

Investment Through Engagement

2007 Annual Report



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Letter from Management

“Green” Initiatives

2007 marked the year that we took major steps in energy conservation and emission reduction efforts to become one of the most environmentally focused utilities in Minnesota. These initiatives resulted in energy conservation of more than 14 million kilowatt-hours and will soon result in a significant reduction in emissions at the Silver Lake Plant.

While energy conservation efforts are not new to our company, they were more successful this year than ever before. For a number of years we have increased our funding allocated to reducing energy consumption, and this year we focused on aggressive demand-side management efforts. This included working with local residents and businesses in Rochester to become more energy efficient. Our efforts were well received as indicated by the response from our ratepayers and local stakeholders.

Additionally in 2007, we “put our money where our mouth is” by moving from the planning stages to actually breaking ground on our biggest environmental project yet. The RPU Utility Board gave us approval to begin work on a \$37 million Emission Reduction Project

(ERP) on the Silver Lake Plant’s largest generating unit. This represents the single most expensive project RPU has undertaken to date—but more importantly, a significant reduction in emissions of sulfur dioxide, nitrogen oxides, mercury and particulate matter will be realized.

A project of this magnitude requires engagement from many stakeholders – ranging from the Utility Board and City Council to staff and customers. RPU considered customers and other stakeholder’s feedback during project planning and now, six years after the ERP began, we are well on our way to making it a reality. We broke ground Sept. 25, 2007, with start-up and commissioning slated for early 2009.

The ERP is being funded by revenue bonds, paid by ratepayers in the form of a Clean Air Rider. Earlier this year, in anticipation of selling bonds, we requested a review of our fiscal performance from rating agencies Moody’s and Fitch. We received a rating increase from A+ to AA- from Fitch based on our strong financial position, available power resources, strength in service territory and increased liquidity. This

increase will help our customers by lowering the interest paid on the bond over the next 22 years. Moody's reaffirmed their Aa2 rating of RPU.

Financial Position

Along with our bond rating strength, our financial position continues to strengthen in other areas as well. Our electric and water retail sales were strong this year despite a downturn in local housing sales. Despite seeing a decline in the new housing developments, there was steady growth in the commercial and industrial business in Rochester. This year electric sales topped at 1,307,897,342 kilowatt-hours, a 3.3 percent increase from 2006. Additionally, 2007 was a record year for the water utility. We set a new single day pumpage record of 30.23 million gallons on August 1 and a new annual pumpage record of 5,110,075,500 gallons.

Our involvement in the, still volatile, Midwest Independent System Operators (MISO) market continues to be a learning experience, but one that has been very favorable for us. Our success in the market this year brought in an additional \$18,836,092 in revenue.

While we found financial success this year in the MISO market, we are continually looking to further strengthen our financial position by meeting our long-term financial goals. In fact, we set a goal three years ago to raise reserve levels to 100 percent of our target levels by 2010, and we are excited to say that we are fully on track to achieve this goal. Our financial soundness should serve us well as we continue to look at borrowing to improve and extend infrastructure as the community continues to grow.

Reliability

We attained strong water reliability statistics again in 2007, due to a few key additions to our water utility. We added 4.9 miles of water main, 141 new main line valves, and 57 new water hydrants to our already robust water infrastructure. Wellhouse #39, located in southeast Rochester went online in June and we replaced three pumping units throughout the city of Rochester. These additions came just in time, as we set both a new single day and annual pumpage record, despite slower growth in new residential services than previous years.

Slower growth in the electric utility gave us the opportunity to address some much needed system maintenance that we previously weren't able to fully attend to due to exponential growth over the past five years. One such maintenance project included completing a 10 year pole replacement project which included replacing 450 poles in the 261-mile overhead portion of our electric system and reinforcing an additional 100 repairable poles throughout our service territory.

We are always cognizant of the need to prepare for the future by planning infrastructure that ensures the availability of necessary power in years to come. As a partner in the CapX2020 transmission initiative, we are supporting enhancements to the regional electric grid to ensure future reliability. In 2007, CapX2020 member utilities took the first major step, by filing the Certificate of Need for transmission projects, including a southeast Twin Cities–Rochester–LaCrosse, WI line. We will continue to work closely with our customers and stakeholders through an open feedback process throughout this project.



Leadership

RPU's many accomplishments and successes in 2007 including the rating increase from Fitch, a Midwest Energy Efficiency Alliance award, and favorable participation in the MISO market, can be attributed in part to the strong leadership and direction set for us by the Utility Board. This year we added fresh perspectives on the Utility Board, as we had turnover in two board positions when Mark Utz and Sue Parker departed. Both members proved invaluable to RPU during a time when we were taking large strides toward the next level of service and product offering.

As fate would have it, Sue Parker did not stay away from RPU for long. She joined RPU as the director of corporate services, replacing Curt Kraft who retired this year after 28 years of service.

Dave Reichert filled Sue's position on the Utility Board. He is a 24-year resident of Rochester and is the facilities engineering manager for the Rochester IBM facility. Dave brings a vast knowledge and background in energy conservation and environmental issues to the position.

Roger Stahl filled Mark's position on the Utility Board. Roger is an attorney and longtime resident of Rochester. He brings a background in real estate and corporate law, along with volunteer contributions to many local organizations. His unique mix of professional and volunteer experience will benefit the Utility Board and customers alike.

Responsibility

We continue to pursue a mutual resolution in our litigation with our wholesale energy provider Southern Minnesota Municipal Power Agency. Unfortunately, to this point, we have not been able to resolve this ongoing legal dispute. We are dedicated to keeping electric rates reasonable and minimizing future rate increases to our customers as a result of future generation expenses.

Goals

In 2007, Minnesota passed groundbreaking energy legislation, with the rest of the nation likely to soon follow. Governor Tim Pawlenty's aggressive "25 by 25" proposal calls for electric utilities to provide 25 percent of their energy from renewable sources by 2025. The 25 by 25 proposal was bundled with

other sweeping energy initiatives and passed under the “Next Generation Energy Act 2007.” This act included plans to address carbon emissions and an increase in the production and availability of BioEnergy and BioFuels. We are already on the right track to meeting these goals.

Summary

We have had a banner year, marked by many accomplishments and successes. The effort and drive that we have put forth in 2007 provides a strong base from which we can deliver better service to our customers. More importantly, we will continue to build strong customer relationships that will support open dialogue and engagement with our stakeholders that has proven to be a mark of our success.



Richard Landwehr, Board President



Larry Koshire, General Manager





Environmental Stewardship

At the Forefront in 2007

Emission Reduction Project

A September 25 groundbreaking ceremony at RPU's Silver Lake Plant (SLP) marked the beginning of the \$37 million dollar Emission Reduction Project (ERP), which is the single largest investment in RPU's history.

A thorough investigation into all viable options for SLP led staff, vested stakeholders and the Utility Board to conclude that the plant is still a necessary resource and that pollution control enhancements would be necessary for further operation of the plant. The group based their decision on two key components that contribute to the continued value of SLP. First, in 2005,

we began selling energy from SLP into the Midwest Independent System Operators market. Second, we have signed a steam supply agreement with the Mayo Clinic that is supported by the plant. Since keeping the plant meant additional output, the air emissions discussion started immediately, resulting in the ERP.

The ERP is projected to reduce sulfur dioxide by up to 85 percent, nitrogen oxides by up to 60 percent, mercury by 80-90 percent, and particulate matter by a significant amount. The plan involves improving the 55-megawatt Unit 4 by adding a state-of-the-art scrubber and baghouse system for treating flue gas



emissions. These emissions include nitrogen oxides (NO_x), sulfur dioxide (SO_2), mercury and particulate matter. The components making up the system include:

- a fabric filter baghouse
- a fly ash system for greater fugitive emission control
- a dry scrubber that generates a chemical reaction to reduce the sulfur dioxide to a non-intrusive calcium sulfate



While formulating this project in 2005, the Environmental Protection Agency issued a new Clean Air Interstate Rule calling for the permanent capping of emissions that directly affect the air that we breathe including SO_2 and NO_x . This further proves that we are heading down the right path with the ERP.

Start up and commissioning of the ERP is scheduled for 2009.

Conserve & Save 2007

Conservation efforts through our Conserve & Save rebate program have yielded more than 25 million kilowatt-hours (kWh) in savings over the past two years. Based on the numbers of rebate applications submitted, it is clear that our customers want to work with us to be more energy efficient. For this reason, we strive to be a resource to customers on energy conservation.

Even with our high number of rebate applications, we received feedback that some customers were still unaware of all of our available rebate offerings. This was a pleasant surprise, revealing an opportunity for further program growth. With this valuable information in hand, we implemented a high-impact advertising campaign to build the awareness of the Conserve & Save program.



Our campaign included a mix of television, radio, internet banner ads, digital billboards and newspaper ads. RPU saw an excellent response to the campaign, which successfully surpassed our kWh savings goals and set into place a strategy for achieving an unprecedented level in energy conservation.

Our aggressive energy conservation efforts this year resulted in energy savings of more than 14 million kilowatt-hours.



The Midwest Energy Efficiency Alliance (MEEA) recognized these efforts with the Inspiring Efficiency through Marketing Award. We earned the award for our proactive and creative approach to energy conservation. MEEA presents the award annually to the nominee that has engaged in or supported a marketing campaign, program, strategy or idea to increase the adoption of energy efficient products and/or best practices in the Midwest region.

Environmental Achievement Awards

This year marked the 15th Annual Environmental Achievement Awards, sponsored by RPU and the Olmsted County Environmental Commission. The goal of the awards is to:

- promote the innovative approaches to environmental challenges
- encourage environmental thinking in both business and farm decision-making
- develop an environmental and conservation ethic in Olmsted County.

Award nominees must meet a number of criteria and be nominated by a third party. A committee of RPU and Olmsted County staff members chooses final award recipients.

Over the past 15 years, we have recognized many local citizens and organizations for their environmental and conservation efforts. This year's award recipients include:

- **Intercultural Mutual Assistance Association (IMAA)**, the only two-time award recipient. Awarded in 2006 for implementing a recycling program, this year they earned an award for "green" building practices in their new facility. The building is one of the first buildings in Olmsted County to include this level of energy efficient applications.
- **Residences of Old Town Hall**, who completed a comprehensive retrofit project to bring their 40-year-old structure to the efficiency level of many of today's new buildings. This included new windows, roof insulation, an energy-efficient elevator system, lighting and high-efficiency air conditioning.
- **Zumbro Valley Mental Health Center**, one of two recipients that used geothermal heat pump technology (the other being IMAA). The health center incorporated a man-made lake in their backyard to support a geothermal heat pump system that would heat and cool their entire campus. They also included a number of energy efficient applications in the construction of their facility, which will pay dividends for years to come in both comfort and energy savings.
- **Lance Sorensen**, who served a 10-year term as a member of the Hiawatha Valley Resource Conservation and Development. His service included many contributions in the way of tree seeding, utilizing wood product and surplus of wood byproducts and buck-thorn control.
- **Seneca Foods**, which undertook a large lighting upgrade in their freezer warehouse to reduce energy consumption by more than 3.3 million kilowatt-hours annually. The upgrade included replacing nearly 600 light fixtures with energy-efficient fixtures and occupancy sensors. Additionally, the reduction of heat from the old fixtures



caused a significant reduction in output of the ammonia compressors used to cool the facility.

