



7.A. General Manager's Report

Rochester Public Utilities Board Meeting
July 22, 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**

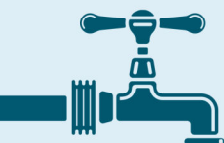
**131
YEARS**

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

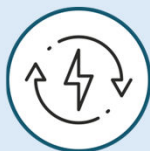


RELATIONSHIPS



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

New Electric Outage Map Launch

Energy Sector Risk Bingo

Major Projects Status Updates (Separate File)





Monthly Updates | July 2025

- **Soldiers Field Pedestrian Bridge Open for Rochesterfest:** As part of the Marion Road Duct Bank project, the Soldiers Field Pedestrian Bridge and connecting trail sections were successfully opened in time for Rochesterfest. Despite challenges with wet weather and tight timelines, crews pushed through to get the paths graded and paved just ahead of the event. While a few finishing touches remain, the bridge and trails are now open and fully usable, allowing the community to enjoy this high-traffic bridge during one of Rochester's biggest celebrations.



- **Lake Zumbro Hydro Back Online – Just in Time:** After a contractor accidentally struck an underground line connected to the Lake Zumbro hydro facility, both hydroelectric units went offline. Thanks to quick work from the team, a temporary overhead line was installed and energized by mid-afternoon, bringing both generators back online just in time for the holiday weekend. The restoration not only resumed power generation but also helped get water levels moving in the right direction ahead of the water ski show and 4th of July activities. Community members shared their appreciation on social media, calling it an "Independence Day miracle."

- **Connecting with the Community:** Over the past month, RPU teams have been busy connecting with the community. Staff from our Water Department and Marketing & Energy Services team took part in the second Safe City Nights event of the summer. The Marketing & Energy Services crew also participated in the Rochester Electrified Home & Vehicle Show, helping spread the word about rebates, EVs, and ways to save energy. We also participated in the Rochesterfest parade, with Lineworker Colton Koster representing RPU behind the wheel of one of our bucket trucks.





Employee Accomplishments | July 2025

- Several members of our water team recently earned their Class C and Class D water operator certificates, an important step in their professional development and a testament to their dedication to keeping Rochester's water safe. These state-required certifications help ensure our Class A public water system is managed by well-trained, knowledgeable staff. (Class C Certification: Todd Osweiler and Cole Knoepke. Class D Certification: Brian Carstensen and Zach Struckmann)



Todd Osweiler
Class C Certification



Cole Knoepke
Class C Certification

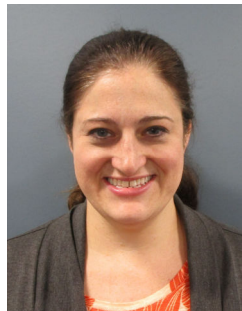


Brian Carstensen
Class D Certification



Zach Struckmann
Class D Certification

- Interim Lead Billing Specialist Elizabeth Freeman recently completed her Master of Accounting degree from Southern New Hampshire University. Continued professional development like this supports both individual growth and organizational excellence.



SMPA | Board Meeting Report



SMPA | Austin Energy Station (AES)

