

## 7.A. General Manager's Report

Rochester Public Utilities Board Meeting  
October 28, 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**

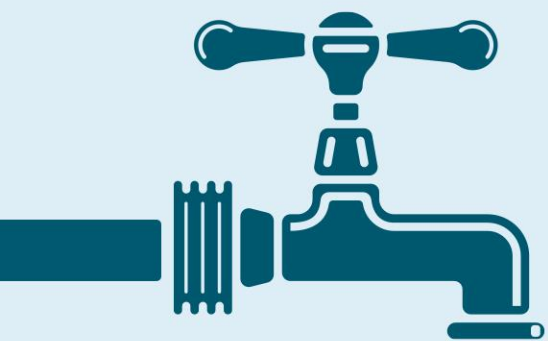
**131  
YEARS**

2023 ASA/  
**99.994%**  
RELIABILITY



**223  
EMPLOYEES**

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



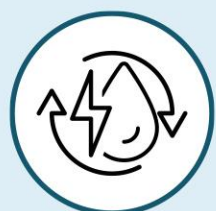
**42K**  
WATER  
CUSTOMERS

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



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

**#1**  
BEST TASTING WATER



RELIABILITY



RATES



RESPONSIBILITY

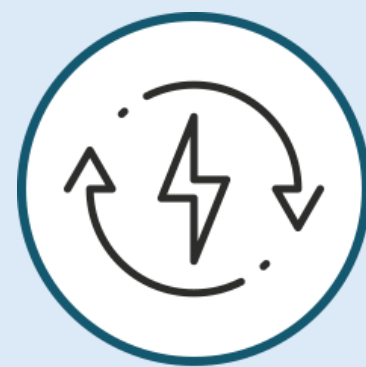


RELATIONSHIPS



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.**



**RESPECT EVERYONE.**



**TAKE OWNERSHIP.**

**LEAVE A POSITIVE IMPRESSION.**



**CONTINUE IMPROVING.**

# Meeting Reports & Current Activity

**Monthly Highlights**

**SMMPA Annual Meeting & Board Report**

**Enterprise Resource Planning (ERP)**

**Better Public Meetings Initiative**





## Monthly Updates | October 2025

- **Fitch Bond Rating** – RPU has once again earned a strong ‘AA’ credit rating from Fitch Ratings, one of the nation’s leading independent credit rating agencies. A Fitch rating works much like a credit score, showing how financially healthy and reliable an organization is when it comes to paying back money it borrows. The ‘AA’ rating, with a stable outlook, reflects RPU’s solid financial management, affordable electric rates, and ability to keep costs low while planning for future projects. This strong rating helps keep borrowing costs lower, ultimately benefiting the customers we serve.

**Fitch**Ratings

### Solar on Public Buildings

Reducing energy costs and  
advancing sustainable  
solutions for our  
community.

- **Solar on Public Buildings Grant Award on Service Center** – RPU was awarded funding through the Minnesota Solar on Public Buildings Program, which includes state grants and federal tax credits, to install a 55.2 kW DC roof-mounted solar array at the RPU Service Center by summer 2026. The estimated \$130,000 system will expand RPU’s renewable energy portfolio and advance progress toward the community’s goal of 100% net renewable electricity by 2030.

- **Litter Bit Better** - RPU employees participated in the community-wide A Litter Bit Better cleanup effort by volunteering to pick up litter around the RPU grounds. The initiative reflects RPU’s ongoing commitment to community engagement and environmental stewardship while helping keep Rochester clean and beautiful.





# Monthly Updates | October 2025

- **Right Tree – Right Place** - RPU employees partnered with Rochester Parks & Recreation and City Forestry to plant trees as part of the Right Tree – Right Place program. The annual effort replaces tall trees growing too close to power lines with species better suited for those areas, supporting community safety, electric reliability, and a greener Rochester.



- **Water Department Hosts Students and Community Groups** - RPU recently hosted community education visits with students from St. Francis School, the Rochester Homeschool Co-op, and members of the Greater Rochester Rotary Club. Students learned how RPU's water system works and enjoyed a fire hydrant demonstration, while Rotary members toured Well 25 and the Apache Mall Water Tower to see how RPU delivers safe, reliable drinking water.