- **Hy-Vee Food Stores**, which recently added a full selection of biodegradable and recycled paper products, beauty products and personal hygiene products to their store shelves in Rochester.
- **Andy Masterpole**, a landscape architect. Andy has practiced low-impact development on projects for the past six years. This type of landscape architecture takes into account the effect of runoff and the need for storm water management, maintaining the integrity of the site in the long-term.
- **Project Green Fleet**, which formed as a partnership between businesses and government agencies. They work to

reduce the emissions from Minnesota school buses and other diesel fleets. One of the organization's project goals is to reduce crankcase emissions by at least 90 percent on retrofitted school and transit buses. RPU was a major supporter and financial contributor to Project Green Fleet.

- **Mayo High School's Energy Conservation Operation Group**. The group has taken the lead in educating and changing students' behavior on issues involving the environment, energy and climate change. A recent project included selling compact fluorescent light bulbs (CFLs) to students and faculty and educating them on why CFLs are a smart decision for energy conservation.





Arbor Day 2007

Our annual Arbor Day celebration is an event that both employees and customers look forward to each spring. This year was our largest event yet, drawing an estimated 900 people, including 500 local elementary students, to our afternoon celebration in Rochester's Central Park.

With the help of many local nurseries and tree experts, we handed out more than 1,600 trees to be planted throughout the community. By promoting and educating the local community about the benefits of trees, we hope to preserve the natural beauty of our neighborhoods.

Of course, trees have additional benefits beyond the aesthetic value. According to the U.S. Department of Agriculture, one acre of forest absorbs six tons of carbon dioxide and emits four tons of oxygen. That is enough to meet the annual needs of 18 people. And the USDA Forest Service states that trees that are properly placed around buildings can reduce air conditioning needs by 30 percent and can save 20 to 50 percent in energy used for heating.

This year, Rochester celebrated 25 years as a "Tree City USA," designated by The Arbor Day Foundation along with the USDA Forest Service and the National Association of State Foresters.

We were especially proud to have our event named as the official Arbor Day event for the State of Minnesota for 2007.



Hybrid Energy System Study

RPU first approved the Hybrid Energy System Study (HESS), a three-year study into the relationship of combining a fuel cell and a geothermal heating and cooling system, in 2002. With some innovation of our own, we are taking that base study and expanding it to potentially include a fully-operational “green” micro-grid system.

This year the University of Minnesota, our partner in this ground-breaking venture, was awarded 22 of 23 patent claims. With the patent approved, we can now move forward with possible commercialization. In the next phase of HESS, referred to as “Evolution I,” we will research, develop, and demonstrate a cost-effective and profitable energy distribution system based on “green” micro-grid and macro-grid technologies. To help finance “Evolution I,” currently slated as a \$6 million research project, we have submitted a \$3 million grant request to the U.S. Department of Energy. We hope to be awarded the grant in the near future.

Will Steger Global Warming Solutions

As part of our unrelenting effort to bring community awareness of environmental issues to Rochester, we felt honored when asked to help bring Will Steger to speak in Rochester this year.

Will Steger is a well-known polar ice cap explorer and a formidable voice for the preservation of the Arctic and the Earth. Through 40 years of explorations, he has seen many changes to the polar ice caps. At the Global Warming Solutions event, Will shared his personal account of these changes with 500-plus members of the Rochester community. He spoke specifically of the Larsen Ice Shelf, located along the east coast of Antarctica, and the effect climate change has played in its degradation and future demise. These first-hand stories really resonated with the crowd.

J. Drake Hamilton, science policy director for the non-profit organization Fresh Energy, followed Will’s speech with possible remedies to climate change and ideas of what people can do to help. She noted that carbon emissions were largely at fault for the rapid decrease in the Earth’s ice caps and climate change.

At the culmination of the evening’s events, RPU handed out 500 compact fluorescent light bulbs (CFLs) to the attendees and spoke to both the benefits of using CFLs and the positive impact they have on the local community and environment.





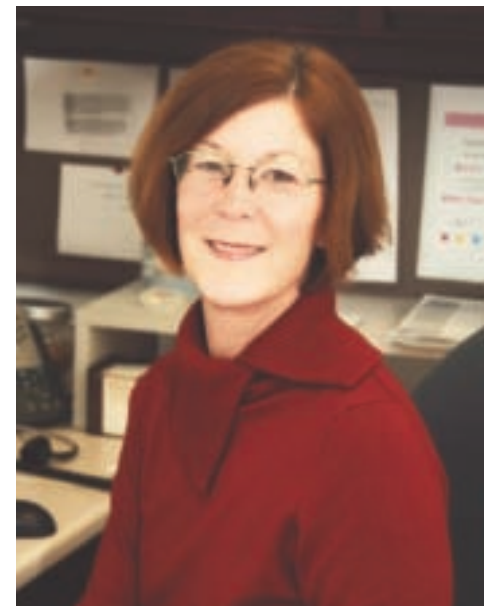
The Power of Community

As a municipal utility, serving our customers includes putting our community first – on and off the job. Our diverse workforce extends their service into the local community in a number of ways. This year, our employees logged hundreds of hours to support and help local organizations including the United Way of Olmsted County, Christmas Anonymous, Child Care Resource and Referral, and the Crisis Unit of Olmsted County.

Kiwanis West

Mary Tompkins, manager of customer service, has enjoyed being a part of Kiwanis West for the past two years. The Kiwanis mission is to change the world one child and one community at a time. Mary was recently named 2nd Vice Chair of the Kiwanis West and participates in many of the fundraising events that Kiwanis does for local charities and organizations. As 2nd Vice Chair, Mary will serve a one-year term before becoming Vice Chair.

Fundraising events that Mary has been involved in include the Kiwanis and Wells Fargo 15th Annual Hockey Festival and the 8th Annual “Souper” Bowl, benefiting Child Care Resource and Referral Crisis Nursery.



Adopt-a-Family

RPU employees were involved again this year with the Lutheran Social Service, who celebrated its 20th year of organizing the Adopt-a-Family program. For 11 of those years, RPU has assisted by fund-raising, buying, and wrapping presents to be given away to help local families in need during the holiday season.

In 2007, the Adopt-a-Family program provided gifts for 533 families, or about 1,200 people in need. Adopt-a-Family helps clients of Olmsted County Community Services not served by

other programs such as the Salvation Army or Christmas Anonymous. The program accepts anyone in need or experiencing difficult times in his or her life.

The Crisis Unit of Olmsted County had a special request last year for warm clothing and candy for children. Kathy Wilson and other RPU employees contributed to meeting this request, ensuring many local families in need would stay warm and comfortable last winter season.

United Way of Olmsted County

Supporting the United Way of Olmsted County has become a tradition within RPU and other city departments. Our support in 2007 rang loud – to the tune of more than \$20,000 – an increase of 7.4 percent over the amount raised in 2006.

Fundraising for the United Way Campaign is an opportunity to have some fun at work while raising money for a worthy cause. Internal fundraising events such as our taco fiesta and indoor miniature golf game helped us to surpass our goal again this year. Money raised during the annual United Way campaign goes to fund local programs and to support local organizations within Olmsted County.





Secret to Reliability

Ensuring reliability continues to be an important part of our business, but maybe never more important to the local economy than now. The addition of many large developments and projects, including the University of Minnesota Rochester campus, Shoppes on Maine and the new Minnesota Biobusiness Center, makes it imperative that we stay connected to the business community. We must do everything that we can to ensure safe, reliable electricity and water to the growing business community.



Ten years ago, we contracted with Osmose Company to inspect the integrity of our entire infrastructure of overhead utility poles. This effort was the start of our plan to institute a schedule for regular pole inspection and necessary repair or replacement. A majority of our poles are western red cedar poles, which provide a balance of useful longevity and functionality for our system. The average life expectancy for these poles is 40 years.

When Osmose Company inspected more than 13,000 poles, they were looking for decay in the base of the pole or structural integrity issues that can arise. Of the 13,000 poles, 450 needed to be replaced by us with an additional 100 that needed to be repaired or reinforced. The setting of



a new pole can take over a day to complete and can usually be done without interruption of service. This year, we were able to finally complete our pole replacement project to help ensure reliable power to our customers long into the future.

Even with the best in materials for infrastructure extension and improvement, there are conditions that are out of our control that will affect reliability. For this reason, our people make the difference in our service reliability.

We came face-to-face with such a scenario when a torrential storm hit Rochester and the region last summer. The rain was so forceful that it created a mudslide behind the local Ronald McDonald House, which provides housing and support for families while their children are in Rochester getting medical treatment. The mudslide knocked down a utility pole, shifting a 1,000-pound-plus pad mount transformer and causing an extended loss of electricity to the facility. Fallen trees, waist-deep mud and more

rain added to the obstacles of limited space and accessibility in the already-difficult working conditions. Numerous line crews and tree-trimming crews worked tirelessly to get the service back on for the Ronald McDonald House. We saw that while even the best in electric poles and lines could not have prevented the outage, the crews and other workers provide the true strength in times like these.

Our commitment to reliability extends beyond our service territory. When other areas are devastated by a natural disaster and we are asked for help, we will often assist. This was the scenario when the Missouri Public Utility Alliance sent a mutual aid request to the Minnesota Municipal Utilities Association in January. Ice and windstorms had devastated Nixa, MO, damaging much of their electric infrastructure and, in areas, taken it out of commission completely.

Soon after we received the request for aid, three RPU line workers were on their way. With a stocked bucket truck, Jeff Wagenaar, Chuck Floeter, and Matt Tupper made the slow trek down to





Nixa. For much of the trek to Nixa, the line workers had to maneuver through the same weather conditions that caused the initial damage. Upon their arrival, they were welcomed with some of the worst ice conditions that they had seen in their career. RPU was one of many utilities that sent crews and materials down to Nixa to help with the restoration effort. After a week of long hours and dangerous working conditions, they were able to restore power to a majority of the area, thus enabling the residents to return to their homes.