2024 Integrated Resource Plan

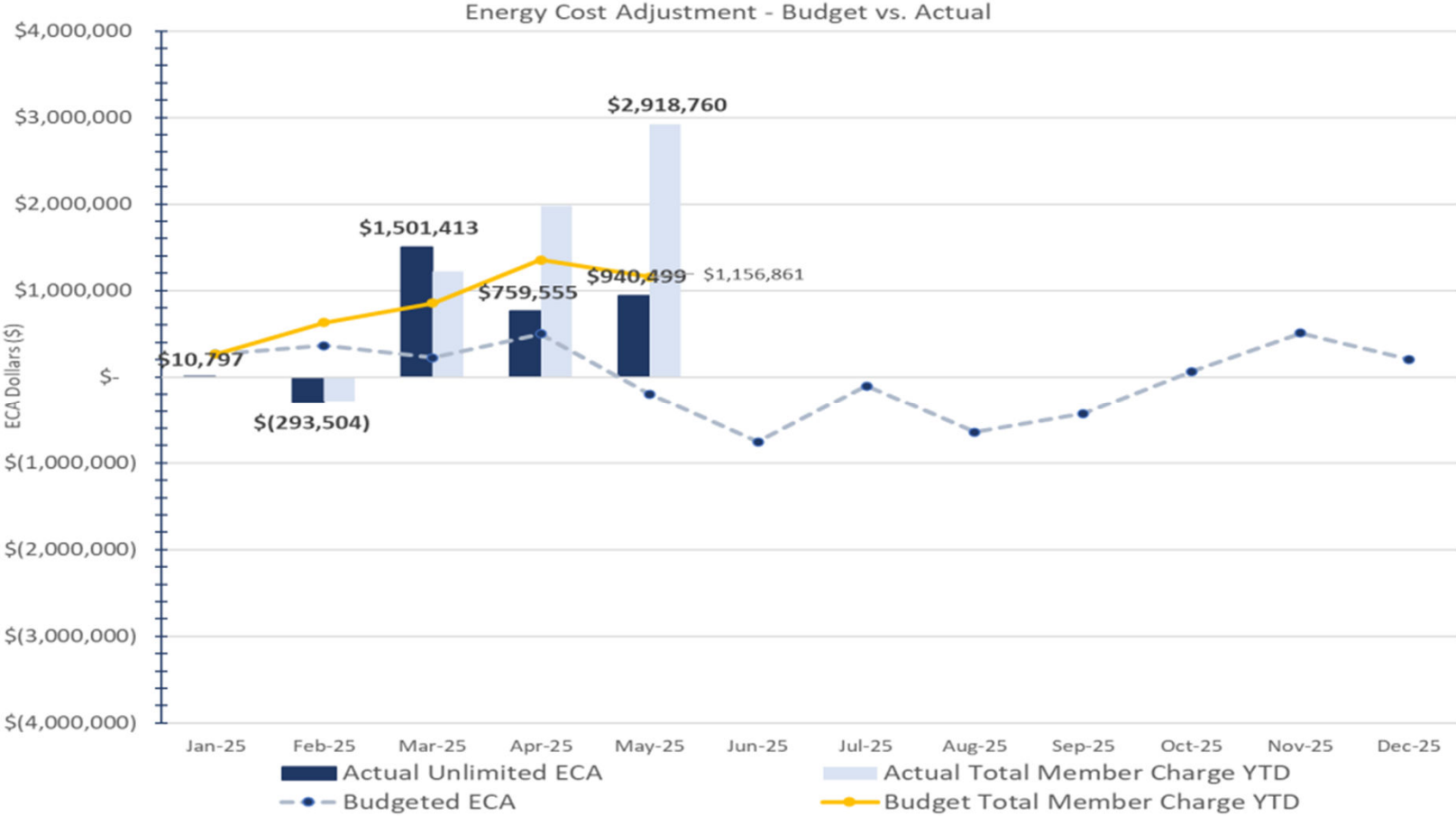
- 115 MW new natural gas
 - 50 MW from SES
- 28 MW of new Quick Start resources

