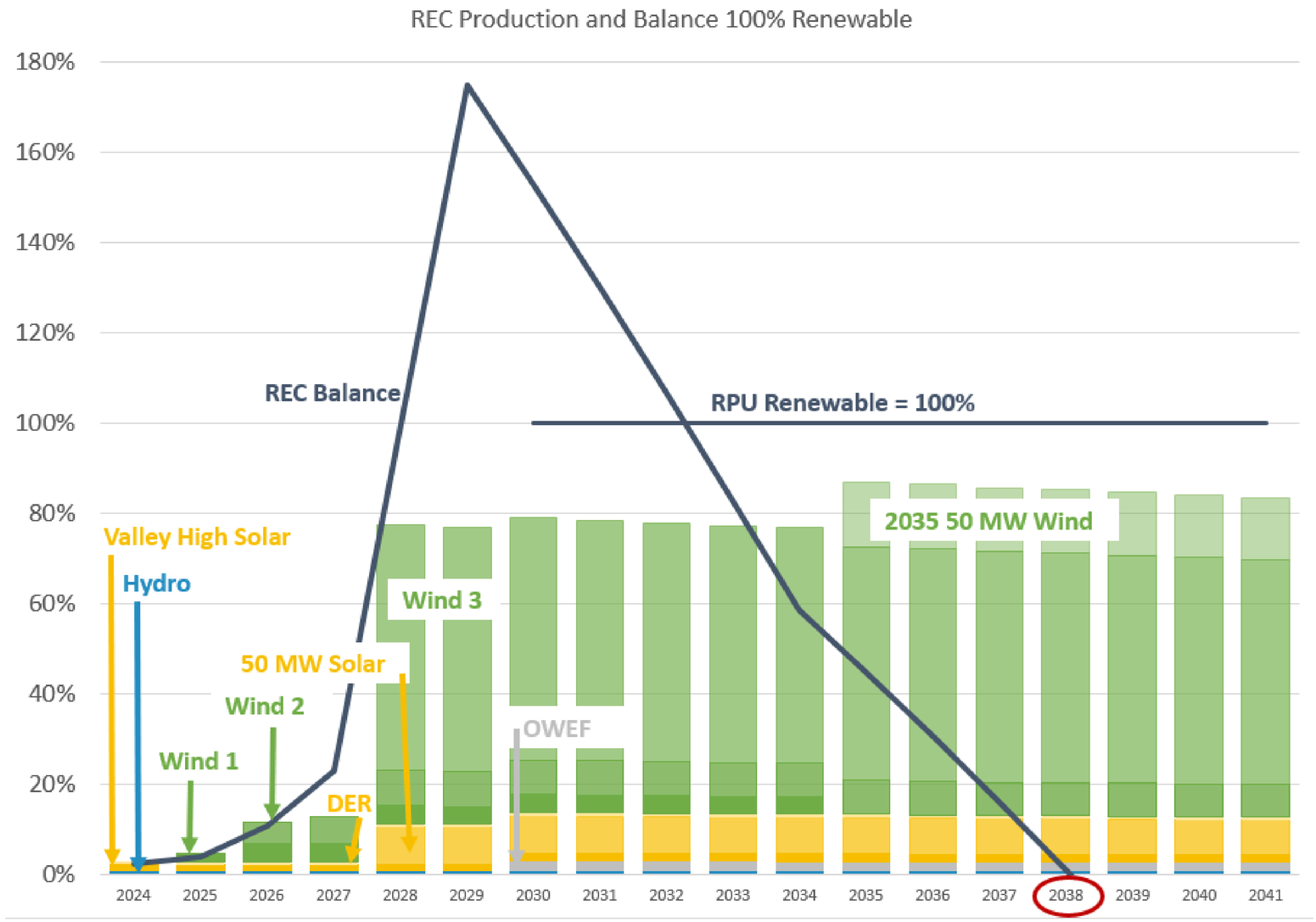
ROCHESTER
PUBLIC UTILITIES
WE PLEDGE, WE DELIVER™

5.D. Authorization for Renewable Energy Power Purchase Agreements

Rochester Public Utilities Board Meeting
August 26, 2025

All Wind & Solar | 100% Net Renewable Energy by 2030 (thru 2038)



Current Goal Portfolio Options

Existing Resources
- Lake Zumbro Hydro
- Valley High Solar
- Olmsted Waste to Energy
- Distributed Energy Resources

Projects/PPA Under Consideration
- Wind 1 (smaller scale)
- Wind 2 (smaller scale)
- Wind 3
- Solar 50 MW
- Future Distributed Energy Resources