The call for aid came again in August, only closer to home this time, in Rushford, MN. Floodwaters swept through the small southeast Minnesota city of Rushford, with more than 17 inches of rainfall recorded in some areas.

By many accounts in the local media and newspapers, this was the worst flooding that southeast Minnesota has ever seen. More than 1,700 Rushford residents were evacuated from the area. Again, we answered the call for assistance in getting the electric and water infrastructure back up. This restoration effort posed additional challenges because of the added concern of bacteria and viruses associated with the floodwater. Our crews were in Rushford for almost a week lending a hand in clean-up efforts and restoration.

We have learned through these experiences that even the strongest water pipes and the thickest wire are sometimes no match for what Mother Nature has to offer, but the strength of people together will always endure.



Investment Through Engagement

2007 Financial Statements



Management Discussion & Analysis

The following discussion and analysis of the financial results of Rochester Public Utilities (RPU or the Utility) provides an overview of the utility's financial activities for the year ended December 31, 2007. This discussion is designed to be used in conjunction with the financial statements and notes, which follow this section.

Rochester Public Utilities is a municipal utility governed by a five-member board under the authority of the Rochester City Council. Rochester Public Utilities is comprised of two separate utilities, the Electric Utility and the Water Utility.

Overview of the Financial Statements

Consolidated Financial Statements

The Consolidated Statements of Net Assets present the Utility's assets and liabilities, with the difference between the two reported as net assets. The Statement of Net Assets provides information about the nature and amount of investments in resources (assets), and the obligations to creditors (liabilities). Net assets increase when revenues exceed expenses. The Consolidated Statements of Revenues, Expenses, and Changes in Net Assets report the revenues and expenses during the periods indicated. The Consolidated Statements of Cash Flows provide information about the Utility's cash receipts and payments from operations, as well as funds provided and used in investing and financing activities.

Notes to Consolidated Financial Statements

The notes to consolidated financial statements provide additional information that is essential to a full understanding of the amounts provided in the consolidated financial statements.

HIGHLIGHTS

- Due to the City of Rochester's continued growth, 521 new electric customers and 543 new water customers were added in 2007.
- The hot summer weather had a small impact on revenues, but demand decreased in spite of the heat. Retail kilowatt-hour sales were slightly over budget, with an increase of 3.3% over 2006. The annual peak demand of 276.2 megawatts was set in July, which is lower by 4.2% from the record high of 288.3 megawatts set in July 2006.
- Retail water sales (ccf) grew at a similar rate to customer growth, coming in over budget and increasing 1.8% over 2006.
- Rate increases of 8.0% for the Electric Utility and 5.0% for the Water Utility were approved by the Utility Board in December 2006, and went into effect January 2007.
- Rates for power purchased from SMMPA (Southern Minnesota Municipal Power Agency) increased 8.5% in March 2007. Purchased power costs from SMMPA and the MISO market represented 59% of electric operating expenses for 2007.
- The cost to RPU of providing health insurance coverage to its employees increased 9.3% over 2006.
- The electric utility transferred approximately \$8.5 million, and the water utility transferred \$386,000 to the City's general fund in the form of in-lieu-of-tax payments.

- RPU has implemented some positive financial changes in recent years, one of these being the revision of the Financial Liquidity Policy in 2005. This included the division of cash reserves into four components, each with a separate purpose, and the establishment of guidelines for the development of cash reserve targets. Due to these and other changes, RPU's bond rating was upgraded from an A+ to an AA- by Fitch in 2007, and continued to be rated Aa2 by Moody's.
- In March 2007, the Utility Board and City Council authorized the issuance of \$76.7 million in revenue bonds. Of this amount, \$46.0 million is being used to finance the emission reduction project at the Silver Lake Plant, transmission line and substation work, and distribution system expansion. The remaining \$30.7 million was used to refund, in advance, the majority of the remaining 2000 bond issue. Because of the upgrade in bond rating received from Fitch prior to the bond issue, RPU was able to obtain a lower interest rate and realize substantial savings of approximately \$2.0 million on the refunding.
- In December 2007, RPU implemented a new customer care system from SAP, the same company that provides the Utility's financial software. This new system replaced a 25-year-old Legacy system, and will offer better integration with the Utility's financial software, enhanced reporting capabilities and additional features not available in the previous system that will allow the Utility to improve customer communications and service.
- In the summer of 2006, a contract was awarded and engineering began on installing emissions control equipment at the Silver Lake Plant. The construction phase of the project is now in full swing, with major material purchases and foundation work completed in 2007, and is expected to be fully completed in spring 2009. The new equipment will improve air quality by reducing harmful emissions such as sulfur dioxide, nitrogen oxides, and particulate matter.
- RPU continues to sell energy from the Silver Lake Plant and the Cascade Creek gas turbine into the MISO (Midwest Independent System Operators) market, as well as purchase power through the MISO market for all power needs above the Contract Rate of Delivery limit of 216 megawatts provided by SMMPA. The financial statements for 2007 show a positive impact on net income from this arrangement.
- RPU continues to be involved in Capacity Expansion by 2020, or the CapX 2020 project. Specifically, RPU is involved with four other utilities, Xcel Energy, Dairyland Power Cooperative, SMMPA, and Wisconsin Public Power Inc., in the future construction of a 345-kilovolt transmission line coming from the Twin Cities down to Rochester, and over to LaCrosse.
- RPU surpassed its Aggressive Demand-Side Management (DSM) goal for 2007 of 11,325 megawatt hours in energy savings. Actual energy savings of 15,815 megawatt hours were achieved through helping commercial and residential customers install energy efficient equipment and technologies. This represents a 52% increase over the previous year's energy savings.
- Legislative changes in 2007 affecting the Utility included the Next Generation Energy Act of 2007. A specific goal of this legislation is to reduce per capita energy consumption by 15% by 2015. To that end, an energy savings goal of 1.5% of annual retail energy sales was set for all Minnesota utilities to reach by 2010. For 2007, RPU's energy savings of 15,815 megawatt hours represented 1.2% of annual retail energy sales.

Financial Analysis – Electric Utility

The following discussion provides analysis of the 2007 and 2006 comparative financial information provided in the following table.

Condensed Financial Information - Electric Utility

December 31, 2007 and 2006

(In millions)

Statement of Revenues, Expenses, & Changes in Net Assets

	<u>2007</u>	<u>2006</u>	<u>Change</u>
Operating Revenues	\$ 156.8	\$ 130.7	\$ 26.1
Operating Expenses	136.0	116.3	19.7
<i>Operating Income</i>	<u>20.8</u>	<u>14.4</u>	<u>6.4</u>
Transfers			
(In-Lieu-Of-Tax Payments)	(8.5)	(7.9)	(0.6)
Other Income & Expense	3.5	2.3	1.2
Interest Expense	(3.5)	(2.3)	(1.2)
Capital Contributions	0.1	—	0.1
Nonoperating Revenue (Expense)	(8.4)	(7.9)	(0.5)
<i>Change in Net Assets</i>	<u>12.4</u>	<u>6.5</u>	<u>5.9</u>
Net Assets - Beginning of Year	121.1	114.6	6.5
<i>Net Assets - End of Year</i>	<u>\$ 133.5</u>	<u>\$ 121.1</u>	<u>\$ 12.4</u>

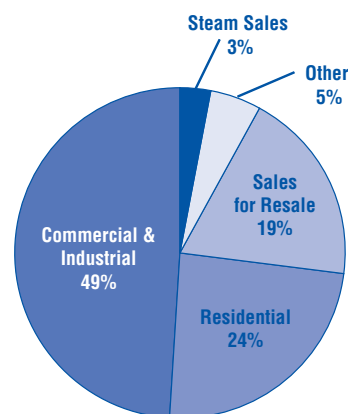
Statement of Net Assets

	<u>2007</u>	<u>2006</u>	<u>Change</u>
Cash	\$ 23.0	\$ 16.3	\$ 6.7
Other Current Assets	26.4	21.6	4.8
Capital Assets, Net	154.2	138.3	15.9
Other Noncurrent Assets	39.8	7.6	32.2
<i>Total Assets</i>	<u>243.4</u>	<u>183.8</u>	<u>59.6</u>
Current Liabilities	17.2	15.4	1.8
Long-Term Debt	90.6	45.2	45.4
Other Long-Term Liabilities	2.1	2.1	—
<i>Total Liabilities</i>	<u>109.9</u>	<u>62.7</u>	<u>47.2</u>
Invested in Capital Assets, Net of Related Debt	65.5	95.4	(29.9)
Restricted	34.0	1.9	32.1
Unrestricted	34.0	23.8	10.2
<i>Net Assets</i>	<u>\$ 133.5</u>	<u>\$ 121.1</u>	<u>\$ 12.4</u>