- **RPU Beekeepers Featured in *Post Bulletin*** - The *Post Bulletin* featured RPU employees who share a passion for backyard beekeeping. What began as individual curiosity has grown into a small community where they exchange tips, share experiences, and support one another in this rewarding hobby.

SUBSCRIBERS ONLY LIFESTYLE

## This group of Rochester Public Utilities workers forge a bond over beekeeping

"It's like a science project because there's just so much to what bees can do. They're just a very interesting species of animal that blows your mind," said Nick Winkles.



Shaun Hall, Steve Cook, Nick Winkles, Josh Mason, Tim McCollough and Tom Keller are hobby beekeepers who also work at Rochester Public Utilities. Contributed / Marie Ferguson / DM Creative / Rochester Public Utilities



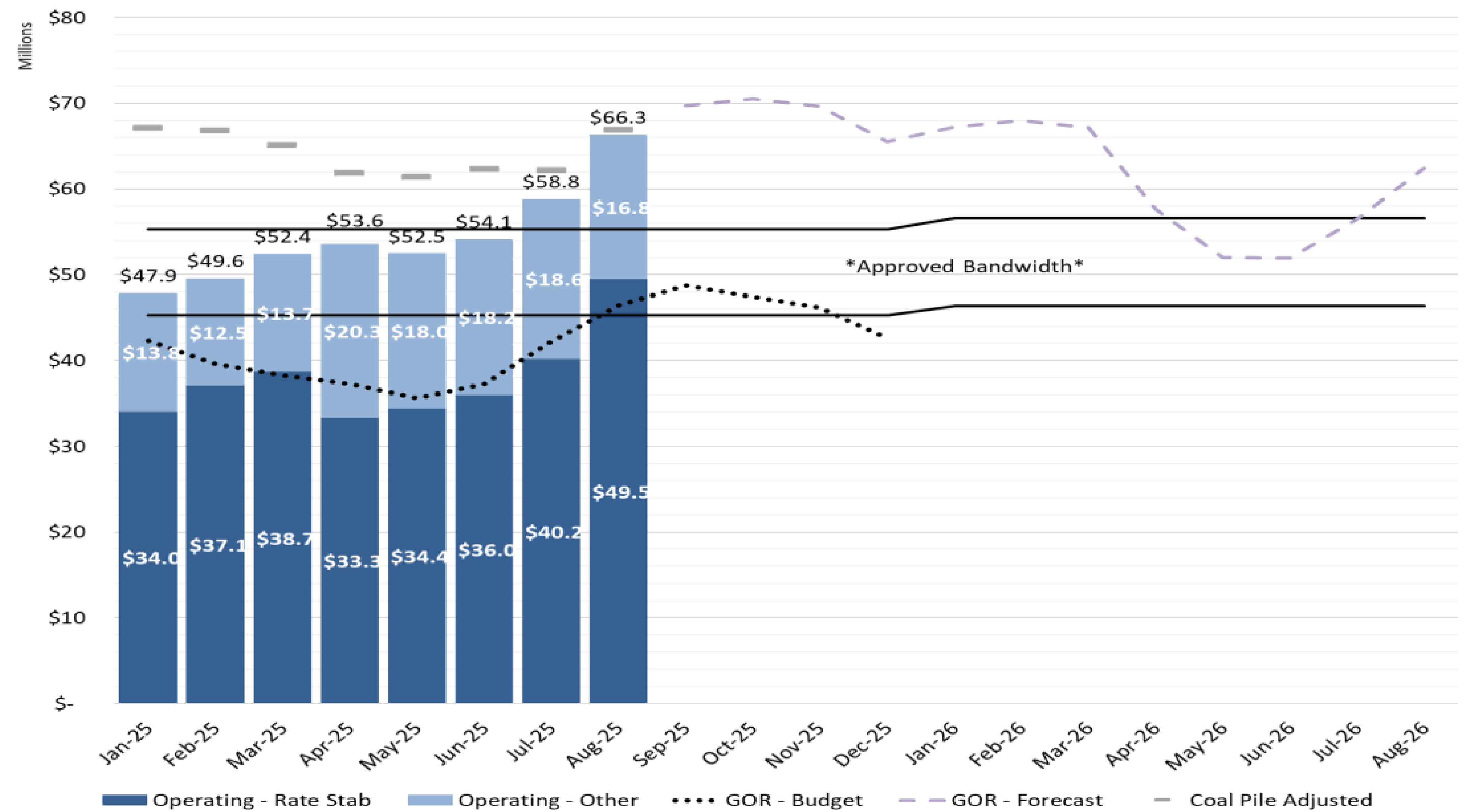
# SMMPA | 2026 Rates & January 2026 Cash Distribution