Requested Board Action

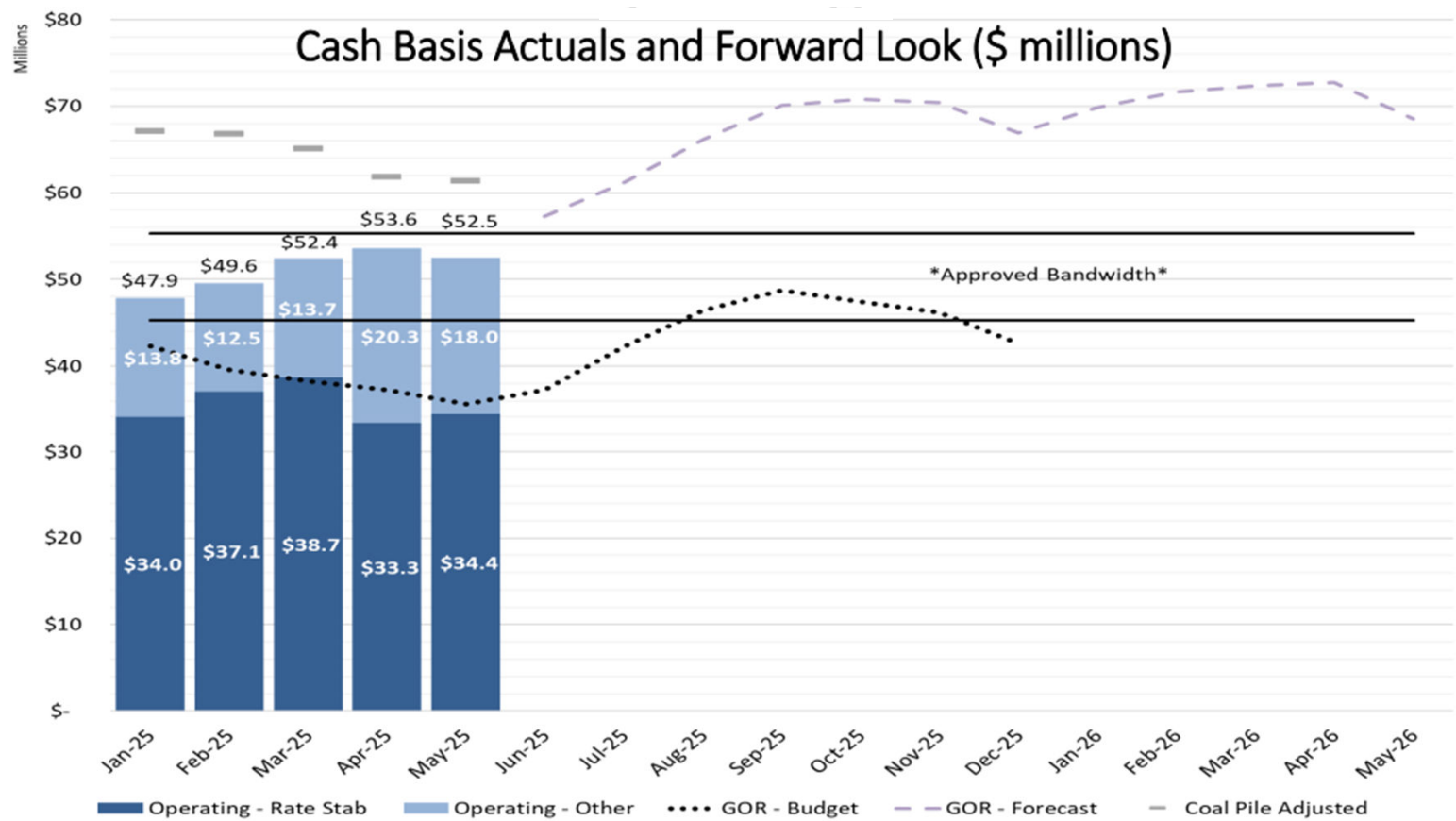
- Approve Engineering Services agreement with DGR for preliminary engineering activities for the Austin Energy Station.
- Not to exceed \$165,000
 - \$150,000 estimate plus 10% contingency



SMPA | Energy Cost Adjustment (ECA)



SMPA | General Operating Reserves



GM Updates | Enterprise Resource Planning (ERP) Project Update

- **The Who, What, and Why:** Both RPU and Other City Functions run separate ERP systems today.
 - SAP for RPU, JDEdwards for other City Functions
 - Both solutions are facing end of life software and hardware deadlines in the next five years.
 - The timekeeping application for the other City functions deprecates in March 2027.
- **The How:** Both RPU and other City Functions are exploring a joint ERP concept.
 - RPU has strong requirements for asset and work management and core financials.
 - The Other City Functions have similar strong needs for core financials but with strong requirements for HR functions
- **The When:** Final cost and resource assumptions are being developed and incorporated into the 2026/27 budget.
 - Parallel RFPs were launched in early 2025 exploring a joint project
 - Product demos were completed in May and June 2025
 - Two system implementors with associated software solutions will be invited in for discovery workshops
 - Exploring a joint project in 2026-2027