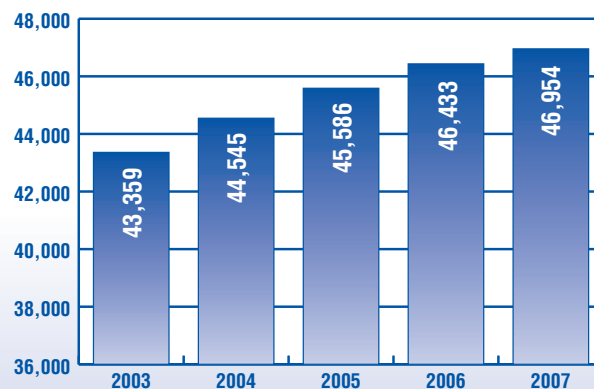
Operating Revenues

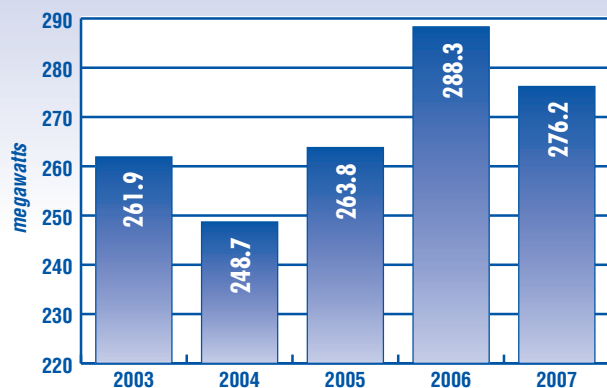
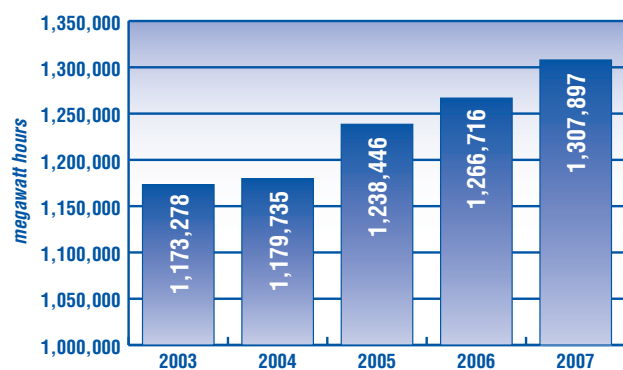
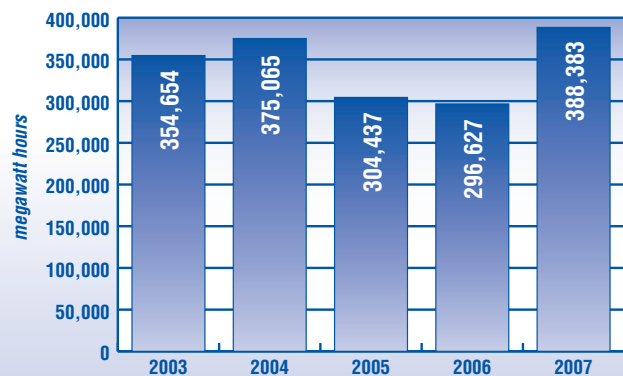
Operating revenues increased \$26.1 million (20.0%) in 2007. This was due in part to a rate increase of 8.0%, as well as an increase in retail kilowatt-hour sales of 3.3% and an increase in wholesale revenues of 33.3%. Also included in this increase is revenue of \$2.2 million from the Clean Air Rider instituted in 2007. This revenue will be used to make debt payments on the bonds issued for the Emission Reduction Project at Silver Lake Plant.

Electric Operating Revenues

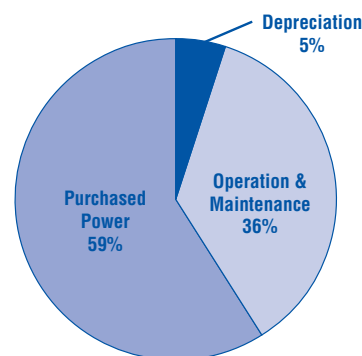


Number of Electric Customers



Electric Peaks**Electric Retail Sales****Wholesale Sales***Operating Expenses*

Operating expenses increased \$19.7 million (16.9%) in 2007, due to increases in purchased power and generation fuel costs. The primary driver of operating expenses for the Electric Utility continues to be purchases of power from SMMPA and from the MISO market, which comprised 59% of total Utility operating expenses.

Electric Operating Expenses*In-Lieu-of-Tax Payments*

The Electric Utility transfers an amount to the City of Rochester's General Fund each month based on the amount of retail kilowatt-hours sold. Due to the increased kilowatt-hour sales because of the hot summer, as well as an increase in the in-lieu-of-tax rate of 3.2%, payments to the City increased by \$554,000.

Other Income and Expense

Other income increased \$1.2 million (48.6%) in 2007. This was due to an increase in interest revenue earned on the proceeds from revenue bonds issued in March 2007.

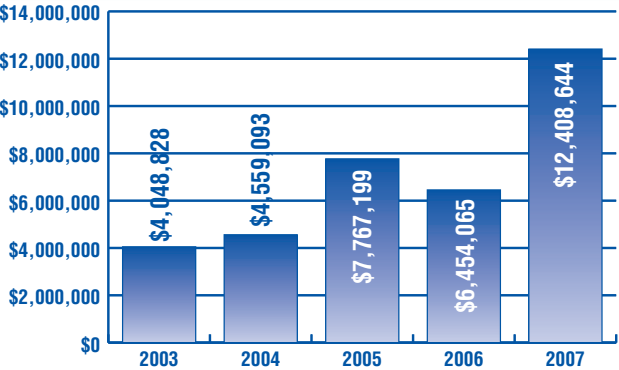
Interest Expense

Interest expense increased \$1.2 million in 2007 due to \$76.7 million in revenue bonds being issued in March 2007.

Change in Net Assets

The increase in net assets for 2007 was \$12.4 million, \$5.9 million (92.3%) more than in 2006. This is primarily due to the rate increase of 8% effective January 2007, as well as the increase in retail kilowatt-hour sales and wholesale revenues.

Change in Net Assets

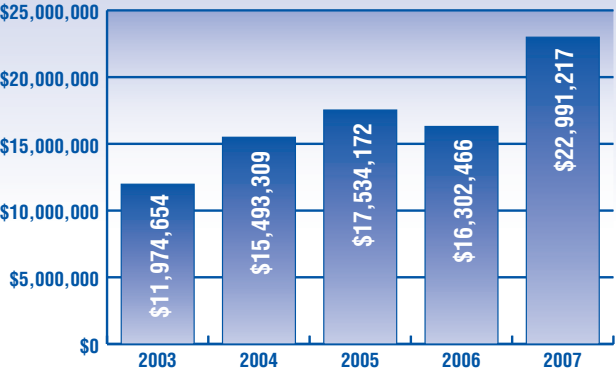


Cash and Other Assets

The ending unrestricted cash balance for 2007 was \$23.0 million, \$6.7 million higher than 2006. This is primarily due to the increase in operating revenues. It is also due in part to the fact that the Utility was able to keep a small portion of bond proceeds in unrestricted cash as reimbursement for capital expenditures incurred in the latter part of 2006.

In 2005, the Utility Board revised the Financial Liquidity policy to address business risks and better position RPU for the future. Four cash reserve components were established along with guidelines for the calculation of cash reserve targets. Each year as the budget is finalized and revised projections are made for the subsequent four years, new cash reserve targets are developed based on the board-policy guidelines. It is management's goal that actual cash reserves will be at 100% of the board-policy cash reserve target by the end of 2010. At the end of 2007, actual cash reserves were at 59.6% of that goal.

Unrestricted Cash – Electric



Other current assets for 2007 were \$26.4 million, \$4.8 million higher than at the end of 2006. This increase was due primarily to more receivables outstanding at the end of 2007, as well as an increase in fuels inventory due to higher fuel prices and build-up of generation fuel inventory.

Other noncurrent assets increased by \$32.2 million in 2007. Unspent proceeds from the revenue bond issue in March 2007, classified as restricted cash, account for the majority of this increase.

Liabilities

Current liabilities increased \$1.8 million in 2007, primarily due to increased accounts payable related to purchased power from SMMPA, fuel purchases, and contracts related to the Emission Reduction project at the end of the year.

Net Assets

Net assets invested in capital assets, net of related debt, decreased \$29.9 million. This decrease reflects additions to capital assets, offset by a large increase in outstanding debt. Capital expenditures are funded through rate-based revenues, fees from customers, and debt proceeds.

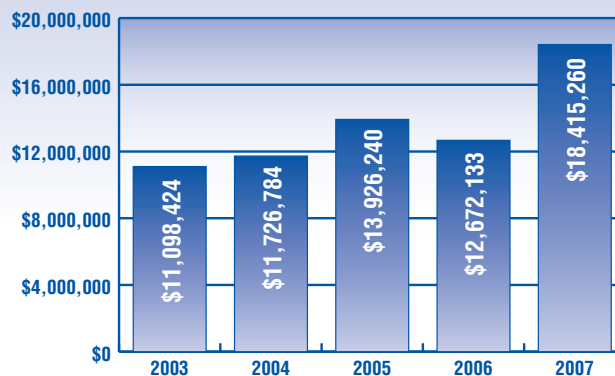
Restricted net assets increased by \$32.1 million. This represents resources that are subject to external restrictions, such as bond covenants or third-party contractual agreements. Specifically, restricted net assets for the Electric Utility consist of amounts placed in escrow for future acquisition of service territory from People's Cooperative Services and cash restricted for bonded projects. See Note 4 to the financial statements for additional details regarding this amount.

Unrestricted net assets are not subject to any constraints by debt covenants or other legal requirements. In 2007, unrestricted net assets increased \$10.2 million due to the results of operations.

CAPITAL ASSETS

At December 31, 2007, the Electric Utility had \$154.2 million invested in a broad range of utility capital assets, including a coal-burning steam generation plant, two gas turbines, a hydroelectric power generation plant, two diesel generators, equipment related to providing Mayo Clinic's Prospect Plant with steam, electric transmission and distribution lines, buildings and equipment. Capital assets increased \$21.8 million in 2007, reflecting investments in the distribution and transmission systems, as well as construction associated with the growth of the City and general facilities of the Electric Utility. Also included in the increase are expenditures on the construction and installation of structures and equipment designed to reduce harmful emissions from the Silver Lake Plant. This increase in capital assets was partially offset by a \$5.9 million increase in accumulated depreciation. Additional details regarding the Utility's total assets (electric and water) may be found in Note 6 to the financial statements. Capital and major maintenance expenses increased by \$5.7 million in 2007, due to a higher dollar amount budgeted for capital projects in 2007.

Capital and Major Maintenance Expenditures



LONG-TERM DEBT

At the end of 2007, the Utility had \$87.0 million in revenue bonds and a \$4.6 million revenue note outstanding. New debt in the amount of \$76.7 million was issued in March 2007. Of this amount, \$46.0 million was issued to finance the emission reduction project at the Silver Lake Plant, as well as transmission and substation work and distribution system expansion. The remaining \$30.7 million was issued to refund, in advance, a portion of the 2000 bond issue due to the lower interest rate that the 2007 issue will carry. The advance refunding is required because the 2000 bonds are not callable until 2010. In addition to the new bond issue, \$2.3 million of debt was retired in 2007 and \$30.2 million was refunded in advance. The Utility was upgraded to an AA- bond rating from Fitch in 2007, and maintained an Aa2 bond rating from Moody's on its revenue bonds. Additional details regarding the Utility's long-term debt may be found in Note 5 to the financial statements.

Financial Analysis – Water Utility

The following discussion provides analysis of the 2007 and 2006 comparative financial information provided in the following table.