- Overall 10% rate decrease effective February 1, 2026, applied as a 10.812% decrease to power supply demand and energy base rates
- Effective February 1, 2026: third year of transmission rates transition from 100% ratchet to monthly CP basis
  - Approved by board in May 2023
  - Transmission rate as of February 1, 2026 is \$3.40, not \$3.39 as originally presented in 2023
- ECA base cost calculated monthly for the 2026 calendar year, to be used for charge/credit determination for January through December 2026.
  - Each month is budgeted at \$0
- Issue the cash distribution payments in January 2026
- Allocation of \$2,565,113.50 based on total kWh's purchased by members in calendar year 2025
  - Consistent with prior cash distribution allocation methods
  - Aligns with the impacted 2025 budget period
  - Calculation can be completed after final December 2025 billing data is available in early January 2026
  - Final allocation totals can be communicated to members by January 10, 2026
  - Cash distributions can occur shortly thereafter

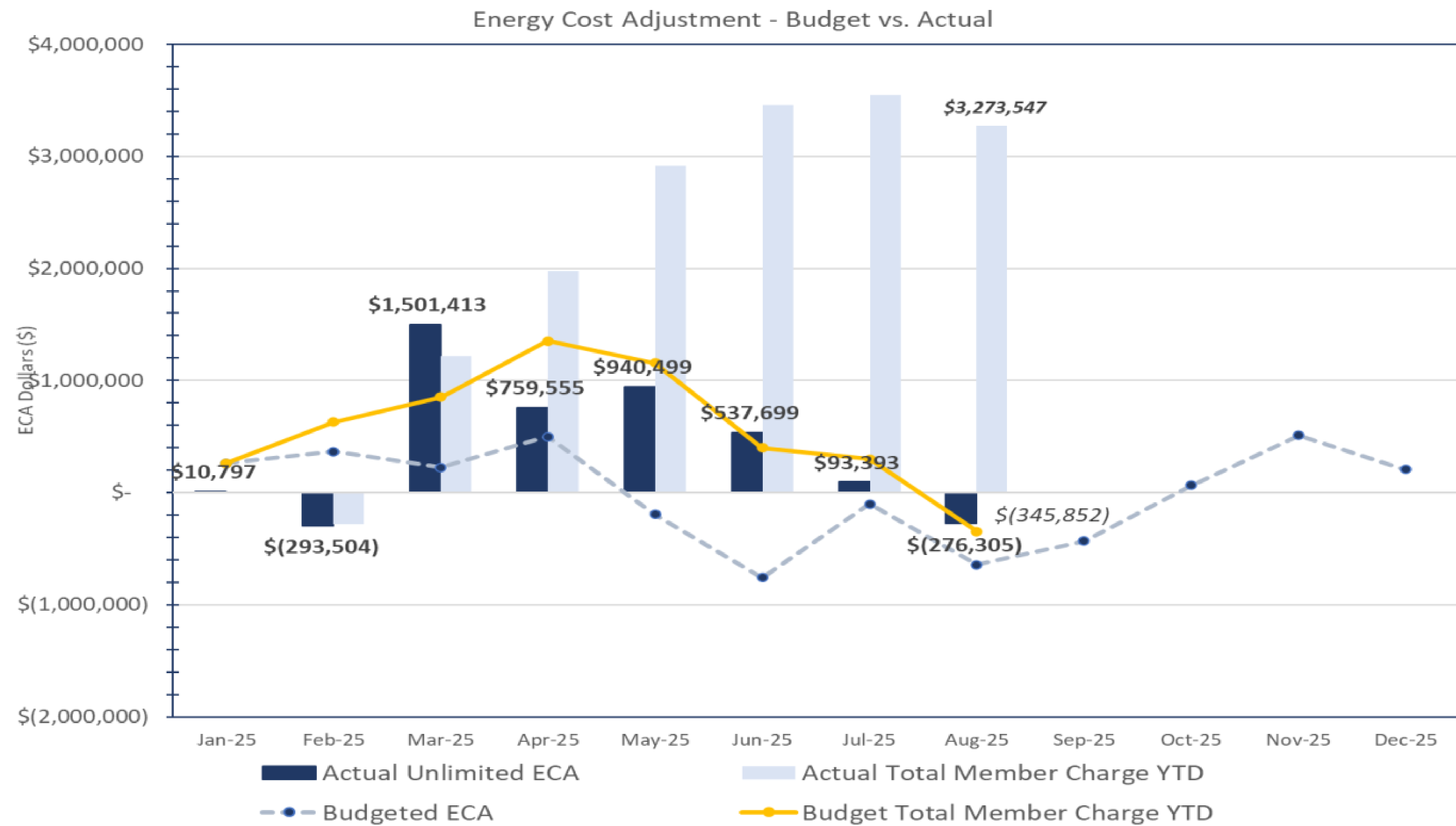


# SMPA | General Operating Reserves

Cash Basis Actuals and Forward Look (\$ millions)



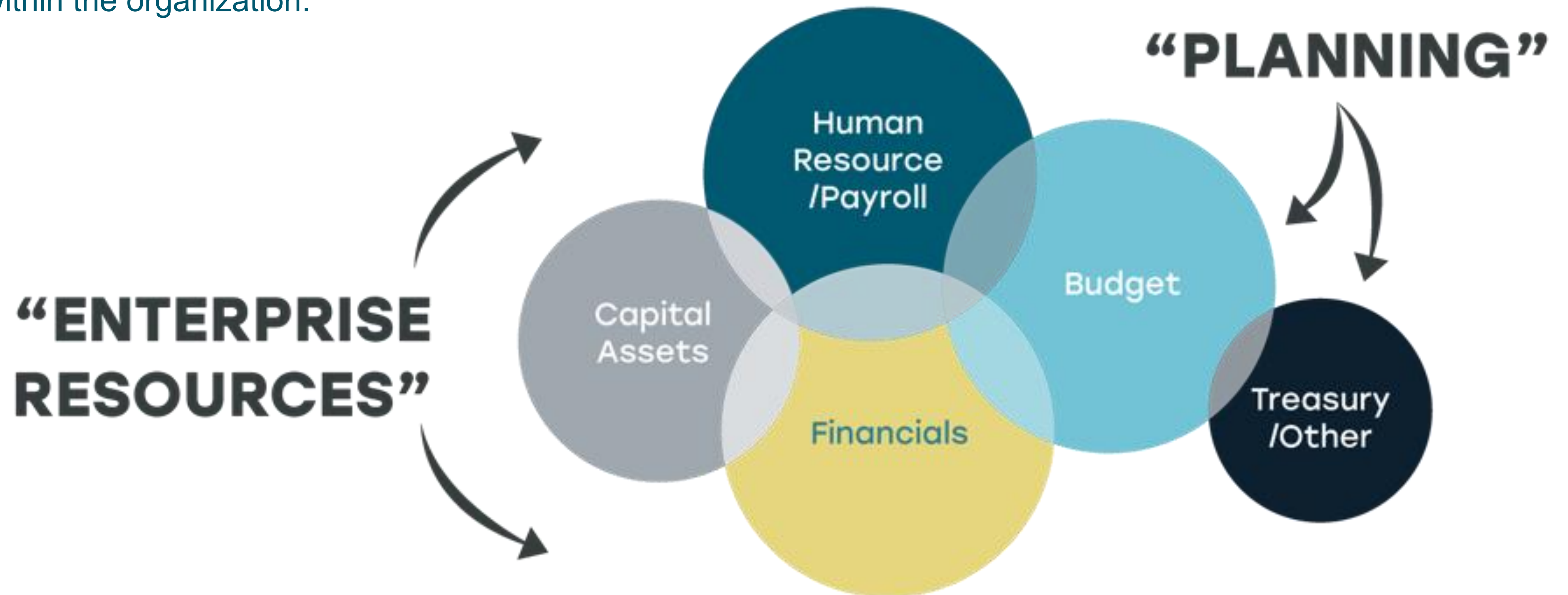
# SMMPA | Energy Cost Adjustment (ECA)





# Enterprise Resource Planning Software Overview

Enterprise Resource Planning (ERP) software solutions cover a wide variety of business processes from generating employee W2s, tracking and issuing payment, managing human personnel, project accounting, supply chain, comprehensive asset management, work orders, budget, treasury, capital assets, and more. Its goal is to provide a unified view of all operations and a single source of truth for data relating to the flow of money and resources within the organization.





