

8.A. General Manager's Report

Rochester Public Utilities Board Meeting
August 26, 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**

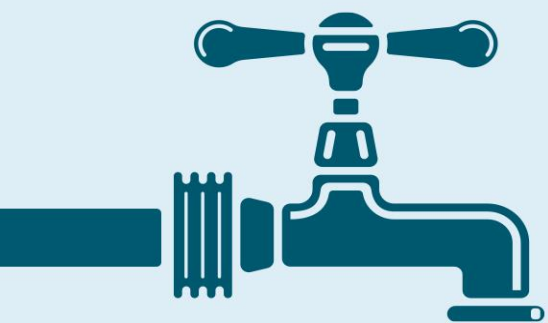
**131
YEARS**

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

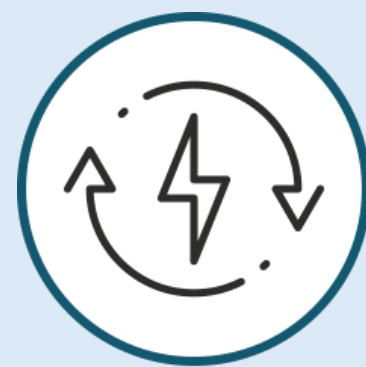


RELATIONSHIPS



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

MMUA Summer Conference Report

Silver Lake Dam Modification Project Update

Budget Discussion with City Council Update





Monthly Updates | August 2025



Final Safe City Nights of the Year:

RPU hosted a booth at the final Safe City Nights event of the summer. Staff attended all four events this season, enjoying the opportunity to connect with community members and share information about RPU programs and services.



Well 16 Visit:

RPU hosted attendees of the EPA Region 5 Source Water Protection Meeting at Well 16, sharing its history, current use as a monitoring well, and an overview of Rochester's water system. Monitoring wells at the site provide valuable groundwater quality and quantity data to help evaluate potential future water sources.



ASHRAE Golf Tournament:

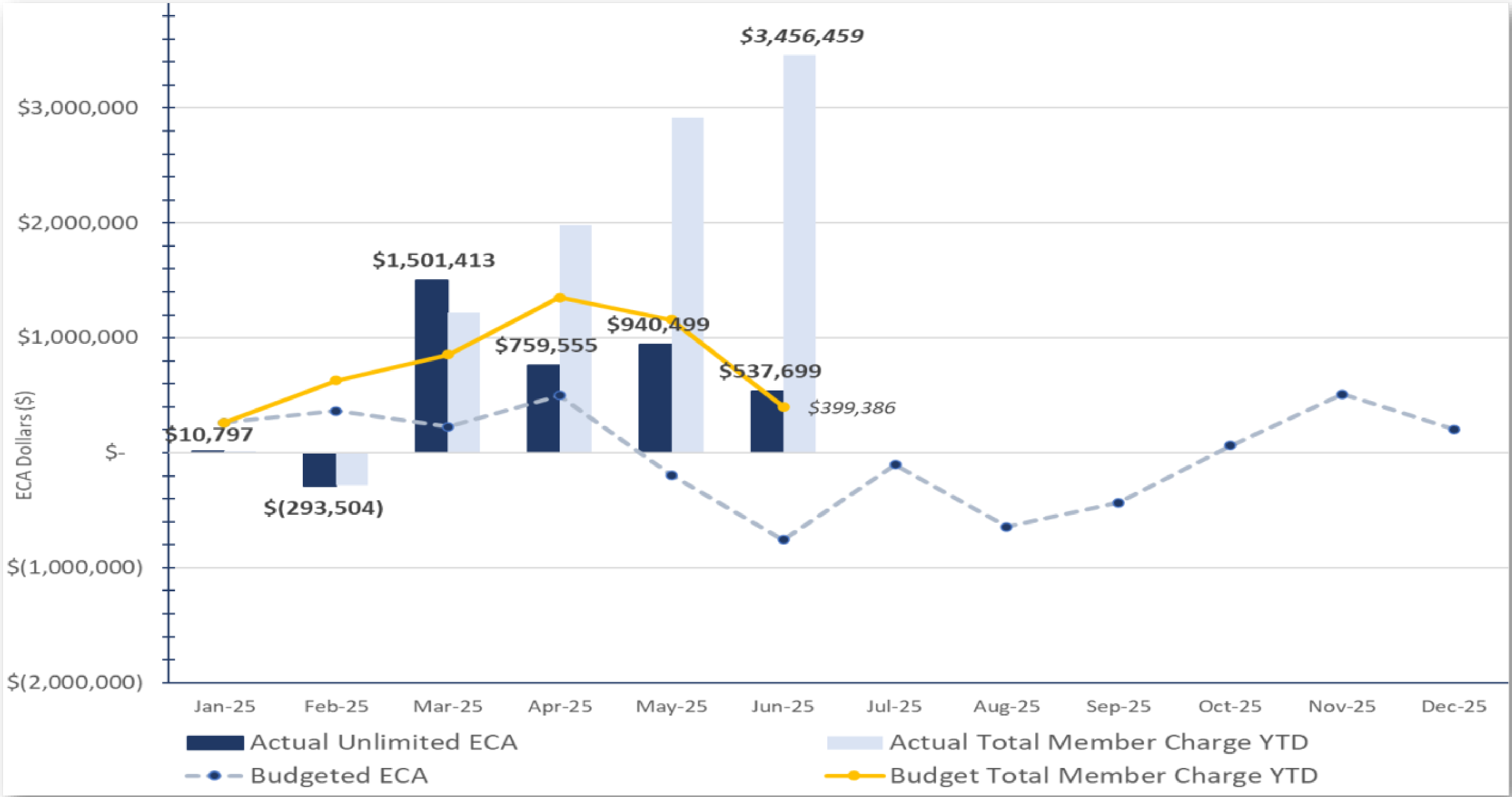
RPU sponsored a hole and assisted at the American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) Golf Tournament. RPU partners with ASHRAE on many programs that promote sustainability, energy efficiency, and innovation, and the event was a great opportunity to support their mission and connect with industry professionals.

Lead Service Line Replacement Outreach – Slatterly Park:

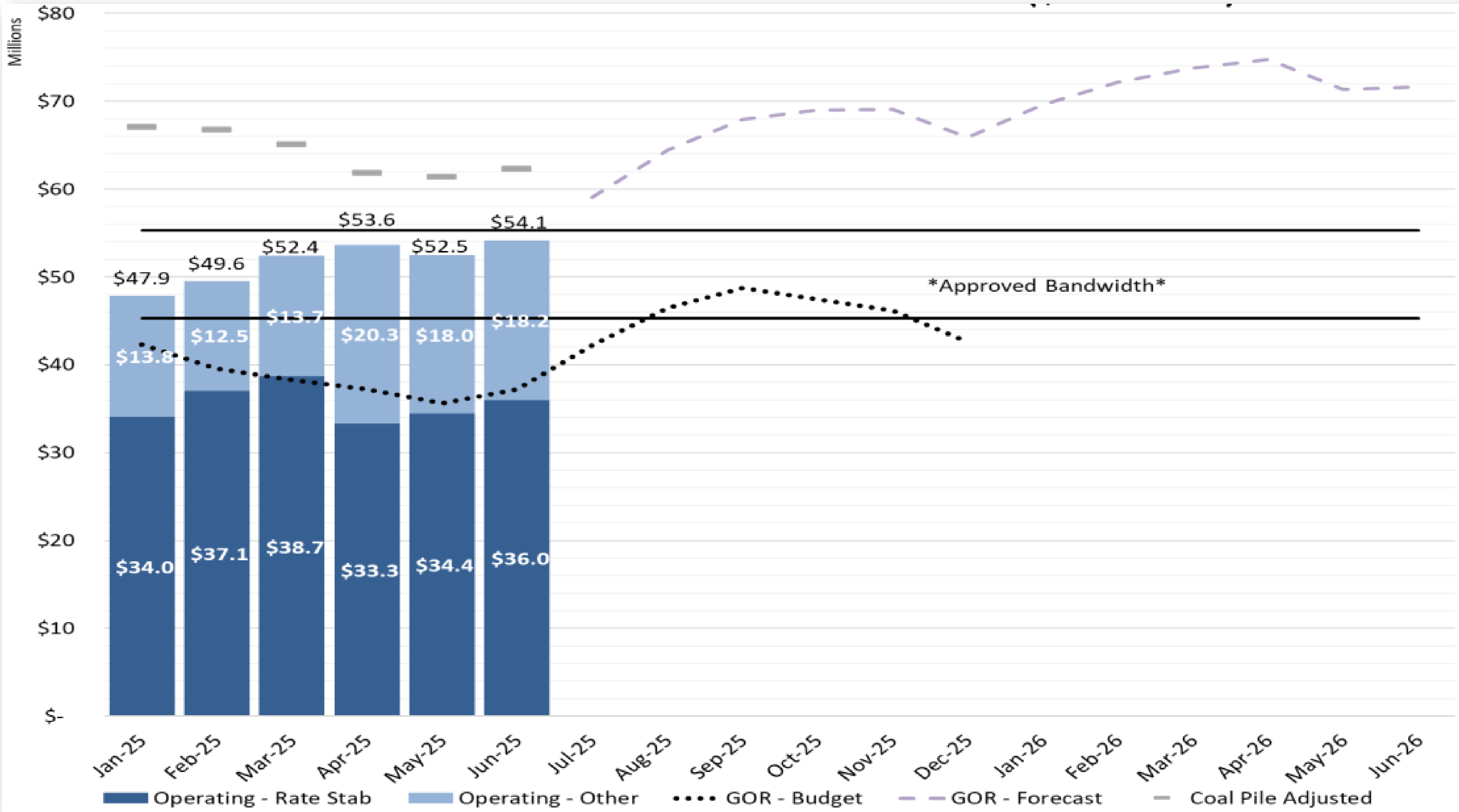
RPU water department staff attended the Slatterly Park Neighborhood Meeting and Potluck to share information about the Lead Service Line Replacement Program. Many residents in the neighborhood are eligible for replacement, and in-person outreach helps explain the program and its benefits.



SMPMA | Energy Cost Adjustment (ECA)



SMMPA | General Operating Reserves



SMPA | Capital Financing Policy Revision Approval

Background

- Capital Financing Policy is one of three strategic financial policies that work together to provide decision-making guidance
- Updated on a three-year cycle (last updated in 2022)
- Market conditions and industry trends have changed
- Opportunity to update document to create flexibility and opportunity for SMPA
- Revisions recommended by Chris Lover & Joe Visalli (PFM)
- PFM led discussion with SMPA Finance & Audit Committee

Proposed Changes – Capitalized Interest (Page 5)

- Capitalized interest is often used for large projects, where the in-service date is well after the initial funding requirements
- Allows payments to be deferred until the project is complete, operating, and generating revenues
- Policy addition to match expected commercial operation date of the asset to the capitalized interest period, factoring in potential construction delays



SMMPA | Legislative & Regulatory Activity

EPA Issues Reconsideration of 2009 Endangerment Finding

- Resulting from the 2007 Supreme Court decision in Massachusetts v. EPA, the EPA's endangerment finding determined that six greenhouse gases (GHGs) including carbon dioxide, methane, and nitrous oxide pose a threat to public health and welfare and provided the legal basis for regulating GHG emissions under the Clean Air Act.
- The Trump administration has proposed to repeal the 2009 endangerment finding, arguing that the EPA lacked the legal authority to determine that GHGs endanger public health and welfare.