Condensed Financial Information - Water Utility

December 31, 2007 and 2006

(In millions)

Statement of Revenues, Expenses, & Changes in Net Assets

	2007	2006	Change
Operating Revenues	\$ 8.2	\$ 7.7	\$ 0.5
Operating Expenses	6.9	6.8	0.1
<i>Operating Income</i>	1.3	0.9	0.4

Transfers

(In-Lieu-Of-Tax Payments)	(0.4)	(0.4)	–
Other Income & Expense	0.1	0.1	–
Interest Expense	(0.1)	–	(0.1)
Capital Contributions	1.3	2.3	(1.0)
Nonoperating Revenue (Expense)	0.9	2.0	(1.1)
<i>Change in Net Assets</i>	2.2	2.9	(0.7)

Net Assets - Beginning of Year	80.6	77.7	2.9
<i>Net Assets - End of Year</i>	\$ 82.8	\$ 80.6	\$ 2.2

Statement of Net Assets

	2007	2006	Change
Cash	\$ 3.8	\$ 1.8	\$ 2.0
Other Current Assets	0.5	1.0	(0.5)
Capital Assets, Net	80.6	79.6	1.0
Other Noncurrent Assets	–	1.5	(1.5)
<i>Total Assets</i>	84.9	83.9	1.0

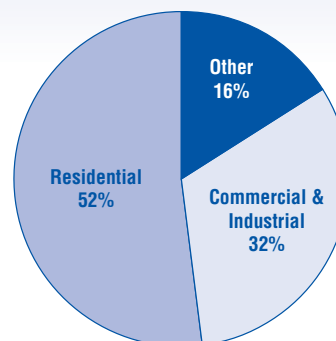
Current Liabilities	1.2	2.0	(0.8)
Long-Term Debt	0.8	1.2	(0.4)
Other Long-Term Liabilities	0.2	0.1	0.1
<i>Total Liabilities</i>	2.2	3.3	(1.1)

Invested in Capital Assets, Net of Related Debt	79.4	78.0	1.4
Restricted	–	1.5	(1.5)
Unrestricted	3.4	1.1	2.3
<i>Net Assets</i>	\$ 82.8	\$ 80.6	\$ 2.2

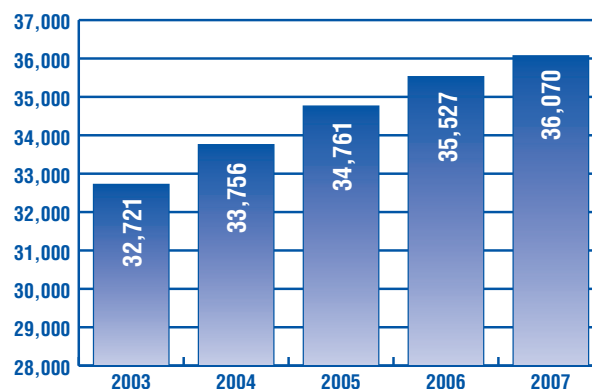
Operating Revenues

Operating revenues increased \$526,000 (6.8%) in 2007. This was primarily due to a rate increase of 5.0%, as well as an increase in sales volume of 1.8%.

Water Operating Revenues



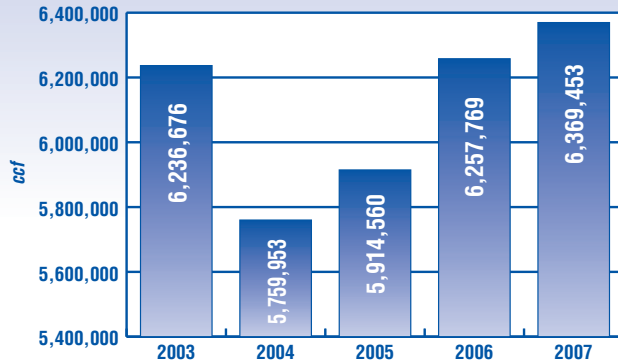
Number of Water Customers



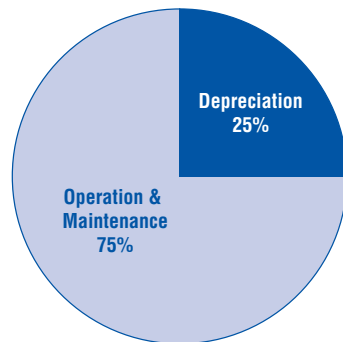
Operating Expenses

Operating expenses increased by \$121,000 (1.8%) in 2007. This was primarily due to increases in salaries and materials and supplies, partially offset by a decrease in payments for outside services.

Water Retail Sales



Water Operating Expenses



In-Lieu-of-Tax Payments

The Water Utility transfers an amount to the City of Rochester's General Fund each month based on the amount of retail ccf (hundred cubic feet) sold. Due to the increase in ccf sold in 2007, as well as an increase in the in-lieu-of-tax rate of 3.2%, payments to the City increased by approximately \$16,000.

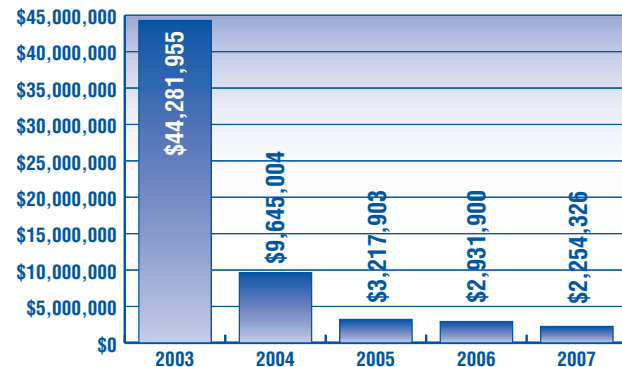
Capital Contributions

Capital contributions decreased \$1 million in 2007. These are assets, primarily water mains and fire hydrants, which are contributed to the Water Utility from both the City and developers. These assets are valued using a costing database that estimates the approximate construction costs associated with these assets.

Change in Net Assets

The increase in net assets for 2007 was \$2.2 million, \$700,000 lower than in 2006. This is primarily due to the decrease in reported capital contributions in 2007. The unusually large increase in net assets for 2003 of \$44.3 million was due to the transfer of capital assets from the City to the Water Utility. This capital contribution resulted in an increase in net assets of \$41.5 million.

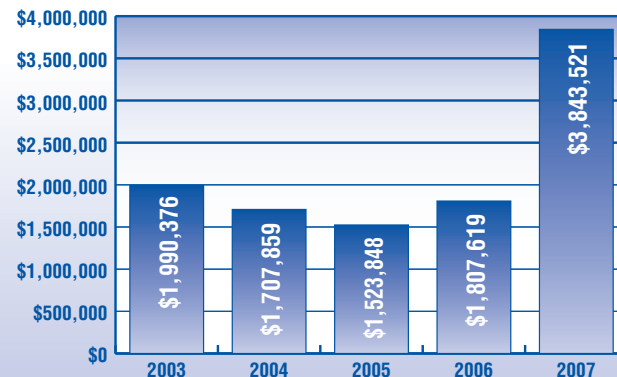
Change in Net Assets



Cash and Other Assets

The ending unrestricted cash balance for 2007 was \$3.8 million, \$2.0 million higher than 2006 due to an increased amount of cash provided by operations in 2007 over 2006. Also contributing to the increase in cash was the fact that the Water Utility borrowed \$1.5 million in 2006 and used the proceeds to fund projects budgeted for in 2007.

Unrestricted Cash – Water



Other current assets for 2007 were \$523,000. These consisted of accounts receivable and inventory.

Liabilities

Current liabilities decreased \$0.8 million in 2007 due to a lesser amount owed to the City at the end of 2007 related to capital projects as well as a decrease in accounts payable.

Net Assets

Net assets invested in capital assets, net of related debt, increased \$1.4 million. This increase reflects additions to capital assets and a decrease in cash restricted for debt-financed projects. Capital expenditures for the Water Utility are funded through rate-based revenues, fees from customers and debt proceeds.

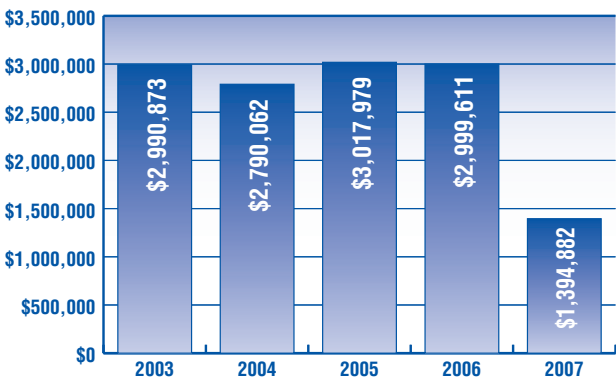
Restricted net assets decreased by \$1.5 million. This represents resources that are subject to external restrictions, such as bond covenants or third-party contractual agreements. Specifically, restricted net assets for the Water Utility consist of note proceeds that are required by the note agreement to be spent on certain capital projects. See Note 4 to the financial statements for additional details regarding this amount.

Unrestricted net assets are not subject to any constraints established by debt covenants or other legal requirements. In 2007, unrestricted net assets increased \$2.3 million due to the results of operations.

CAPITAL ASSETS

At December 31, 2007, the Water Utility had \$80.6 million invested in a broad range of utility capital assets, including 18 water storage facilities, 30 wells, water mains, pump station facilities, buildings, and equipment. Capital assets increased \$3.0 million in 2007, reflecting capital contributions as well as construction associated with the growth of the City and general facilities of the Water Utility. This increase in capital assets was partially offset by a \$2.0 million increase in accumulated depreciation. Additional details regarding the Utility’s total assets (electric and water) may be found in Note 6 to the financial statements. Capital and major maintenance expenses decreased by \$1.6 million in 2007, due to a lower amount budgeted for capital projects in 2007. Some of the major components of capital spending in 2007 were City and developer projects, new wells, water storage facility maintenance, well maintenance and spending on water meters and automated meter reading.

Capital and Major Maintenance Expenditures



LONG-TERM DEBT

At the end of 2007, the Utility had a \$1.5 million revenue note outstanding. No new debt was issued during the year, and \$355,000 was retired in 2007.

Miscellaneous Information

ECONOMIC FACTORS

The City Council has approved Electric and Water rate increases for three consecutive years. In 2005 the Electric Utility had a 3.0% increase followed by increases of 5.0% and 8.5% in January 2006 and April 2006, respectively, and an increase of 5.0% in 2007. The Water Utility has had 5.0% increases each year in 2005, 2006 and 2007. These overall increases will help strengthen RPU’s financial stability by meeting the expected increased costs to operate each Utility, improve system reliability, and build liquidity by increasing cash reserves. The table below compares historical electric and water rate increases with the annual inflation rate, as well as an average for the last ten years.