# Planning and Needs Assessment – City (2022-2023)

## November 2022

City Council authorizes contract with GFOA for planning and needs assessment

## April 2023

Future-state process mapping with City's stakeholders and SMEs

## March 2023

Current-state process mapping with City's stakeholders and subject matter experts (SMEs)

## June 2023

Functional requirements workshops. Prepared draft Request for Proposals (RFP). Postponed issuing it to coordinate with RPU





# Planning and Needs Assessment – RPU (2024-2025)

## August/September 2024

Current-state mapping  
with RPU stakeholders and  
subject matter experts

## November/December 2024

Functional requirements  
workshops with SMEs

## September/October 2024

Future-state process  
mapping

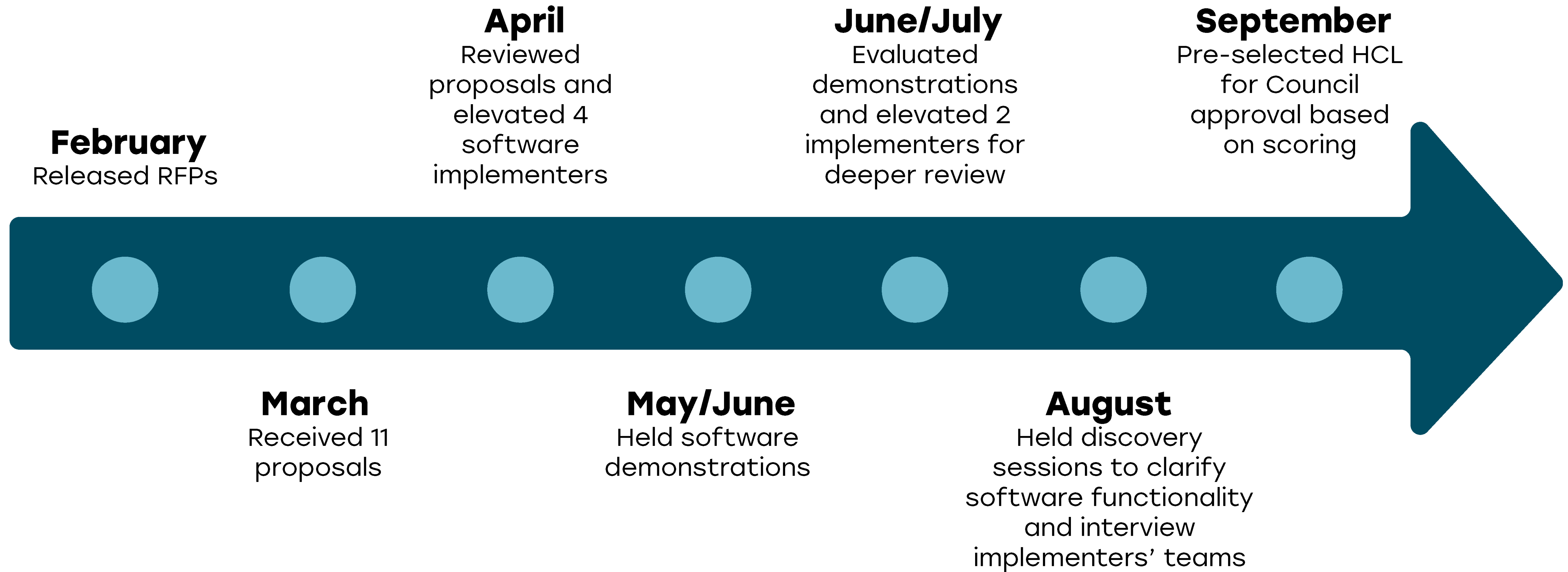
## January 2025

Complete draft of the RPU  
RFP and revise the City's  
RFP to ensure alignment  
with RPU