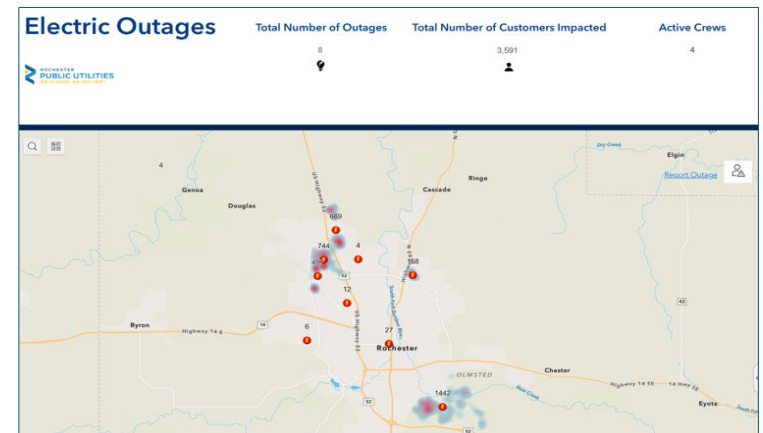
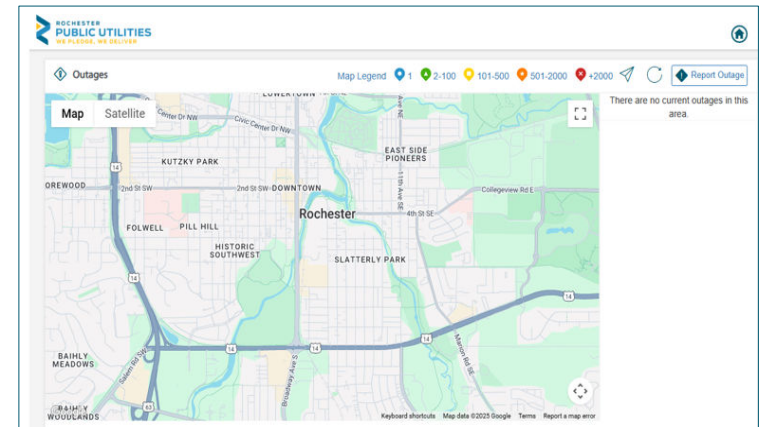
GM Updates | New Electric Outage Map Launch

Limitations with Smart Energy Water (SEW)

- Single points categorized by number of customers affected
- No estimated restoration time
- Interface control requires a change order request
- System was unreliable and reliant on SEW offshore resources

Capabilities with ArcGIS Online

- Heat map showing affected customers
- Incident points move to center of affected customers (not predicted fault location)
- Estimated restoration times available when you click on incident point (default 2 hr. estimate)
- Active crew count
- In-house control over design modifications