Year	Inflation	Electric Rates	Water Rates
2008*	2.5%	4.0%	0.0%
2007*	3.4%	8.0%	5.0%
2006	3.2%	13.5%	5.0%
2005	3.4%	3.0%	5.0%
2004	2.7%	3.0%	4.0%
2003	2.3%	0.0%	4.0%
2002	1.6%	3.0%	0.0%
2001	2.8%	0.0%	5.0%
2000	3.4%	4.5%	10.0%
1999	2.2%	0.0%	5.0%
Annualized Average	2.7%	3.8%	4.3%

*Estimated Yearly Values

In addition to inflation, management continually plans for and identifies issues or potential contingencies that could impact future rates, such as system expansion, infrastructure needs, accelerated debt payments, future supply costs, regulatory changes, and others. Growth of the city directly affects several of these factors. With the slowdown in the housing market, growth of the city has slowed as well. In 2007, there were 415 building permits totaling \$81.6 million issued for single-family homes as compared to 506 permits totaling \$105.4 million in 2006. Commercial building permits numbered 52 for both 2007 and 2006, but the dollar amount totaled \$33.4 million in 2007 and \$79.8 million in 2006. After examining all of these factors in the budgeting process, RPU has projected electric rates to increase over the next five years, while water rates are expected to remain steady.

REQUESTS FOR INFORMATION

The consolidated financial statements, notes, and management discussion and analysis are designed to provide a general overview of RPU’s finances. Questions concerning any of the information provided in this report should be directed to RPU at 4000 E River Rd NE, Rochester, MN 55906. The phone number is (507) 280-1500. Additional information regarding RPU may also be found on its website at www.rpu.org.

**Consolidated
Statements
of Revenues,
Expenses,
and Changes
in Net Assets**

	Years Ended December 31	
	2007	2006
Operating Revenues:		
Electric:		
Retail	\$116,320,040	\$102,368,938
Wholesale	29,957,515	22,481,255
Other	10,494,896	5,873,176
Water	8,273,714	7,747,855
Total Operating Revenues	165,046,165	138,471,224
Operating Expenses:		
Purchased Power	79,982,503	68,444,307
Operations and Maintenance	54,331,600	46,268,718
Depreciation	8,580,069	8,442,545
Total Operating Expenses	142,894,172	123,155,570
Operating Income	22,151,993	15,315,654
Nonoperating Income (Expenses):		
Investment Income	3,371,636	1,230,243
Interest Expense	(3,569,543)	(2,331,336)
Miscellaneous, Net	200,639	1,215,733
Total Nonoperating Income (Expenses)	2,732	114,640
Income Before Transfers/Capital Contributions	22,154,725	15,430,294
Transfers Out	(8,911,606)	(8,340,824)
Capital Contributions	1,419,851	2,296,494
Change in Net Assets	14,662,970	9,385,964
Net Assets, Beginning of Year	201,659,511	192,273,547
Net Assets, End of Year	\$216,322,481	\$201,659,511

See Notes to Consolidated Financial Statements Found on Pages 35-39

Income by Segments of Business

2007 Financial Statements

2007	Electric	Water	Total
Operating Revenues:			
Retail	\$116,320,040	\$7,651,897	\$123,971,937
Wholesale	29,957,515	—	29,957,515
Other	10,494,896	621,817	11,116,713
Total Operating Revenues	156,772,451	8,273,714	165,046,165
Operating Expenses	135,956,555	6,937,617	142,894,172
Operating Income	20,815,896	1,336,097	22,151,993
Nonoperating Income (Expense)	(16,356)	19,088	2,732
Income Before Transfers/Capital Contributions	20,799,540	1,355,185	22,154,725
Transfers Out	(8,525,577)	(386,029)	(8,911,606)
Capital Contributions	134,680	1,285,171	1,419,851
Change in Net Assets	\$12,408,643	\$2,254,327	\$14,662,970

2006	Electric	Water	Total
Operating Revenues:			
Retail	\$102,368,938	\$7,156,230	\$109,525,168
Wholesale	22,481,255	—	22,481,255
Other	5,873,176	591,625	6,464,801
Total Operating Revenues	130,723,369	7,747,855	138,471,224
Operating Expenses	116,338,775	6,816,795	123,155,570
Operating Income	14,384,594	931,060	15,315,654
Nonoperating Income (Expense)	40,710	73,930	114,640
Income Before Transfers/Capital Contributions	14,425,304	1,004,990	15,430,294
Transfers Out	(7,971,240)	(369,584)	(8,340,824)
Capital Contributions	—	2,296,494	2,296,494
Change in Net Assets	\$6,454,064	\$2,931,900	\$9,385,964

See Notes to Consolidated Financial Statements Found on Pages 35-39

Consolidated Statements of Net Assets

	December 31	
	2007	2006
ASSETS:		
Current Assets:		
Cash and Cash Equivalents (Note 3)	\$26,834,739	\$18,110,086
Accounts Receivable and Accrued Utility Revenues	13,998,473	13,055,589
Fossil Fuel Inventory	7,652,951	4,650,345
Materials and Supplies Inventory	5,173,324	4,801,849
Other Current Assets	95,349	89,130
Total Current Assets	53,754,836	40,706,999
Non-Current Assets:		
Restricted Assets (Note 4):		
Cash and Cash Equivalents	36,184,899	5,753,242
Amounts Held in Escrow	2,132,585	1,944,564
Total Restricted Assets	38,317,484	7,697,806
Deferred Charges:		
Unamortized Bond Issuance Costs	893,870	597,484
Other	658,724	885,936
Total Deferred Charges	1,552,594	1,483,420
Capital Assets:		
Construction Work in Progress	24,840,224	11,060,617
Land and Land Rights	3,448,237	3,175,326
Depreciable Assets, Net (Note 6):		
Electric	128,987,172	128,050,490
Water	77,518,824	75,493,900
Net Capital Assets	234,794,457	217,780,333
Total Non-Current Assets	274,664,535	226,961,559
Total Assets	\$328,419,371	\$267,668,558

See Notes to Consolidated Financial Statements Found on Pages 35-39

	December 31	
	2007	2006
LIABILITIES:		
Current Liabilities:		
Accounts Payable	\$11,054,530	\$10,445,379
Due to Other Funds	1,626,606	2,290,787
Accrued Compensated Absences	1,880,834	1,592,217
Customer Deposits	486,214	489,146
Interest Payable	330,324	172,726
Current Maturities of Long Term Debt (Note 5)	2,748,149	2,195,000
Deferred Credits	280,467	181,395
Total Current Liabilities	18,407,124	17,366,650
Non-Current Liabilities:		
Accrued Compensation and Compensated Absences	1,364,555	1,299,215
Accrued Claims	99,000	110,000
Long-Term Debt (Note 5)	91,415,156	46,385,707
Unearned Lease Revenues	811,055	847,475
Total Non-Current Liabilities	93,689,766	48,642,397
Commitments and Contingencies (Note 10)		
Total Liabilities	\$112,096,890	\$66,009,047
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	\$144,891,163	\$173,410,724
Restricted for Construction (Note 4)	31,924,889	1,522,809
Restricted for Service Territory Acquisition (Note 4)	2,132,585	1,944,564
Unrestricted Net Assets	37,373,844	24,781,415
Total Net Assets	\$216,322,481	\$201,659,512

See Notes to Consolidated Financial Statements Found on Pages 35-39

Consolidated Statements of Cash Flows

	Years Ended December 31	
	2007	2006
Cash Flows From Operating Activities:		
Cash Received from Customers	\$161,357,154	\$135,197,839
Cash Paid to Suppliers and Employees	(139,149,618)	(114,904,085)
Internal Activity – Payments From Other Funds	4,137,164	4,181,568
Net Cash Provided By Operating Activities	26,344,700	24,475,322
Cash Flows From Noncapital Financing Activities:		
Operating Transfers to Other Funds	(8,873,026)	(8,321,148)
Cash Flows From Capital and Related Financing Activities:		
Capital Contributions	134,680	–
Additions to Utility Plant and Other Assets	(23,100,064)	(12,386,619)
Service Territory Acquisition	(484,495)	(597,875)
Payments on Bonds and Notes Payable Obligations	(34,660,597)	(4,114,437)
Proceeds from Issuance of Bond Payable	76,680,000	1,525,000
Net Cash Provided By (Used In)		
Capital and Related Financing Activities	18,569,524	(15,573,931)
Cash Flows From Investing Activities:		
Interest Received	3,303,133	1,307,248
Service Territory Escrow Payments	(188,021)	(1,284,177)
Net Cash Provided By Investing Activities	3,115,112	23,071
Net Increase in Cash and Cash Equivalents	39,156,310	603,314
Cash and Cash Equivalents, Beginning of Year	23,863,328	23,260,014
Cash and Cash Equivalents, End of Year	\$63,019,638	\$23,863,328
Classified As:		
Current Assets	\$26,834,739	\$18,110,086
Restricted Assets	36,184,899	5,753,242
Total Cash and Cash Equivalents, End of Year	\$63,019,638	\$23,863,328
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$22,151,993	\$15,315,654
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	8,580,069	8,442,545
Other	156,465	1,371,055
(Increase) Decrease In:		
Accounts Receivable and Accrued Utility Revenues	(992,885)	(1,250,393)
Inventories	(3,374,081)	(1,349,272)
Prepaid and Other Current Assets	(9,975)	(19,426)
Increase (Decrease) In:		
Accrued Liabilities and Accounts Payable	(226,606)	1,835,225
Customer Deposits	(2,932)	67,921
Unearned Lease Revenues	(36,420)	(36,420)
Other	99,072	98,433
Net Cash Provided by Operating Activities	\$26,344,700	\$24,475,322
Non-Cash Capital and Related Financing Activities:		
Additions to Utility Plant and Other Assets Contributed by the City's Governmental Funds	\$426,892	\$330,141
Additions to Utility Plant and Other Assets Contributed by Developers	\$858,279	\$1,966,353

Notes to Consolidated Financial Statements

NOTE 1: Organization and Summary of Significant Accounting Policies

Organization and Accounting Method

Rochester Public Utilities ("Utility") is a municipal utility. The Electric Utility is engaged in the generation, transmission, and distribution of electric power and energy, and related activities. The Water Utility is engaged in the supply, purification, and distribution of water, and related activities. The equity of the Utility is vested in the City of Rochester, Minnesota. The Utility is comprised of two proprietary funds, the Electric and the Water Enterprise Funds of the City of Rochester, Minnesota. Activities are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. The Utility prepares its financial statements as a proprietary fund in conformity with the applicable pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, the Utility has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989, to the extent they do not conflict with or contradict GASB pronouncements. Interfund transactions are not eliminated for purposes of the consolidated financial statements.

Operating Revenues

Meters are read through a series of monthly cycles. Accounts are billed based on a combination of fixed charges and charges for actual usage. Utility tariffs for electric service include a power supply adjustment under which electric rates charged to customers are adjusted to reflect changes in power supply costs. Other activities are billed according to contractual arrangements and fees, or fees for services provided. Utility revenues are recognized on the accrual basis of accounting and include estimated amounts for service rendered but not billed.