# 2025 Timeline and Process to Date





# Primary benefits/drivers of a single ERP solution

- One source of truth for all records, transactions and documents
  - **Fully integrated platform**
  - Single chart of accounts
  - Single source of finance/HR data for \$535.5M in 2024 payables (including investments), 1,084 – 1,843 regular, part time, and seasonal employees, and \$102.3M in 2024 payroll.
- Better alignment and collaboration between City management and its departments by working on the same system
- **Stronger ability to create staffing alignment under single systems**
- Modern, seamless user experience
- One time implementation cost
- **Streamlined processes and increased efficiency to deliver higher quality services to residents**
  - Integrated workflow throughout all modules for all city departments to automate processes
  - Vendor Onboarding and Invoicing
- Cloud-based solution:
  - Lowers infrastructure costs
  - Reduces data loss risks
  - **Minimizes security issues**
- Core **artificial intelligence** capabilities for several areas, including recruiting and forecasting
- More precise budgeting enabled by a modern system, boosting the City's ability for strategic planning



# Implementation and Annual Costs: 25% Contingency

- **2028-2030 Annual Costs**

- City SaaS costs are approximately \$1.4M over this time (split between General and Enterprise Funds). This needs to be incorporated into future operating budgets.
- RPU SaaS cost are approximately \$1.4M over this time

- **Implementation Costs**

- 2026 and 2027 Total Cost: \$27.9M
- Assumes 25% contingency

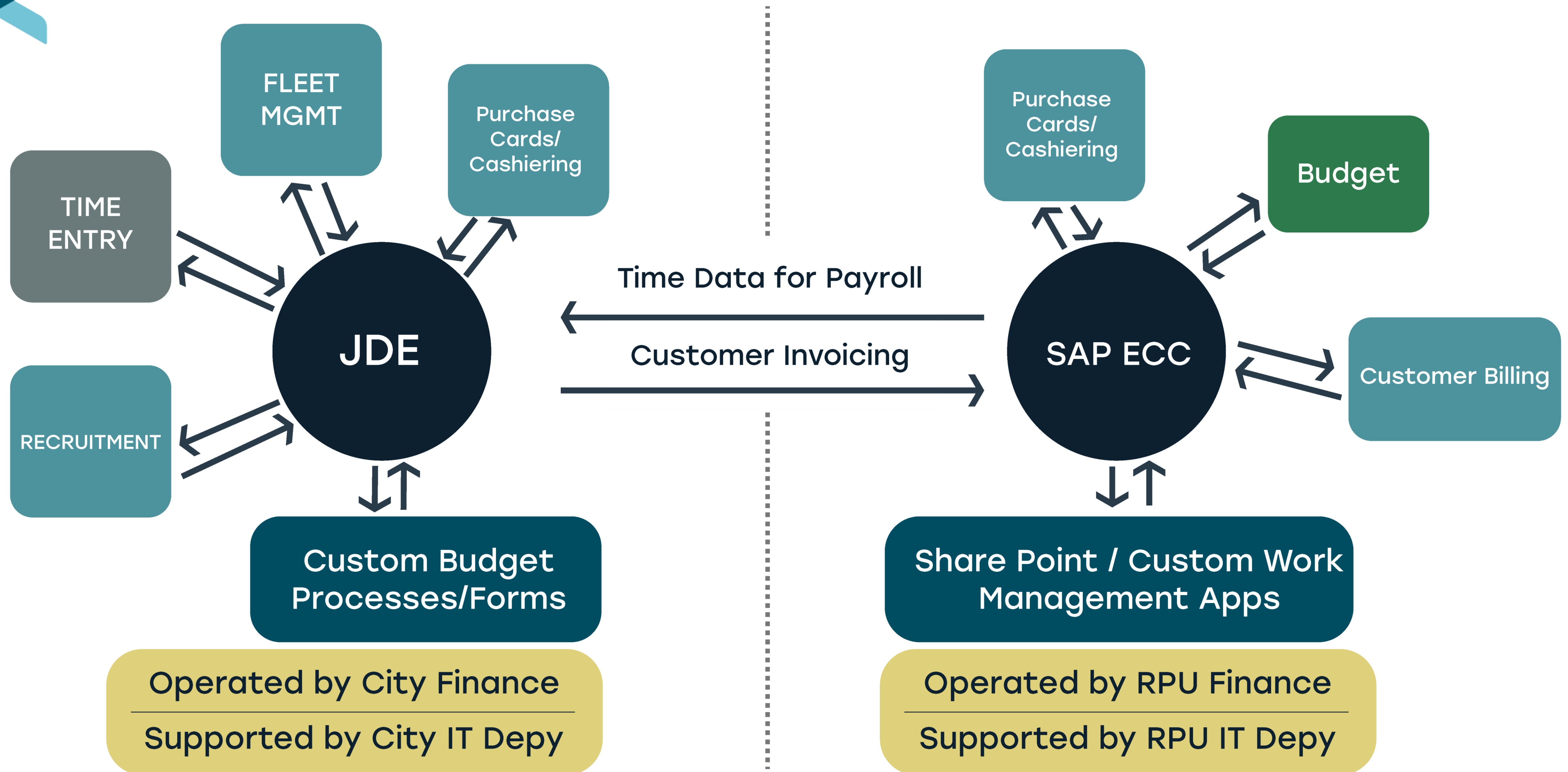
- **Financing the Implementation Cost Gap**