FEMA Reform Proposals

- H.R. 4669, the Fixing Emergency Management for Americans (FEMA) Act of 2025, was introduced in the House on July 24 and APPA and SMMPA will watch the legislation closely.
- The bill includes a promising provision that generally directs FEMA to reimburse utilities (and others) no later than 120 days after requests are submitted.
- The bill would also establish FEMA, currently under Homeland Security, as a cabinet-level agency.

Low Income Home Energy Assistance Program (LIHEAP)

- The Senate appropriations committee recently approved the HHS Appropriations Act on a 26-3 vote.
- The bill includes a slight increase in LIHEAP funding, which is promising as the administration's HHS budget request proposed eliminating the program.
- However, reports from Washington are that the LIHEAP staff have now been permanently fired, leaving questions about how the program will be administered when the new fiscal year starts on October 1.

MN Public Utilities Commission Carbon Free Standard (CFS) Rulemaking

- On July 17, the PUC held a lengthy hearing on rulemaking for the CFS.
- The PUC passed an order that contained the following:
 - Compliance with the CFS may be demonstrated with RECs registered with M-RETS.
 - The percentage of annual net market purchases that are carbon-free will be based on the average annual fuel mix associated with the MISO North, Zones 1-7.



MMUA | Summer Conference Report



MMUA Summer Conference Report | Highlights

- **Facility Tours:** RPU provided transportation for attendees to tour the Government Center's closed-loop heat exchanger geothermal system and facilitated tours of RPU's Service Center and the West Side Energy Station.
- **Conference Presentations:** As part of the Monday pre-conference workshops, I joined Brian Lindamod of Questline and Brian Taylor of CDE Lightband to present *AI and Municipalities*. On Tuesday, as part of the Governance Learning Track, I presented *Electricity 101: How it Works and How it Doesn't*.
- **St. Cloud Next Year:** St. Cloud will be hosting the MMUA Summer Conference next year. Please mark your calendars for August 17-19 if interested.
- **MMUA Dues Formula Change:** A resolution was passed to change the forward dues formula. The total revenue driver was removed and only a MWh charge by member population tier was implemented with a cap.

Dues for Regular members shall be based on the five-year average of product sold during the calendar years 2019 to 2023 according to the US Energy Information Administration.

Level 7: Cities with a population more than 100,000 shall pay \$0.2298100 per megawatt-hour (MWh) sold up to a maximum of \$80,000.

- The old formula was as follows:

- (4) If your city's population is more than 5,500 and your sales are in excess of 750,000 megawatt-hours, your dues are calculated at the rate of \$.2066165 per megawatt-hour up to a maximum of \$68,340, plus .005262% of electric revenue less revenue from sales to any customer that has been granted an exemption from the CIP program.



Silver Lake Dam Modification Project | History

- Silver Lake Dam Modification Project
 - The main goals of this project are to (1) reduce long-term operation and maintenance costs associated with the existing dam, (2) improve safety and accessibility, (3) provide environmental improvements such as improved aquatic life habitat, and (4) enhance recreational opportunities.
- On June 17, 2025 City Council approved completing 100% design on the dam modification project and to negotiate the receipt of the State of MN Outdoor Heritage Fund Silver Lake Dam Fish Passage Grant (\$2.368M).
- RPU has committed to contribute towards the project based on previous Board direction. The November 2020 RPU Board decision dedicated \$1.24M toward the project effort with the understanding the no future costs for the dam would be the responsibility of RPU rate payers. The 2019 cost estimate this amount is based upon is in 2019 non-escalated dollars with no contingency. The original 2024/2025 budget includes \$1.24M for dam maintenance. The revised 2025 budget will include \$760k in 2026 and change this to a multi-year project. By approving the 2025 budget in the Fall of 2025, the RPU contribution will expand from \$1.24M previously approved to a \$2M contribution based on updated cost assumptions. A 5-year routine inspection on the dam is scheduled to be completed later in 2024.