Accounts Receivable

The Utility provides an allowance for losses on receivables, as needed, for accounts considered uncollectible.

Capital Assets, Depreciation and Amortization

Electric and water capital assets are recorded at original cost. Additions to utility plant and significant replacements are recorded at cost. Cost includes components of labor, materials and overhead. Depreciation expense is recorded using the straight-line method over the expected useful life of the asset, which ranges from five years to seventy-five years. Purchased service territory rights are amortized over a forty-year period on a straight-line basis.

Contributions in Lieu of Taxes

Contributions in Lieu of Taxes are paid by the Utility to the General Fund of the City of Rochester based upon the monthly commodity sales billed by the electric and water utilities, and are reported as Transfers Out in the Statement of Revenues, Expenses and Changes in Net Assets.

Inventories

Inventories consist of materials, supplies, and fossil fuels used in Utility operations. Materials and supplies inventory is valued at the lower of moving average cost or market. Fossil fuel inventory is valued at cost, using the last-in, first-out method.

Compensated Absence Benefits

Vacation pay, which is payable upon termination, is accrued as it is earned by employees.

The Utility's sick leave liability is estimated based on the Utility's past experience of making termination payments for sick leave. Employees are compensated upon termination for forty percent of their unused sick leave, after meeting certain qualifications.

Amortization of Bond Issuance Costs and Bond Discount/Premium

Bond issuance costs, bond discounts and bond premiums are amortized over the terms of the related bond issues using the interest method.

Taxes

In accordance with certain provisions of the United States Internal Revenue Code and related federal and state governing laws and regulations, the Utility is exempt from federal and state income taxes, and local property taxes.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from the estimates.

Reclassifications

Certain reclassifications have been made to the 2006 financial statements to conform to the 2007 presentation.

Concentration of Credit Risk

Financial instruments which expose the Utility to a concentration of credit risk consist primarily of cash equivalents and accounts receivable.

Cash equivalents are primarily comprised of the Utility's equity in the City of Rochester cash and investment pool. Credit risk factors associated with the cash and investment pool are disclosed in Note 3.

The Utility's accounts receivable are generally due from a large number of residential and business retail customers who are concentrated geographically in or near the City of Rochester.

NOTE 2: Revenues

Revenue, consisting primarily of billings to customers for Utility services, includes accrued Utility revenue amounts of \$3,777,452 and \$3,175,803 for the years ended December 31, 2007 and 2006, respectively.

Sales to the Utilities single largest retail customer were \$16,512,380 and \$13,656,633 in 2007 and 2006, respectively. During the year ended December 31, 2007, no other customer accounted for more than 10% of operating revenues. Sales to other funds of the City of Rochester were \$4,180,086 and \$3,376,895 for the years ended December 31, 2007 and 2006, respectively.

NOTE 3: Cash and Cash Equivalents

The Utility considers all temporary cash investments, including the Utility's equity in the City of Rochester investment pool, to be cash and cash equivalents. Generally, cash equivalents are highly liquid investments. A portion of the Utility's cash and cash equivalents are held in the City of Rochester cash and investment pool or the Utility's checking account and related investment sweep account. The investment sweep account automatically invests excess checking account funds at competitive market rates under the terms of a sweep repurchase agreement. After all debit and credit transactions have posted at the end of each business day, excess balances are automatically invested in the sweep account overnight in order to maximize the use of idle funds, including the cash float from outstanding checks. The investments of this sweep account consist of direct obligations or those that are fully guaranteed as to the principal and interest by the U.S. Government or its agency and are collateralized at 110% of market value.

All deposits are insured or collateralized by securities held by the City of Rochester or its agents in the City's name.

The Utility's equity in the City of Rochester cash and investment pool is based on actual cash receipts and disbursements and a monthly allocation of investment earnings on a pro-rata basis. Investments held in the investment pool are disclosed in the notes to the City of Rochester's basic financial statements included in the City's 2007 Comprehensive Annual Financial Report .

NOTE 4: Restricted Assets

Restricted Cash and Cash Equivalents

Under the provisions of the 2000A and 2002A revenue bonds, the Electric Utility is required to fund a debt service account in an amount equal to the following year's bond principal and interest payments at least by the date the debt service payments are due each year. In addition to the debt service account, bond provisions require that \$4,260,011 of the bond proceeds be deposited in a reserve account to be used to pay bond principal and interest payments if funds in the debt service account are insufficient. Under the provisions of the bond agreements and a revenue note, unspent proceeds are placed in a construction fund until capital expenditures are made.

Restricted Cash and Cash Equivalents are summarized as follows:

	2007	2006
Reserve Account	\$ 4,260,011	\$ 4,230,433
Construction Fund	31,924,888	1,522,809
Total Restricted Cash		
and Cash Equivalents	\$ 36,184,899	\$ 5,753,242

Restricted Amounts Held in Escrow

In accordance with a territorial rights agreement with People's Cooperative Services, the Utility deposits funds in an escrow account managed by a fiscal agent upon annexation of areas in service territories assigned to People's Cooperative Services. Upon agreement of compensation for the transfer of the service territory rights to the Utility, the funds in escrow are returned to the Utility. The service territory escrow fund totaled \$2,132,585 and \$1,944,564 at December 31, 2007 and 2006 respectively.

NOTE 5: Long-Term Debt

At December 31, 2007 and 2006, long-term debt consisted of the following:

	2007	2006
Revenue Bonds, Series 2007C 4.00% - 5.00%, due each December 1 through 2030	\$ 76,185,000	\$ -
Revenue Bonds, Series 2002A 3.00% - 4.50%, due each December 1 through 2017	8,305,000	8,965,000
Revenue Bonds, Series 2000A, 4.75% - 5.25%, due each December 1 through 2010	2,490,000	33,410,000
Revenue Note Payable, principal due each December 1 through 2014, interest due each June 1 and December 1 at variable rate, currently 3.95%	4,610,000	5,035,000
Revenue Note Payable 3.80%, principal due each December 1 through 2010, interest due monthly	1,170,000	1,525,000
Capital lease obligations	663,703	-
Less: Unamortized Discount	208,935	394,225
Less: Unamortized Deferred Amount on Refunding	2,063,576	-
Plus: Unamortized Premium	3,012,113	39,932
Less: Current Maturities	2,748,149	2,195,000
Total Long-Term Debt	\$ 91,415,156	\$ 46,385,707

The revenue bonds and notes are secured by all funds and revenues of the Utility derived from the ownership and operation of its electric and water utility systems. The bond issuance costs, bond discount and bond premium, and deferred amount on refunding are amortized over the terms of the bond issues.

In March 2007, the Electric Utility issued \$76.2 million in Revenue Bonds, Series 2007C, to finance the emission reduction project at Silver Lake Plant, transmission and substation work, and distribution system expansion, and to advance refund the majority of the outstanding Series 2000A Bonds. With respect to the refunded portion, net proceeds of \$31.7 million (after payment of underwriting fees, insurance, and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the Series 2000A Bonds. As a result, the 2011-2030 maturities of the Series 2000A Bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

The advance refunding resulted in a difference between the reacquisition price and net carrying amount of the old debt of \$2,172,658. This difference, reported in the financial statements as a deduction from revenue bonds payable, is being amortized and charged to operations over the bond term using the interest method. The Utility completed the advance refunding to reduce its total debt service payments over the next 23 years by \$3.1 million and to obtain an economic gain (difference between the present values of the old and the new debt service payments) of \$2.0 million. At December 31, 2007, \$30,165,000 of revenue bonds outstanding are considered defeased.

The annual requirements to amortize all debt outstanding as of December 31, 2007, including interest payments of \$59,227,632 are as follows:

	Revenue Bonds	Notes Payable	Capital Leases
2008	\$ 5,632,956	\$ 1,109,650	\$ 238,086
2009	5,627,619	1,143,772	238,086
2010	5,632,769	1,174,216	235,065
2011	5,627,681	780,372	-
2012	5,631,081	817,902	-
Thereafter	116,994,575	1,768,019	-
Total	\$ 145,146,681	\$ 6,793,931	\$ 711,237

NOTE 6: Capital Assets

Major classes of depreciable assets and total accumulated depreciation as of December 31, 2007 and 2006 are as follows:

	2007	2006
Intangible Plant Assets	\$ 9,052,590	\$ 8,568,095
Buildings, Structures, and Improvements	34,616,986	34,496,875
Installations, Equipment, and Fixtures	283,114,470	272,618,170
Total Depreciable Assets	326,784,046	315,683,140
Less: Accumulated Depreciation	120,278,050	112,138,750
Net Depreciable Assets	\$ 206,505,996	\$ 203,544,390

In 2007 capital assets totaling \$426,892 were contributed to the Utility by other funds of the City of Rochester, and \$858,279 were contributed to the Utility by others.

NOTE 7: Southern Minnesota Municipal Power Agency

The Utility is a voting member of the Southern Minnesota Municipal Power Agency (SMMPA). The Utility has entered into a power purchase contract with SMMPA, whereby SMMPA will provide all Utility power requirements up to 216 megawatts, the contract rate of delivery. This contract expires in the year 2030. In 1999, the Utility and SMMPA agreed to a contract rate of delivery (CROD) that began in 2000. The CROD caps the amount of power SMMPA must supply to the Utility under the power purchase contract. The Utility is responsible for acquiring its power needs above the CROD. The Utility purchased 1,323,149,868 and 1,276,555,301 kilowatt hours totaling \$80,272,085 and \$68,848,823 from SMMPA during the years ended December 31, 2007 and 2006, respectively.

The Utility was reimbursed \$1,860,347 and \$1,846,299 for the years ended December 31, 2007 and 2006 respectively, for its share of previous SMMPA charges. These reimbursed charges are reported as offsets to purchased power costs.

The Utility leases a portion of its electrical transmission system, known as the North Loop, to SMMPA under a non-cancelable operating lease through the year 2030. The Utility is responsible for all operating and maintenance costs. The Utility received a lump sum payment of \$1,500,000 in 1989 and lease revenues are being recognized ratably over the lease term.

NOTE 8: Pension Plans

The Utility participates in a statewide retirement plan administered by the Public Employees Retirement Association (PERA) of Minnesota. PERA administers the Public Employees Retirement Fund (PERF) which is a cost sharing, multiple employer retirement plan. PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits and annual contributions are established by State statute. Total required contributions made during the year ended December 31, 2007 were \$1,636,766 of which \$852,500 was made by the Utility and \$784,266 was made by the Utility's employees.