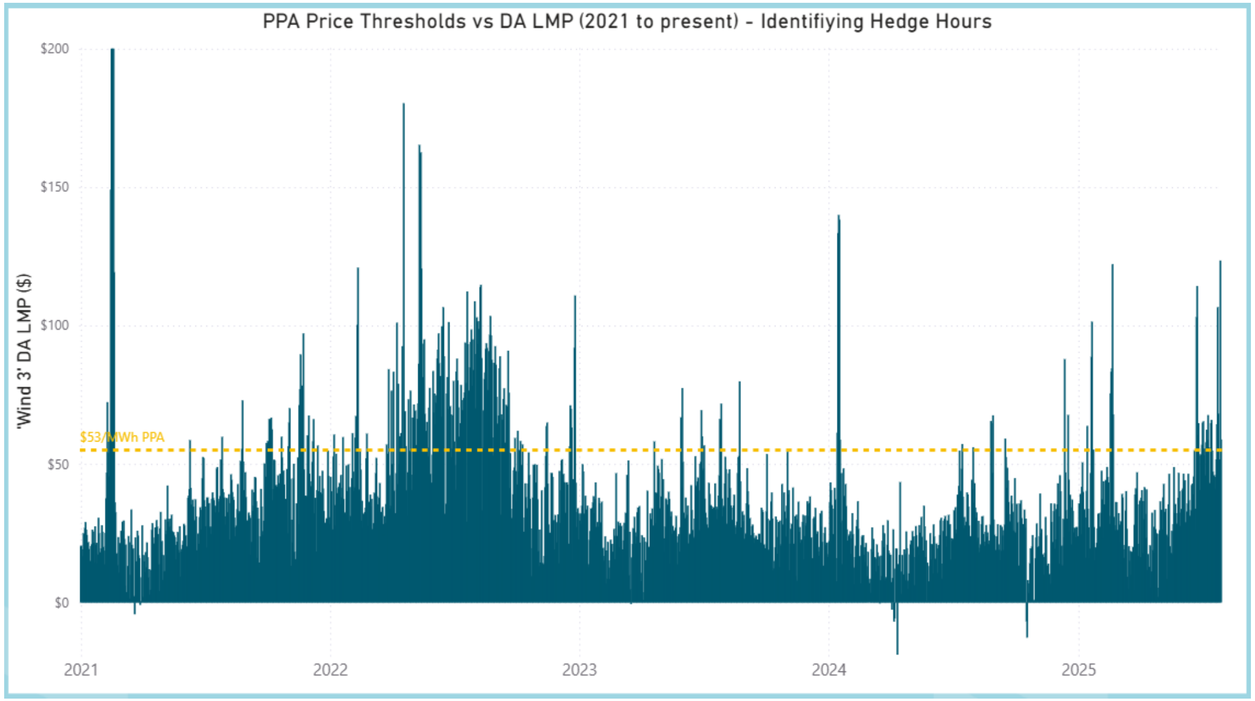
Future Project
- Wind 50 MW

2030 Average Net Cost at Project Node
- Min / Ave / Max = $6 / $25 / $37 million per year

2030 Total Net Cost at Project Node
- Min / Ave / Max = $5 / $24 / $35 per MWh

Wind 1, Wind 2, Wind 3 - Hedge Summary

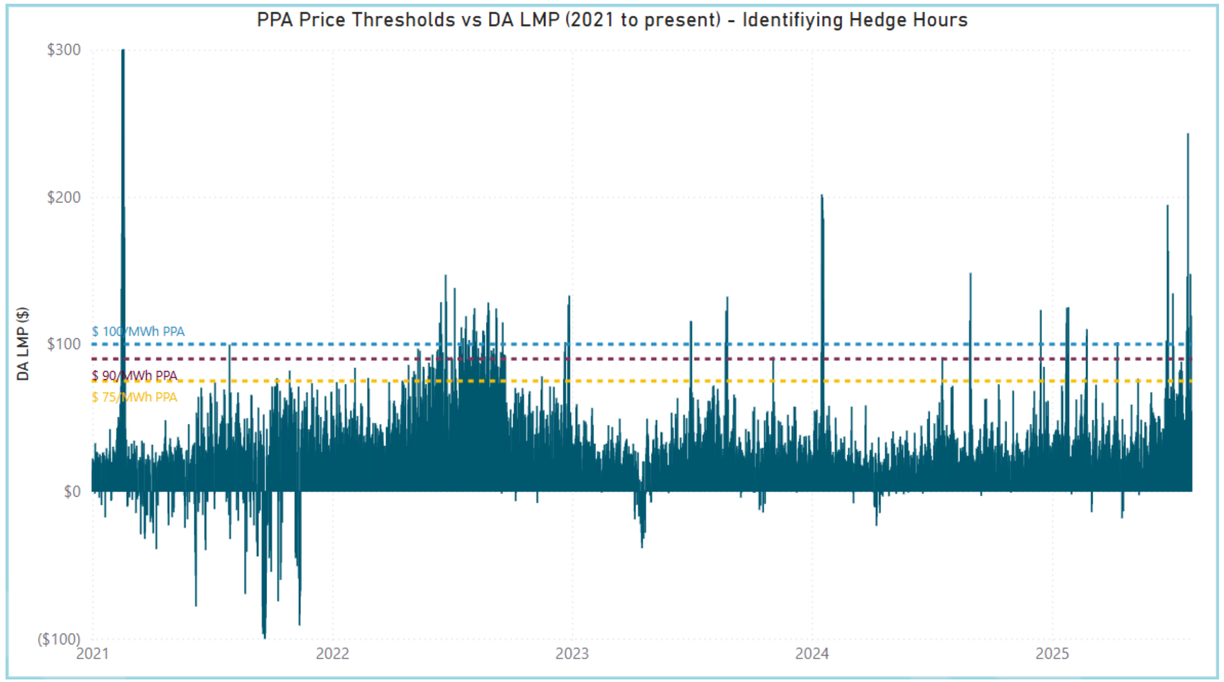
Year	Wind 1 Avoided Cost	Proj. Cost at Node	# of Hedged Hours	Wind 2 Avoided Cost	Proj. Cost at Node	# of Hedged Hours	Wind 3 Avoided Cost	Proj. Cost at Node	# of Hedged Hours
2021	$1,145,787	($553,935)	283	$666,641	$994,783	202	$4,323,647	$11,091,311	160
2022	$1,612,561	($1,278,661)	356	$943,457	$75,710	309	$7,271,024	$586,052	288
2023	$166,363	$1,110,553	247	$96,553	$2,068,304	182	$943,501	$17,364,798	133
2024	$314,485	$993,671	233	$207,630	$2,127,255	172	$1,253,808	$19,872,431	110
2025	$432,668	$20,505	185	$242,761	$1,296,775	161	$1,887,243	$12,022,570	129



- Across the portfolio, hedge value is **present but uneven**, with Wind 1 and Wind 2 showing more balanced avoided costs relative to expected project costs.
- Wind 3 provides **substantial avoided cost**, but effective nodal price and PPA Price reduce net hedge efficiency, signaling a **risk-potential profile**.
- Forecasted hedged hours range from ~110 to 356 annually, signaling **modest coverage** relative to market exposure.

50W Solar Hedge Summary

Market Scenario	$75/MWh PPA Avoided Cost	Project Cost at Node	# of Hedged Hours	$90/MWh PPA Avoided Cost	Project Cost at Node	# of Hedged Hours