- JDE and Kronos Fund Balance: \$333,749
- 2026 Budget: \$679,426
- Additional Sewer: \$478,715
- Additional Storm Sewer: \$131,004
- Additional Parking: \$117,454
- Additional Transit: \$685,838
- Reprioritize 2027 Budget: \$1,371,525
- Use of Reserves: \$2,925,888

| 2-yr.<br>Implementation | Total<br>Project Cost | Total<br>Budget                                                              | Gap         |
|-------------------------|-----------------------|------------------------------------------------------------------------------|-------------|
| City Amount             | 12,953,025            | 6,229,426                                                                    | (6,723,599) |
| RPU Amount              | 14,939,208            | 15,675,893<br><small>*Reflects \$7.6M<br/>budgeted in 2026-<br/>2028</small> | 736,685     |
| Total                   | 27,892,233            | 21,905,319                                                                   | (5,986,914) |



# Primary benefits/drivers of a single ERP solution



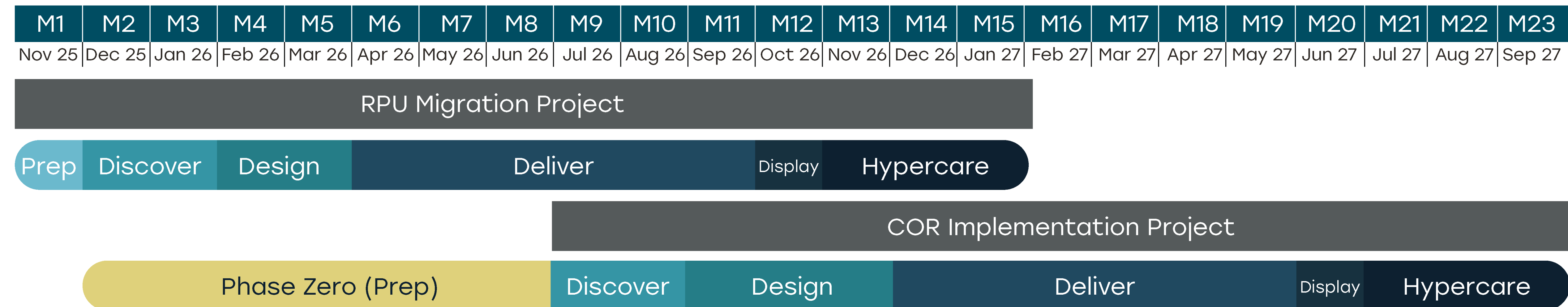


# SAP / HCL Proposal

## Implementation Approach

- Timeline: 23 months
- Training: train-the-trainer approach
- Experience with Cities and Utility Departments of similar size