PERA does not make separate measurements of assets and pension benefit obligations for individual employers participating in the plan. PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF. That report may be obtained by writing to PERA, 60 Empire Dr. # 200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

The Utility had maintained an unqualified supplemental pension plan. The plan was unfunded and was discontinued in 1968. Funds have been deposited with a plan administrator to fund the estimated benefits due under the plan. The pension reserve deposit as of December 31, 2007 and 2006 was \$81,853 and \$87,708, respectively. Payments under the plan for 2007 and 2006 were \$11,052 and \$12,080, respectively.

NOTE 9: Legal Matters

The Utility continues to pursue the acquisition of certain electric service rights from People's Cooperative Services, a rural Utility system. At times this involves proceedings before the Minnesota Public Utilities Commission and the Minnesota courts, and negotiation of various settlement agreements with People's Cooperative Services.

In 2005, the City of Rochester brought a claim against Southern Minnesota Municipal Power Agency (SMMPA) its primary wholesale power supplier, seeking a declaratory judgement that by virtue of the establishment of a "contract rate of delivery (CROD)" in 1999 under Rochester's contract with SMMPA, Rochester is not obligated to pay the capital costs of new generating resources. Rochester also alleged breach of contract related to the process by which SMMPA establishes its rates and the possibility that SMMPA might have overcollected costs through rates charged to RPU (and others) under the Power Sales Contract since 2003. In 2006, Rochester amended and supplemented its claims. With respect to the CROD-related count, Rochester amended the requested judgment to state that SMMPA

cannot charge Rochester for the capital costs of generating facilities exceeding the 216 MW CROD. With respect to the breach of contract issues regarding rates, Rochester amended and supplemented the count to argue that SMMPA has not followed correct ratemaking procedures and may have undercollected important costs in past years.

SMMPA has filed a counterclaim alleging that RPU's steam sale agreement with the Mayo Clinic represents a breach of a 1992 "Settlement Agreement" concerning the use of RPU's Silver Lake Plant. SMMPA also filed counterclaims for declaratory judgment on issues relating to the nature of RPU's obligations under the Power Sales Contract. Early in 2007, SMMPA added a counterclaim requesting a judgment declaring, among other things, that the SMMPA Board has virtually unlimited discretion in setting rates under the Power Sales Contract with Rochester.

No provision for gain or loss related to RPU's claims or SMMPA's counterclaims have been recorded in the accompanying financial statements as it is not possible to predict or determine the outcome of this litigation.

NOTE 10: Commitments and Contingencies

Risk Management Program

The City of Rochester has established a self-insurance program for group health coverage and workers' compensation. Rochester Public Utilities participates in this self-insurance program. The group health program is limited to losses of \$225,000 per claim with a variable annual aggregate, and the workers' compensation coverage is limited to \$800,000 per occurrence, both through the use of stop-loss policies. The City recognizes a liability on individual claims when a loss is probable and the amount can be reasonably estimated. In addition, the City recognizes an estimated liability on unreported claims that are incurred but not yet reported. The Utility recognized an estimated liability for workers' compensation claims of \$37,000 and \$40,000 at December 31, 2007 and 2006, respectively. No actuarial studies have been performed by independent actuaries.

Power Sales Agreement

The Utility has entered into two agreements with the Minnesota Municipal Power Agency (MMPA) to sell a maximum 100 megawatts of power annually from its Silver Lake Plant to MMPA. Under the terms of the agreements, 100 megawatts of power is sold at fixed rates for providing the availability of generating capacity. The Utility is reimbursed for the fuel-related costs of generating power for half of the energy production. The remaining half of the energy produced is sold into the Midwest Independent System Operator (MISO) market at market-based rates adjusted for SO₂ allowance consumption under a margin-sharing arrangement. The Utility has

an additional agreement with MMPA to market energy from its Cascade Creek combustion turbines (approximately 82 megawatts) into the MISO market, also under a margin-sharing arrangement.

Revenue under these agreements for the years ended December 31, 2007 and 2006 was as follows:

	2007	2006
kWh provided	361,964,472	281,570,153
Payments for availability	\$ 3,539,647	\$ 3,514,433
Reimbursed generation costs	\$ 7,547,614	\$ 5,879,340
Market-based sales	\$ 18,836,092	\$ 12,854,608

Service Territory Settlements

In connection with the acquisitions of certain electric service rights from People's Cooperative Services (PCS), the Utility is required to make payments to PCS based upon the amount of electricity sold in specific territories over a ten-year term. The payment varies by each settlement agreement and ranges from 5.7 mills (tenths of a cent) per kWh to 14.5 mills per kWh. These commitments expire over various periods through 2012. Costs are recognized under these agreements as service is provided.

Report of Independent Auditors

To the Public Utility Board City of Rochester, Minnesota

We have audited the consolidated statements of net assets of Rochester Public Utilities as of December 31, 2007 and 2006 and the related consolidated statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of Rochester Public Utilities' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed more fully in Note 1, the consolidated financial statements present only the Electric and Water Funds and are not intended to present fairly the financial position of the

City of Rochester and the results of its operations and the cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rochester Public Utilities as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 20 through 29 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Smith Schafer and Associates, LLC

Smith, Schafer and Associates, Ltd.
Certified Public Accountants
April 2, 2008
Rochester, Minnesota

Operating and Financial Statistics (unaudited)

ELECTRIC	2007	2006	2005	2004	2003	1998
Retail Customers:						
Residential	42,429	41,926	41,179	40,329	39,244	33,452
General Service	4,519	4,501	4,401	4,210	4,109	3,509
Industrial / Commercial	2	2	2	2	2	2
Other	4	4	4	4	4	4
Total Retail Customers	46,954	46,433	45,586	44,545	43,359	36,967
Retail Sales: (mWh)						
Residential	342,601	333,685	327,162	300,108	304,653	245,631
General Service	640,913	623,563	608,760	592,690	601,394	502,765
Industrial / Commercial	307,952	292,580	286,246	270,939	250,347	220,172
Other	16,431	16,888	16,278	15,998	16,884	15,076
Total Retail Sales (mWh)	1,307,897	1,266,716	1,238,446	1,179,735	1,173,278	983,644
Retail Revenue:						
Residential	\$37,758,843	\$33,537,874	\$29,724,751	\$26,391,940	\$25,876,051	\$19,504,932
General Service	55,981,623	49,559,854	43,813,580	41,172,242	40,375,839	31,485,085
Industrial / Commercial	20,276,556	17,183,144	15,484,581	14,536,253	13,281,822	11,525,563
Other	2,303,018	2,088,066	1,857,280	1,756,415	1,722,054	1,483,261
Total Retail Revenue	\$116,320,040	\$102,368,938	\$90,880,192	\$83,856,850	\$81,255,766	\$63,998,841
Steam Sales (MLBs)	391,828	165,676	17,934			
Steam Revenues	\$4,449,701	\$2,617,899	\$281,966			
Annual Peak (Megawatts)	276.2	288.3	263.8	248.7	261.9	208.9
Total mWh Generated	395,558	304,571	317,899	383,246	361,727	237,388
Total mWh Purchased	1,338,176	1,287,672	1,262,310	1,208,357	1,194,544	1,014,368
Year End Cash Balance	\$61,308,702	\$22,477,464	\$22,396,555	\$19,252,385	\$18,652,198	\$15,985,496
WATER	2007	2006	2005	2004	2003	1998
Retail Customers:						
Residential	32,671	32,143	31,477	30,622	29,663	24,645
Industrial / Commercial	3,399	3,384	3,284	3,134	3,058	2,659
Total Retail Customers	36,070	35,527	34,761	33,756	32,721	27,304
Retail Sales: (ccf)						
Residential	3,180,064	3,176,005	3,002,546	2,751,441	3,314,437	2,552,172
Industrial / Commercial	3,189,389	3,081,764	2,912,014	3,008,512	2,922,239	3,258,120
Total Retail Sales (ccf)	6,369,453	6,257,769	5,914,560	5,759,953	6,236,676	5,810,292
Retail Revenue:						
Residential	\$4,257,801	\$4,017,533	\$3,677,305	\$3,303,751	\$3,423,496	\$2,191,305
Industrial / Commercial	2,865,348	2,643,985	2,392,942	2,275,949	2,141,201	1,808,859
Public Fire Protection	528,748	494,712	450,215	429,228	401,055	231,247
Total Retail Revenue	\$7,651,897	\$7,156,230	\$6,520,462	\$6,008,928	\$5,965,752	\$4,231,411
Total Pumped (billion gallons)	5.1	5.1	4.7	4.6	5.0	4.7
Year End Cash Balance	\$3,843,521	\$3,330,428	\$1,523,848	\$1,707,859	\$1,990,376	\$2,047,181

General Information

Rochester Public Utilities Leadership

- Larry Koshire, General Manager
- Walter Lorber, Director of Core Services
- Susan Parker, Director of Corporate Services
- Jim Walters, Director of Customer Relations
- Joe Hensel, Director of Field Services
- Walter Schlink, Director of Power Resources

Utility Board

- John (Jack) Jibben, Board Member, *Vice Chair of Campus Planning/ Project Coordination, Mayo Clinic*
- Dave Reichert, Board Member, *Facilities Engineering Manager, IBM*
- Richard Landwehr, Board President, *Director of Business Development, Weis Builders Inc.*
- Roger Stahl, Board Member, *Attorney; Wendland, Utz, Stahl, Mintz, Ltd.*
- Dennis Hanson, Board Member and City Council Liaison, *City Council President, City of Rochester & Director of Business Development, Kruse Lumber*

Advisors and Consultants

- Smith, Schafer and Associates, Ltd., Independent Auditors
- Briggs & Morgan, Bond Counsel
- Springsted Public Finance Advisors, Financial Advisors

Headquarters

- Rochester Public Utilities
4000 East River Road NE
Rochester, MN 55906-2813
800-778-3421
507-280-1500
www.rpu.org



Rochester Public Utilities Leadership

Pictured from left to right:

- Larry Koshire, General Manager
- Walter Lorber, Director of Core Services
- Susan Parker, Director of Corporate Services
- Jim Walters, Director of Customer Relations
- Joe Hensel, Director of Field Services
- Walter Schlink, Director of Power Resources



Utility Board

Pictured from left to right:

- John (Jack) Jibben, Board Member, *Vice Chair of Campus Planning/ Project Coordination, Mayo Clinic*
- Dave Reichert, Board Member, *Facilities Engineering Manager, IBM*
- Richard Landwehr, Board President, *Director of Business Development, Weis Builders Inc.*
- Roger Stahl, Board Member, *Attorney; Wendland, Utz, Stahl, Mintz, Ltd.*
- Dennis Hanson, Board Member and City Council Liaison, *City Council President, City of Rochester & Director of Business Development, Kruse Lumber*
(Also pictured to the far right is Larry Koshire, RPU General Manager.)



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