Low	$69,287	$5,610,787	132	$43,796	$7,317,127	86
Medium	$270,481	$4,997,676	453	$165,454	$6,704,017	244
High	$618,583	$3,004,326	1288	$280,401	$4,710,666	654
2025	$194,601	$4,198,762	340	$146,135	$5,905,102	196



- Across the portfolio, hedge value is present but shows **disparity**, reflecting the uneven balance of avoided costs relative to expected project costs across different market scenarios.
- The 2025 scenario highlights a future risk-potential profile due to substantial avoided costs being undermined by elevated node costs and PPA prices.
- Forecasted hedged hours range from ~86 to 654 annually, signaling **low coverage** relative to market exposure, suggesting limited protection against market volatility.

Top Wind Project Candidates | Restore Renewables (Wind 1 & 2)

- **22 MW Adams Wind Project**
  - Currently off contract
  - ~54,000 MWh annually
  - Existing interconnection
  - Owner will repower
  - Repowering results in modeled cost for wind

- **40 MW Dodge Center Wind Project**
  - Currently contracted
  - ~83,000 MWh annually
  - 56% available May 2026
  - 76% available Sep 2027
  - 100% available Feb 2028

Risk mitigation

- Secures wind supply that is currently generating and not overly reliant on federal tax policy
- Is very close to RPU pricing node
- Provides near-term RECs
- Provides some diversification of supply