Electric Outages

Total Number of Outages

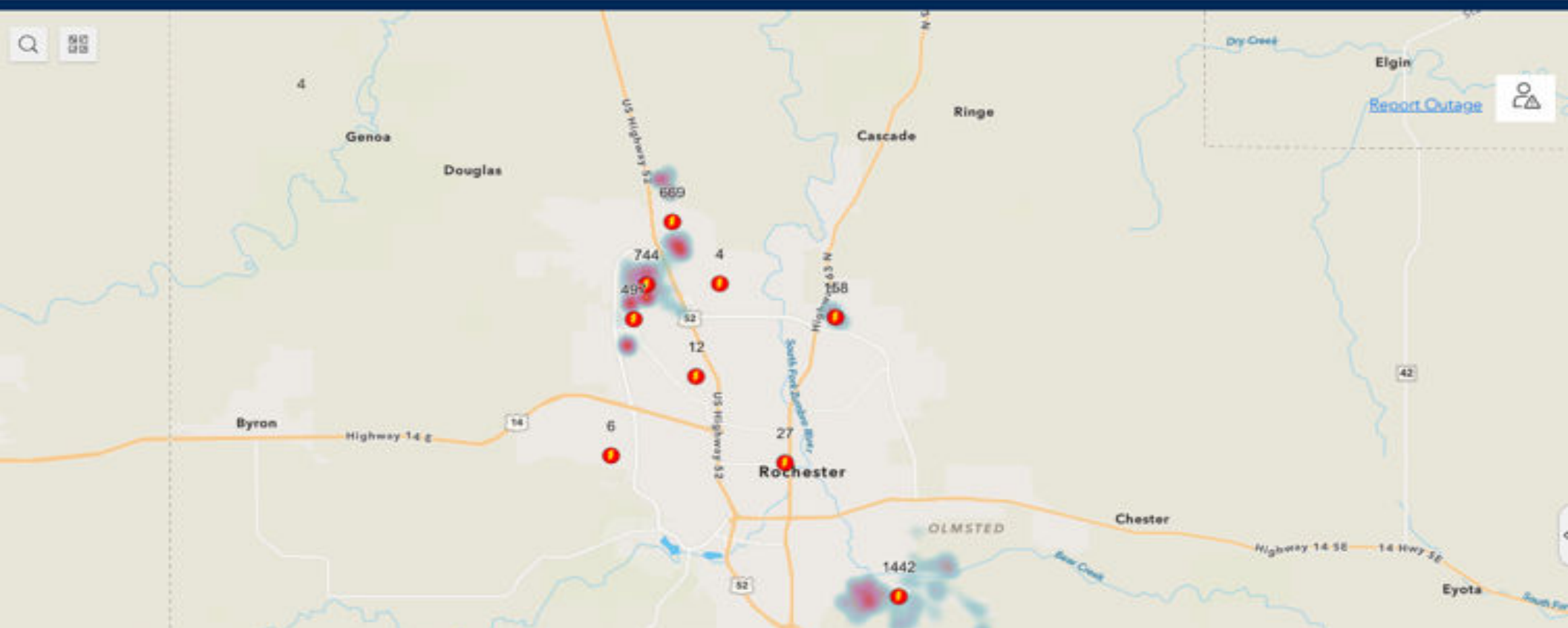
Total Number of Customers Impacted

Active Crews

8

3,591

4





B I N G O

Increasing Demand on Natural Gas Sector	MN Nuclear Moratorium Not Lifted	MISO ERAS Proposal Rejection by FERC	Residential Solar ITC Phaseout 2025	Data Center Driven Load Growth
Tariffs on Solar and Battery Imports	Higher Energy Market Cost Forecast	MISO Generator Interconnection Delays	25% Tariff on Imported Steel & AL	Physical Attack Risk on Infrastructure
US Dollar Currency Exchange Risk	FEOC Rules Impacting Storage Tax Credits	FREE SPACE	Increased Cybersecurity Risk	MN DoC Hourly Matching RPS Compliance
Data Center Emergency Generator Demand	General Tariffs Indirect Supply Chain Impacts	"Start of Construction" Tax Guidance Review	50% Tariff on Copper	Utility Scale Solar ITC Phaseout 2027
Future Workforce Challenges	MISO DLOL Capacity Accreditation PY28/29	Utility Scale Wind PTC Phaseout 2027	NERC Long Term Reliability Assessment	MN ROFR Rules Blocking Future Investment



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Power Supply Resource Plan | Reconciliation Bill – Final Version

- **Short-Term Status Quo:** Most renewables still eligible for tax credits through ~2027.
- **Investment Tax Credit (ITC) and Production Tax Credit (PTC) Phaseout:**
 - **Residential Solar** and other residential efficiency tax credits phase out on **December 31, 2026**
 - **Utility Scale Wind & Solar** must begin construction **by July 4, 2026** OR be energized **by Dec 31, 2027**
- **Foreign Materials Restrictions:**
 - **Batteries** can avoid Foreign Entity of Concern (FEOC) requirements by starting construction **before Jan 1, 2026**
 - Post-2026 projects face thresholds on materials from “**Prohibited Foreign Entities**” (China, Russia, Iran, N. Korea). Complex rules and unknown changes pending **Treasury guidance by Dec 2026**.
- **Executive Order (July 7, 2025):**
 - Directs Treasury to **tighten guidance** on “**start of construction**” and “**safe harbor**” eligibility and foreign supply restrictions.
- **New Tariff Announcements:**
 - 50% Tariff on imported copper announced that takes effect August 1, 2025.