www.rpu.org

Silver Lake Dam | Modification Project – Costs & Funding Sources

	2020 BONDING REQUEST	2023 UPDATE	2025 ESTIMATE
NORTHSHORE TRAIL	\$1,852,000	\$2,100,000	\$2,612,000
DREDGING	\$5,180,000	\$5,700,000	\$5,100,000
DAM MODIFICATION	\$4,070,00	\$4,500,000	\$7,188,000
BRIDGE PIER			\$200,000
TOTALS	\$11,102,000	\$12,300,000	\$15,100,000

- Cost Impacts
- Trail-maintaining ADA Compliance, grading within City lands and the need for retaining walls, 10-yr storm protection,
- Dam Modification- Area west of Broadway not compliant with DNR requirements from spillway scour requires additional rock rapids and impact basin, limitations on locally sourced rocks, additional work with East Shoreline additional work

North Trail – DNR Grant, Park Matching Funds, 1989 Flood Control Reserves

Dredging – 1989 Flood Control Reserves, 2023 Flood Control Funds, Stormwater

Dam Modification – RPU, Lessard-Sams Outdoor Heritage Council Grant, 1989 Flood Control Reserves

Bridge Pier – Trail system CIP funds, Park Funds or 1989 Flood Control Funds

- Continue to look for ways to reduce costs
- Package project components in the request for bid to aid in removing portions



Silver Lake Dam | Modification Project – Next Steps for Public Works

- Obtain Final 404/408 Permit from USACE- Currently Under Review
- Obtain Final DNR Permit - Currently Under Review
- Obtain MPCA Permit Required with the 404 Permit - Currently Under Review
- Historic Preservation Commission Review - Meeting after SHPO review of the 408 permit submittals
- Finalize Preliminary Funding Sources Based on the Engineer's Estimate
- Advertise for Bids
- Finalize Funding Recommendation and Bring Bids to Council for Approval





Budget, Renewables, & RE Goal Scenarios | Decision Timeline

	August	September	October	November	December
RPU Board Other Board & Commission Meetings <i>Potential? or Scheduled Community Engagement Opportunities</i>	5 RPU Special Budget 2026-2027 RPU Proposed Budget 11 Commence GreatBlue Customer Research 26 KROC Interview 26 RPU Authorize Renewable PPAs Review RE Goal & Rate Scenarios 27 North Star Chapter of the Sierra Club	9 Chamber LGAC Review RE Goal & Rate Scenarios 10 Sustainability & Resiliency Commission Review RE Goal & Rate Scenarios 30 RPU Present GreatBlue Customer Research Select RE Goal & Rate Scenario Approve 26/27 Rate Notifications Legislative Priorities	1 Local Chapter of the Center for the American Experiment 28 RPU Approve & Recommend to Council 2026-2027 Budget, Rates & Tariffs	25 RPU	16 RPU
City Council Meetings (SS = Study Session)	4 18 SS 18 25 SS 26/27 Budget (RPU)	3 SS 26/27 Budget 8 Authorize Renewable PPAs 15 SS 26/27 Budget 22 Adopt Prelim Budget & CIP 29 SS Resource Plan RE Goals & Rate Scenarios	6 13 SS 20 27 SS Legislative Priorities	3 10 SS Final Budget Review (if needed) 17 24 SS	1 Adoption of Budget Confirmation of Mayoral RPU Board Appointment 8 15, 22., 29 No Meetings
Consideration & Adoption of the 2026/27 Budget Authorize Renewable Energy PPAs Consider Alternate Renewable Energy Goal with Rate & Risk Scenarios					

GreatBlue Customer Research on Alternate RE Scenarios | Final Survey

Prior to this survey, were you aware that RPU set a goal in 2019 to deliver 100% net renewable electricity by the year 2030?

Yes

No

This next section of the survey will focus on your awareness of and perceptions toward RPU’s goal to provide 100% net renewable electricity. When answering the following questions, please keep in mind the following definition of net renewable energy:

100% net renewable energy means all electricity used over a year is matched by renewable generation, though not necessarily hour by hour or day by day. Other energy sources will still be used during periods of low renewable output to ensure reliability, as long as total use is offset annually with renewable energy credits or the equivalent.