## Updated Project Timeline





# Summary of ERP Recommendation

**SAP**

**CITY OF ROCHESTER**

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

**EXPLORE Minnesota**  
**IT'S TIME**  
10,000 lakes  
We Pledge. We Deliver.

**Unlock Enhanced  
Efficiency and Innovation**

# 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<br>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<br>1 <sup>st</sup> year Work Complete<br>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<br>Reimbursements                                       |
| <u>MN Electric Grid Resilience Grants Program</u>                            | 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.<br>• Substation Thermal Camera Infrastructure (\$250k) | \$100,000<br>(of \$375,000 requested)<br><br>Substation Thermal Camera Infrastructure Item was Funded at 40% of request | 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.                                                                                                                                                                                            | \$1,668,070<br>(of \$26M that will be requested by 2028)                                                                | Awarded – 2025                                                         |
| <u>MN Department of Commerce Solar on Public Buildings Grant</u>             | Grants was awarded for up to 70% of the project costs for a 39.9 kW AC solar array on the service center. Grants combined with the federal direct pay tax credit may cover up to 100% of the cost of the system.                                                                                                                                                                       | \$91,336<br>(\$39,144 from IRA)                                                                                         | 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). <b>Tax Credits Sunset</b>                                                                                                                                                                        | \$ TBD                                                                                                                  | Exploring opportunities with the Power Supply Plan                     |



# What's Ahead

|                           |                                     |                                |                    |
|---------------------------|-------------------------------------|--------------------------------|--------------------|
| Wed, Nov 12               | SMPMA Board Meeting (@ WES)         | Board – TBD, McCollough        | Rochester, MN      |
| Thu, Nov 20 – Fri, Nov 21 | SMPMA Board Retreat                 | McCollough                     | Prior Lake, MN     |
| Tue, Nov 25               | <b>RPU Board Meeting</b>            | <b>Board – All, McCollough</b> | <b>RPU</b>         |
| Mon, Dec 1                | City Council – Budget & Board Appt. | McCollough                     | Council Chambers   |
| Wed, Dec 3 – Thu, Dec 4   | MRO Q4 Board Meeting                | McCollough                     | St. Paul / Virtual |
| Wed, Dec 10               | SMPMA Board Meeting                 | McCollough                     | St. Peter, MN      |
| <b>Tue, Dec 16</b>        | <b>**RPU Board Meeting**</b>        | <b>Board – All, McCollough</b> | <b>RPU</b>         |
| Sun, Jan 11 – Tue, Jan 13 | APPA Joint Action Conference        | McCollough                     | Destin, FL         |
| Thu, Jan 15               | SMPMA Board Meeting @ SMPMA         | McCollough                     | Rochester, MN      |
| Tue, Jan 27               | <b>RPU Board Meeting</b>            | <b>Board – All, McCollough</b> | <b>RPU</b>         |
| Wed, Feb 11               | SMPMA Board Meeting                 | McCollough                     | Spring Valley, MN  |
| <b>Tue, Feb 17</b>        | <b>**RPU Board Meeting**</b>        | <b>Board – All, McCollough</b> | <b>RPU</b>         |
| Mon, Feb 23 – Thu, Feb 26 | APPA Legislative Rally              | McCollough                     | Washington, DC     |
| Mon, Mar 2 – Fri, Mar 6   | The Energy Authority Symposium      | McCollough                     | RPU                |
| Wed, Mar 11               | SMPMA Board Meeting                 | McCollough                     | Waseca, MN         |





# Better Public Meetings – A City of Rochester Initiative

## What's Happening

Rochester has been selected to participate in the national 'Better Public Meetings' Initiative, in partnership with the National Civic League. The goal is to make public meetings more engaging, inclusive, and effective for everyone.

## Why It Matters

Public Meetings are where community voices help shape decisions. This project works to make those spaces more welcoming, accessible, and representative of all residents.

## How You Can Get Involved

We are asking all visitors, staff, and Board members to share their feedback after today's Board Meeting using this QR Code to access the Civic Engagement Scorecard. This will take place in November as well.

*There is an option at the end of the survey to provide your email address to receive project updates.*

Additional details about this initiative, including contact information and the Scorecard, are available on both the City of Rochester and RPU websites.

**CITY OF ROCHESTER MINNESOTA**

Rochester Civic Engagement Scorecard

Please scan the QR code and fill out a quick scorecard to share your thoughts.  
or visit the website:  
**[bit.ly/BPMRochesterMN](https://bit.ly/BPMRochesterMN)**



# Questions