Power Supply Resource Plan | Executive Order



Sec. 2. Policy. It is the policy of the United States to:

- a) rapidly eliminate the market distortions and costs imposed on taxpayers by so-called “green” energy subsidies;
- b) build upon and strengthen the repeal of, and modifications to, wind, solar, and other “green” energy tax credits in the One Big Beautiful Bill Act; and
- c) end taxpayer support for unaffordable and unreliable “green” energy sources and supply chains built in, and controlled by, foreign adversaries.

Sec. 3. Tax Credits and One Big Beautiful Bill Act

Implementation by the Department of the Treasury. (a) Within 45 days following enactment of the One Big Beautiful Bill Act, the Secretary of the Treasury shall take all action as the Secretary of the Treasury deems necessary and appropriate to *strictly enforce the termination of the clean electricity production and investment tax credits under sections 45Y and 48E of the Internal Revenue Code for wind and solar facilities*. This includes issuing new and revised guidance as the Secretary of the Treasury deems appropriate and consistent with applicable law to *ensure that policies concerning the “beginning of construction” are not circumvented*, including by preventing the artificial acceleration or manipulation of eligibility and by *restricting the use of broad safe harbors unless a substantial portion of a subject facility has been built*.

Sec. 4. One Big Beautiful Bill Act Implementation by the Department of the Interior.

(a) Within 45 days following enactment of the One Big Beautiful Bill Act, the Secretary of the Interior shall *conduct a review of regulations, guidance, policies, and practices under the Department of the Interior’s jurisdiction to determine whether any provide preferential treatment to wind and solar facilities in comparison to dispatchable energy sources*. The Secretary of the Interior shall then revise any identified regulations, guidance, policies, and practices as appropriate and consistent with applicable law to eliminate any such preferences for wind and solar facilities.



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>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) 	<p>\$100,000 (of \$375,000 requested)</p> <p>Substation Thermal Camera Infrastructure Item was Funded at 40% of request</p>	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). Tax Credits Sunset	\$ TBD	Exploring opportunities with the Power Supply Plan



What's Ahead

Tue, Aug 5	RPU Special Board Meeting – Budget	Board – All, McCollough	RPU
Wed, Aug 13	SMMPA Board Meeting	McCollough (as SMMPA)	Princeton, MN
Mon, Aug 18 – Wed, Aug 20	MMUA Summer Conference	McCollough, McNeilus, Turri	Rochester, MN
Wed, Aug 20 – Thu, Aug 21	MRO Q3 Board Meeting	McCollough (as MRO)	St. Paul, MN
Tue, Aug 26	RPU Board Meeting	Board – All, McCollough	RPU
Wed, Sep 10	SMMPA Board Meeting	McCollough (as SMMPA)	Redwood Falls, MN
Mon, Sep 22	SMMPA Budget & Rates Workshop	McCollough	Owatonna, MN
Mon, Sep 29	City Council SS – Resource Plan Update	McCollough, Bullock	RPU
Tue, Sep 30	RPU Board Meeting	Board – All, McCollough	RPU
Sun, Oct 12 – Wed, Oct 15	APPA Legal & Regulatory Conference	McCollough (as SMMPA)	San Diego, CA
Thu, Oct 16 – Fri, Oct 17	SMMPA Annual Meeting	Board – TBD, McCollough	Bloomington, MN
Tue, Oct 28	RPU Board Meeting	Board – All, McCollough	RPU
Wed, Nov 12	SMMPA Board Meeting (@ WES)	McCollough (as SMMPA)	Rochester, MN
Thu, Nov 20 – Fri, Nov 21	SMMPA Board Retreat	McCollough (as SMMPA)	Prior Lake, MN
Tue, Nov 25	RPU Board Meeting	Board – All, McCollough	RPU





QUESTIONS