How much do you support or oppose RPU’s goal of providing 100% net renewable electricity by 2030?

Strongly Support

Somewhat Support

Somewhat Oppose

Strongly Oppose

In 2023, Minnesota passed the Carbon-Free Standard, establishing legally binding carbon-free electricity goals for all utilities, including Rochester Public Utilities. For municipal utilities like RPU, the law requires:

- 60% carbon-free electricity by 2030
- 90% by 2035
- 100% by 2040

Like RPU’s existing net renewable energy goals, these targets are measured by matching annual electricity use with carbon-free energy generation. While both sets of goals aim for 100% clean electricity, RPU’s original plan targets 100% by 2030, and the state’s law steps up more gradually and targets 100% by 2040.

Before this survey, were you aware that Minnesota established the Carbon Free Standard?

Yes

No

This customer research is scheduled to start Aug 11 and results will be complete by Sep 2.



GreatBlue Customer Research on Alternate RE Scenarios | Final Survey

We'd like your input. Which renewable energy goal do you prefer RPU to pursue?

Since RPU's goal was originally established, rising energy costs and changes to federal tax laws have significantly increased the costs of both renewable and non-renewable power generation. As a result, RPU is evaluating whether to stay the course toward the original 2030 goal or to adjust the timeline by aligning with the State of Minnesota's Carbon-Free Standard, which requires 100% carbon-free electricity by 2040.

Current goal – 100% net renewable by 2030

This option aims to achieve 100% net renewable electricity by 2030 through a more accelerated transition. It would result in an estimated annual customer rate increase of about 6% through 2030, totaling approximately a 34% increase by that year. This pathway would reduce greenhouse gas emissions from RPU's power supply by roughly 90% by 2030, delivering earlier climate benefits and supporting stronger environmental leadership. Both renewable energy goals are anticipated to maintain the same high level of reliable service.

Alternative goal – 100% net renewable by 2040

This option follows a more gradual transition aligned with Minnesota's carbon-free standard. It would achieve 60% net renewable electricity by 2030, 90% by 2035, and 100% by 2040. Customer rates would increase by an estimated 4% annually through 2030, totaling around a 22% increase by that year. This pathway would reduce greenhouse gas emissions by about 70% by 2030, offering a balance of steady progress with lower near-term cost increases. Both renewable energy goals are anticipated to maintain the same high level of reliable service.

I prefer the Current Goal – 100% net renewable energy by 2030

I prefer the Alternative Goal – 100% net renewable energy by 2040 aligned with the MN Carbon Free Standard



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

Wed, Sep 10	SMMPA Board Meeting	McCollough	Redwood Falls, MN
Mon, Sep 22	SMMPA Budget & Rates Workshop	McCollough	Owatonna, MN
Mon, Sep 29	City Council SS – Resource Plan	McCollough, Bullock	RPU
Tue, Sep 30	RPU Board Meeting	Board – All, McCollough	RPU
Sun, Oct 5 – Fri, Oct 10	APPA Public Power Week		Nationwide
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	Keane, Board – TBD, McCollough	Bloomington, MN
Tue, Oct 28	RPU Board Meeting	Board – All, McCollough	RPU
Wed, Nov 12	SMMPA Board Meeting (@ WES)	Board – TBD, McCollough	Rochester, MN
Thu, Nov 20 – Fri, Nov 21	SMMPA Board Retreat	McCollough	Prior Lake, MN
Tue, Nov 25	RPU Board Meeting	Board – All, McCollough	RPU
Mon, Dec 1	City Council – Budget & Board Appt.	McCollough	Council Chambers
Wed, Dec 3 – Thu, Dec 4	MRO Q4 Board Meeting	McCollough	St. Paul, MN
Wed, Dec 10	SMMPA Board Meeting	McCollough	St. Peter, MN
Tue, Dec 16	RPU Board Meeting	Board – All, McCollough	RPU



QUESTIONS