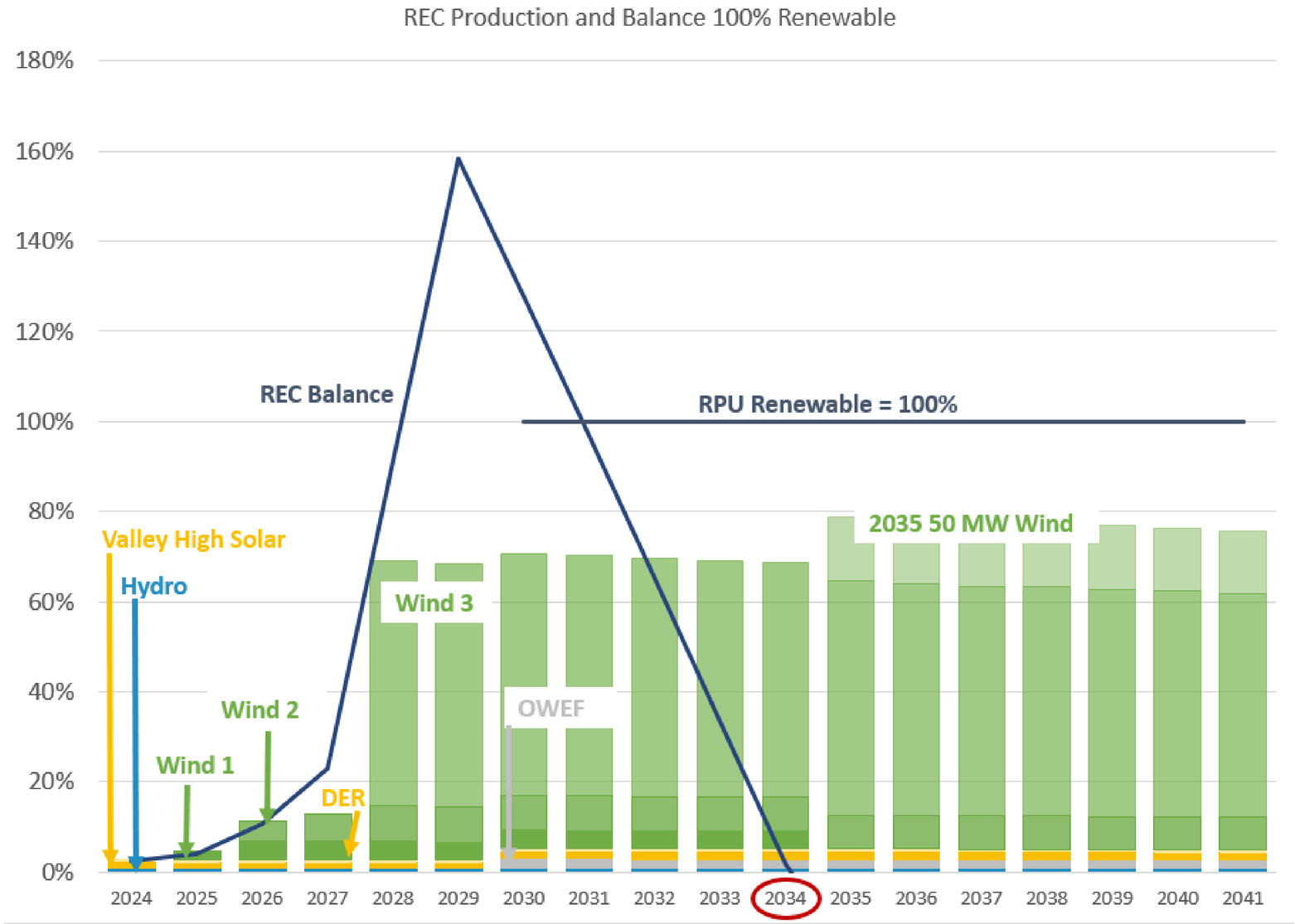
Top Wind Project Candidates | North Hills Wind (Wind 3)

- **180 MW Wind Project**
  - Northeastern Iowa
  - 25 Year Power Purchase Agreement Contract
  - 710,000 MWh annually
  - More than 50% of RPU Load
  - Is in proximity to RPU Load Zone
- **Pricing dependent on production tax credits extended by the Inflation Reduction Act**
- **Expected Start Date: Early 2027**
  - RPU can contract and bank certificates until they are needed for compliance

Renewable Energy | Recommended Adjustments

- **Pursue projects most likely to qualify for tax credits within our risk tolerance**
  - Projects in advanced stage of development
    - Interconnection agreement with known interconnection costs
    - All or most permits in hand
    - Able to start construction before July 2026 and be safe harbored or able complete project before end of 2027
  - **Authorize Wind 1,2 & 3 PPAs on Aug 26 (RPU Board) and Sep 8 (City Council)**
- **Purchase output of projects before 2030, as early as 2026**
  - Will expose RPU to some market price risk
  - Ensure projects are built and available for 2030 compliance
  - Bank renewable energy credits (RECs)
- **Explore phasing in 100% net renewable electricity goal**
  - Focus on elimination of largest components of emissions like Sherco 3.
  - Secure projects that cover the majority of our renewable energy needs and long-term cost hedges
  - Provides time for policy to settle and lessen economic impact
  - Explore shifting to distributed solar development strategy
  - Lead by Example vs. Cautionary Tale

Wind Only | 100% Net Renewable Energy by 2030 (thru 2034)



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- ~~Solar 50 MW~~
- Future Distributed Energy Resources

Future Project
- Wind 50 MW

2030 Average Net Cost at Project Node
- Min / Ave / Max = $2 / $19 / $30 million per year

2030 Total Net Cost at Project Node
- Min / Ave / Max = $2 / $20 / $31 per MWh

Questions